

# NON-TARIFF TRADE RESTRICTIONS

## INTRODUCTION

In recent articles published in the *Bulletin* New Zealand's use of the customs tariff and import licensing were examined. In this article the perspective from which trade restrictions are viewed is reversed. The article looks instead at the range of restrictive practices which other countries operate and the effects which these have on trade and on New Zealand's export trade in particular. It is primarily concerned with non-tariff trade barriers although comment is also included on some levies which are akin to tariffs in their impact.

The range of restrictive trade practices applied worldwide is very wide, including not only tariffs but also a broad range of quantitative and administrative restrictions. When, under the auspices of the General Agreement on Tariffs and Trade (GATT), contracting parties to the Agreement were invited to supply information on restrictive practices other than tariffs which were affecting their exports, over 900 different restrictive practices were identified covering almost 30 basic types of restriction.

Tariffs were the subject of considerable scrutiny by GATT members in the 1950s and 1960s, with some progress being made towards achieving the objective of a widespread lowering of the level of tariff restrictions imposed on international trade. However, as the level of many tariffs was reduced, the importance of the role of other forms of restrictive trade practice in inhibiting trade came to be appreciated. For this reason, negotiations under the GATT during the 1970s were concentrated on efforts to reduce these other forms of restrictive trade practice.

Non-tariff trade barriers can be defined in general terms as any government device or practice, other than a tariff, which discriminates against imports by applying less onerously to domestic production and distribution or which tends to protect domestic production from external competition. They include various types of government intervention in trade; customs and administrative entry procedures; certain industrial, health or safety standards and packaging, labelling and marketing regulations; specific limitations on imports and exports as in licensing arrangements; and restraints on imports and exports by way of pricing mechanisms.

The article looks first at the range of practices which come under the heading of non-tariff trade barriers and the effects such practices have on trade in general. Reference is made to the actions being taken under the GATT and in other negotiating fora to try and achieve a reduction in both the level and variety of restrictions being used. The article then examines the range of non-tariff trade barriers being encountered by New Zealand's exports and considers their effects on the country's export trade.

## TYPES OF NON-TARIFF TRADE BARRIERS

As part of the continuing objective of securing reductions in all forms of protective devices adversely affecting international trade, the GATT contracting countries have devoted a considerable amount of time over the last decade or so to an examination of non-tariff trade barriers. Before any effective attempt could be made to reduce these barriers, it was considered

necessary to identify precisely what sort of non-tariff trade barriers were being implemented. In 1968 the compilation of a detailed record of existing restrictions affecting agricultural and industrial products was initiated. This was based on submissions from countries about the non-tariff trade barriers to which their exports were subjected. From the results the following listing of broad categories of restrictive practices was prepared:

### Section 1:

Government participation in trade, including:

- (a) production subsidies;
- (b) export subsidies;
- (c) countervailing duties;
- (d) government procurement and restrictive business and union practices;
- (e) state-trading enterprises in market-economy countries.

### Section 2:

Customs and administrative entry procedures, including:

- (a) customs valuation;
- (b) anti-dumping practices;
- (c) customs classification;
- (d) formalities connected with importation.

### Section 3:

Industrial, health and safety standards and packaging, labelling and marketing regulations.

### Section 4:

Specific limitations on imports and exports, including:

- (a) licensing arrangements;
- (b) quantitative restrictions including embargoes;
- (c) bilateral agreements;
- (d) 'voluntary' restraints;
- (e) minimum prices on textile imports.

### Section 5:

Restraints on imports and exports by the price mechanism, including:

- (a) prior deposits;
- (b) administrative and statistical duties;
- (c) restrictions on foreign wines and spirits;
- (d) discriminatory duties and taxes on imported goods;
- (e) imposed minimum prices on specified imports;
- (f) credit restrictions for importers;
- (g) variable levies;
- (h) border taxes.

Some of these categories represent restrictive practices whenever they are applied. For example, the nature of the impact of quantitative restrictions on imports is to inhibit trade and therefore distort trading patterns. However, a large number of the practices identified are more or less restrictive depending on the way in which they are applied. For this reason it would be unreasonable to advocate the abolition of all these practices.

The diversity of practice and pervasiveness of non-tariff trade barriers in international trade today provide reason enough for attention to be focussed on them in the quest for a less restrictive environment for international trade. Succeeding paragraphs describe the type of impact which some of the more important non-tariff trade barriers have on this trade.

*Production or export subsidy schemes* distort the domestic supply/demand relationship producing a bias against imported goods. The subsidies can take a variety of forms such as favourable purchase terms for domestic products, low interest loans for the purchase of domestically produced export goods, subsidised transport and other subsidies all designed to protect the relatively less efficient domestic production at the expense of imports. Such export subsidies and promotion schemes can be an invidious form of non-tariff interference which makes it difficult for the efficient producer to find markets for his exports either in the country which is subsidising their own production or in third countries where he must compete against the subsidised exports. A counter to this type of practice has been the use of countervailing duties to try to restore the relative prices to their unsubsidised level. However, this can only be resorted to with justification by a country whose domestic production is not subsidised and to whom another country is trying to send its subsidised exports. Those countries who have resorted to countervailing duties have not always been in this position.

Because the Government and the agencies it controls are among the largest producers and consumers of goods in many countries, *government procurement policies* can constitute non-tariff trade barriers on occasions. Discrimination in favour of domestic suppliers or among international suppliers tends to restrict and/or distort international trade in the affected products.

Variations in *customs valuation practices* between different countries or in the same country at different times can generate considerable uncertainty over the value of imported goods for the assessment of customs duties. This uncertainty can have a more restrictive effect on trade than the customs duty itself because the customs valuation is used to assess customs duties, as a basis for taxes and charges levied at ports, and for the administration of licencing and import quotas when they are based on the value of goods. In this situation it becomes difficult for exporters to assess the profitability of the exporting activity and this can prove to be a seriously inhibiting factor.

All countries establish *health and sanitation standards* governing imports, particularly for food products and commodities where the transference of disease or pests may be involved. These standards are normally adopted for legitimate reasons and are not intended to act as trade barriers. Such regulations are only considered to be trade restrictions if they are clearly unreasonable, are applied in a discriminatory manner vis-a-vis domestic products, or if they cause special problems to world trade. Determining whether a regulation is reasonable and being applied properly often requires technical knowledge and, especially in the trade of livestock or fruit and vegetables, is frequently difficult to decide. The multiplicity of these regulations, even when justified, and the variations between countries, create special problems for exporters who frequently must undertake overseas testing and certification procedures to ensure entry to particular markets. Similarly packaging, marking and labelling specifications are imposed on domestic and imported products in the interests of quality control and consumer protection. Such regulations occur in all countries and should only be considered to be non-tariff trade barriers when applied in a discriminatory, inconsistent or unreasonably restrictive manner.

*Quantitative restrictions* such as quotas, embargoes and restrictive licensing are measures which limit the amount of imports or exports of products because they restrict access to markets. These restrictions form the

most frequently used set of non-tariff trade barriers and, except where complete embargoes are applied, usually involve the use of import and export licences. The licensing procedures can be complicated and time consuming. Where this is so they may have a restrictive effect on trade over and above the limit imposed by the restriction itself because the additional administrative and financial burden placed on the trader can amount to a strong deterrent. So-called voluntary restraints are another form of quotas, using the threat of more severe restrictive measures or even embargo to obtain the co-operative reduction in import volumes requested.

*Bilateral agreements* between countries provide for the purchase or exchange of specific commodities or for special concessions to facilitate trade between the countries concerned. Such agreements amount to discrimination against all other countries to the extent that their exports are excluded because of the preference accorded the exports of the parties to the agreement. It can also have a restrictive effect on trade in other commodities between the parties as the agreement encourages producers to concentrate on those commodities which can gain preferential entry while reducing the overall pressure for reductions in the level of protection accorded domestic industry across the board.

Finally, the *variable levy* is a device used by some countries to ensure that domestic output of particular commodities remains price competitive with imports of those commodities. The device is typically used to give domestic output a pricing advantage vis-a-vis imports at some administered benchmark price level. The levy makes it possible to provide a much higher level of protection to domestic producers than can normally be provided by a tariff and, through its flexibility, makes it possible to vary the level of protection accorded to domestic products as market conditions or changes in the administered domestic prices dictate. Because of the pricing advantage accorded the domestic product at the benchmark level, the levy tends to reduce the role of external producers to that of residual suppliers, meeting excess demand when market conditions pull the domestic prices above the benchmark level.

## NON-TARIFF TRADE BARRIERS AND THE GATT

The General Agreement on Tariffs and Trade was drawn up in 1949 with its main objective being the expansion of trade through negotiated reduction and removal of restrictive practices. It was envisaged that through a process of multilateral negotiations, the GATT would provide a forum for the discussion and settlement of international problems and disputes.

Initially, attention was focussed mainly on tariff controls as they were the most widespread form of restriction in use at the time of implementation of the Agreement and it was considered that their reduction and, where possible, removal would do most to help promote increased trade. This meant that the GATT was concerned initially with non-tariff trade barriers only when they prevented the realisation of benefits arising from tariff cuts.

As the general level of tariff protection has declined over the years, there has been an increasing use of non-tariff trade barriers to provide protection for domestic industries. A number of factors contributed to the failure of the GATT to prevent this, notably the provision which permitted countries acceding to the Agreement to continue all pre-existing practices even though they contradicted elements of the GATT which dealt with non-tariff trade barriers.

In theory, the GATT imposed a halt on the implementation of new non-tariff trade barriers after the date of a country's accession. In practice, many provisions have been left open to countries' individual interpretations and these are frequently those which most easily meet the needs of a particular time or situation. The GATT also lacks effective enforcement procedures and some non-tariff trade barriers, such as government purchasing standards and private restrictive practices like market sharing and price fixing, are not covered by the Agreement.

Member countries of the GATT have agreed, in principle, to control imports only through the use of tariffs because quotas and other quantitative restrictions are considered to be more trade distorting than tariffs. Under Article XI there is a general prohibition against the maintenance or introduction of import licensing but this and subsequent articles of the Agreement contain a number of exceptions under which a large number of countries have maintained and on occasions introduced new quantitative restrictions.

Provision exists for the introduction of new quantitative restrictions on agricultural products, a sore point with New Zealand. They can be introduced also on other goods for national security reasons, development purposes and when a country is experiencing balance of payments difficulties. Article XIX, which concerns market disruption, is the only article which permits new quantitative restrictions on non-agricultural trade, allowing member countries to make use of temporary quotas when the position of domestic producers is threatened. This measure has been used by some developed countries to slow down the growth of imports, notably textiles, from developing countries.

The distinction made between the treatment of agricultural and non-agricultural products in this respect has been a source of some friction in GATT negotiations as exporters of agricultural products have sought to assure for their produce the same access conditions as apply for non-agricultural trade.

In the case of export subsidies on industrial products, member countries have agreed to a complete ban on their use. However, less developed countries are not bound by this condition. When subsidised primary products are imported and threaten to injure the domestic industry of the importing countries a countervailing duty may be levied. The use of export subsidies in any circumstances should only be in such a way that there results a more equitable distribution in the shares of world trade in the product concerned. The GATT has also laid down the scope for the use of measures such as the value for duty and anti-dumping or countervailing duties.

Although emphasis in earlier rounds of negotiations under the GATT was placed on reducing and removing tariffs, some progress was made in the area of non-tariff trade barrier removal as evidenced by the Anti-dumping Code (more correctly called The Agreement on the Implementation of Article VI of the General Agreement on Tariffs and Trade) negotiated during the latter stages of the Kennedy Round in the 1960s. This provides uniform rules of procedure for the application of anti-dumping duties and states that signatories of the Anti-dumping Code will no longer impose anti-dumping duties simply because the import price is below the local price in the country of origin. They are required to prove that competition from imported goods is causing or threatening to cause 'material injury' to domestic producers. The anti-dumping duty is to be calculated in relation to the

'injury' rather than the price differential. Without these provisions anti-dumping proceedings could (and were) used as a protective device to raise the price of competitive products on the home market and often caused costly delays or resulted in over compensation for injury.

In the Tokyo Round of negotiations, which occupied much of the 1970s, more emphasis was placed on negotiating agreements on a number of non-tariff trade practices aimed at eliminating or reducing their incidence. Where this did not seem possible the lesser objective of at least seeking to reduce the trade distorting effects was aimed for.

Although there have been divergent views on the success of the Tokyo Round, agreements were formulated in connection with customs valuation, government procurement, import licensing procedures, subsidies and countervailing duties, and technical barriers to trade. These represent at least some progress towards the ultimate objective of a freer environment within which to conduct international trade.

New Zealand has been active in attempting to break down the barriers in world agricultural trade. In multilateral trade negotiations New Zealand has placed particular emphasis on the agricultural sector and has sought commitments from its major trading partners to improve the access for New Zealand's agricultural exports on a long term basis. The outcome of the multilateral trade negotiations during the Kennedy Round fell well short of New Zealand's objectives in this area, especially with regard to market access and trade in dairy products. After the Kennedy Round, at the 24th session of the Contracting Parties of the GATT in 1967, New Zealand obtained agreement to establish a working party on dairy products. This aimed to reduce or remove distortions in commercial trading of dairy products caused by the unlimited use of subsidies. New Zealand aimed to achieve a minimum price scheme for butter and milk powder and, possibly later, an international arrangement for dairy products. In 1969 the test for a minimum import price for skim milk powder agreement was agreed to. However, the arrangement dealt only with some aspects of the problem of dumping while access problems still remained unresolved with a solution depending on international agricultural policies.

Overall the GATT has achieved significant reductions in the level of quantitative restrictions imposed on non-agricultural products. But most of these benefits have accrued to industrial nations whereas restrictions, especially those of a technical nature and import licensing, continue to be imposed on agricultural products. For this reason increasing resistance to any further reductions in restrictions against non-agricultural products, until these are accompanied by similar reductions in relation to agricultural products, has become evident among agricultural exporting nations such as New Zealand.

The Tokyo Round of negotiations, with its greater emphasis on reducing non-tariff trade barriers, signalled a change in priorities for GATT negotiations. The change was not without problems. The principle beneficiaries from the lower level of tariffs for non-agricultural products were mostly the larger industrial nations. Those likely to benefit most from a general lowering of non-tariff trade barriers are the primary product exporting countries, mostly developing or smaller developed countries like New Zealand. Because of this, and the diversity of practices to be examined, there has been greater difficulty in reaching a consensus on the nature of the changes which should be implemented.

Within the multilateral trade negotiations New Zealand has participated actively in the negotiation of agreements governing international trade in dairy products and bovine meat. In particular, New Zealand played a leading role in the formulation of a new and comprehensive International Dairy Agreement. This has established a forum for the exchange of information and consultations among the major dairy exporters and importers as well as establishing a network of minimum export prices for the main dairy products. In addition, New Zealand retains a close interest in the negotiations on the Codes of Conduct which will update and refine the General Agreement on Tariffs and Trade.

### NON-TARIFF TRADE BARRIERS MET BY NEW ZEALAND EXPORTS

This section details some of the major non-tariff restrictions which New Zealand exports encounter in some of our main export markets. It is an illustrative guide only and for a more complete listing of these restrictions interested readers are advised to consult the Department of Trade and Industry. Some indication of the importance of the non-tariff trade barriers listed below can be gained from referring to tables 1 and 2 which show the composition of New Zealand's exports by commodity and country groups respectively.

### AUSTRALIA

In a number of respects the Australian market is relatively highly protected although one to which New Zealand manufacturers have had preferential access under the New Zealand-Australia Free Trade Agreement, NAFTA, for a range of products. For many New Zealand exporters this market has been a stepping stone in their move out into the more intensely competitive international trading environment beyond. The distinguishing feature of the Australian trading relationship for New Zealand is that it is dominated by the exchange of manufactured and other non-traditional exports rather than the exchange of New Zealand agricultural and pastoral exports for manufactured exports of the other party.

Australia is also a large scale producer of primary products similar to New Zealand's agricultural and pastoral exports and it is in this area of trade that the most restrictive non-tariff trade barriers are found. Some of the most important barriers are described below.

#### Sheepmeats:

Australia is a large exporter of sheepmeats and an 'understanding' exists that New Zealand will not export sheepmeat products to Australia.

**TABLE 1**  
Components of New Zealands Exports  
Percentage

Year Ended June	1960	1965	1970	1975	1980
EXPORTS					
Meat	23.2	28.6	35.5	29.2	25.8
Wool	34.7	29.2	19.6	17.3	18.8
Butter	18.6	14.9	10.2	6.8	5.8
Cheese	6.0	5.9	4.4	2.1	1.7
Milk Powders <sup>1</sup>	2.5	—	—	7.0	4.4
Other Dairy Products	1.3	5.3	6.1	3.1	3.9
Other Animal Products	7.2	8.0	7.9	7.7	7.8
Forest Products	2.8	3.4	5.8	8.8	9.8
Other Primary Products	2.5	3.2	5.2	4.5	5.2
Manufactured Exports <sup>2</sup>	2.2	0.9	4.2	12.6	16.0
Miscellaneous	0.8	0.6	1.1	0.9	0.8
Total Exports	100.0	100.0	100.0	100.0	100.0

Source: Derived from data in selected issues of the *Reserve Bank Bulletin*.

1. For 1965 the value of milk powder exported is included in other dairy products.

2. Manufactured exports which are not included elsewhere.

**TABLE 2**  
New Zealand Exports: Market Shares by Percentage

June Year Ending	Britain	Other EEC <sup>1</sup>	Nth America	Japan	Australia	Other	Total
1960	54.6	16.7	13.4	2.6	4.0	8.7	100.0
1965	50.8	16.2	14.1	4.3	4.7	9.9	100.0
1970	35.9	11.1	19.7	9.8	8.1	15.4	100.0
1975	26.6	12.7	17.9	14.2	14.3	14.3	100.0
1980(p)	17.5	13.2	20.0	15.5	15.5	18.3	100.0

Source: Derived from data in selected issues of the Department of Statistics, *Monthly Abstract of Statistics*.

1. For 1960, 1965 and 1970 the figure is for the total EEC as Britain was not a member country at that time.

(p) Provisional.

**Dairy Products:**

New Zealand's exports of cheddar cheese to Australia are restricted to 1,220 tonnes per year although other countries face no such restriction. There is another 'understanding' that butter will not be exported to Australia below an agreed price. The result is an effective ban on exports of New Zealand butter to the Australia market.

**Quarantine Regulations:**

Australia has very severe quarantine restrictions on poultry, eggs, day-old chicks, pork, plants and rooted cuttings which New Zealand exporters believe go beyond that which is reasonable on grounds of health protection. As an example, Australia is the only country which will not accept that trichinosis in pork can be rendered harmless by freezing.

**Textiles, Apparel and Footwear:**

Carpets of tufted and axminster types with a wool content of not less than 80 per cent have their access into Australia limited by a quota restriction of 2.1 million square metres a year. From April 1977 Australia extended the coverage of its tariff quota on certain apparel, textile and footwear lines to include New Zealand where it had previously been exempt. The coverage of the quotas was widened in November 1977 to include additional items in these categories. These moves effectively prevented any further increase in New Zealand's exports of the commodities covered by the quotas.

**Chest-type Deep Freezers:**

Although accorded preferential treatment compared with other countries, New Zealand is limited, for units of less than 350 litres capacity, to a quota of 40,000 a year, while a global quota of 30,000 units is offered.

**Forest Products:**

Australia is not self-sufficient in many forest products and provides duty free access for many forest products from New Zealand under NAFTA. Fibreboard, particle board, printed paper, paperboard and some wooden manufactures have been excluded from this arrangement.

**EUROPEAN ECONOMIC COMMUNITY**

New Zealand's trade relationship with the European Economic Community (EEC) has been dominated for a number of years by the question of continued access to its traditional market in the United Kingdom for exports of dairy products and meat. The EEC has made use of a number of non-tariff trade restrictions to exclude, reduce or undermine the profitability of these exports.

**Dairy Products:**

When the United Kingdom, Denmark and Ireland joined the EEC in 1973, protocol 18 of the Treaty of Accession laid down special conditions under which New Zealand would be able to supply limited and declining quantities of dairy products to the British market. Diminishing annual entitlements for butter and cheese were initially established for the five-year period ending

December 1977. Subsequently, an extension of the special arrangement was negotiated for butter for the three years 1978 – 1980 with further volume reductions built in. Post – 1980 access conditions for butter had not been decided by the end of the year and a month-by-month temporary extension was granted until the final form of post – 1980 access could be determined.

No extension to the special arrangement was made for cheddar cheese after the initial five-year period but in the GATT Multilateral Trade Negotiations the EEC agreed to annual access from 1 July 1980 for 9,500 tonnes of New Zealand cheddar cheese. Under the terms of the agreement reached there the minimum c.i.f. prices to be observed by New Zealand are to be adjusted according to changes in the Community's threshold prices.

Even under the special arrangement, New Zealand butter and cheese exports to the EEC have been heavily penalised by a system of levies designed to keep the market price of the New Zealand product at a level comparable with that of domestically produced products while holding down the c.i.f. return to New Zealand. Exports of butter and cheese outside the Protocol 18 arrangement and exports of other dairy products face the normal third country variable levies of the Community's Common Agricultural Policy which effectively exclude all imports.

**Beef:**

Since 1974 the EEC Commission has introduced a number of measures which have severely restricted beef imports from third countries. The variable levy import system introduced in April 1977 has not allowed for a gradual return to normal marketing conditions as the EEC initially claimed would be the case. The system is a market support system under which a levy of up to 114 per cent can be imposed on imports when market reference prices fall below 90 per cent of relevant guide prices. These guide prices are indicators of domestic price levels at which the EEC considers its producers are receiving an adequate return. The purpose of the variable levies is thus to discourage imports as domestic prices fall in order to reduce the overall volume of products coming on to the market. In this it has been effective. Apart from those permitted under a special GATT and manufacturing grade beef quotas, imports of beef have been minimal.

**Sheepmeats:**

The EEC requires imported sheepmeats to have been processed in accordance with very strict hygiene standards which include a requirement for a 'humane' slaughter method incorporating electrical stunning and special skinning provisions. In themselves the EEC regulations do not constitute an attempt to impose a non-tariff trade barrier but in conjunction with the diverse hygiene and slaughter requirements of other markets they contribute to a major problem for New Zealand processors, namely the need to find a mode of processing sheepmeats which will conform with the, sometimes conflicting, requirements of different markets.

**Apples:**

In the face of high domestic production EEC authorities in 1979 asked southern hemisphere apple exporters to 'voluntarily' limit their exports to the EEC during that season or risk imposition of quotas.

As a result New Zealand agreed to restrict deliveries to 45,000 tonnes for the period while registering its concern that such restraint should not become a regular occurrence.

## UNITED STATES OF AMERICA

New Zealand's principal concerns with the United States, as it is with Canada, centre on the continued restriction of meat and dairy imports. Within the GATT Multilateral Trade Negotiations there has been a dialogue focussed on New Zealand's request for improved and secure access conditions for these products. The United States responded in the negotiations with offers of some tariff concessions and a minimum access commitment on beef and an adjustment to its cheese import quotas which would provide greater security of access but little increase in quantity.

### Beef, Veal and Mutton:

The United States is New Zealand's major market for beef and veal and an important market for lamb. The latter is not subject to import controls.

From 1968 until mid-1972 New Zealand, along with other suppliers, restricted the volume of beef, veal and mutton exports to the United States following a request by the United States. In early 1975 the United States authorities again asked New Zealand to enter into a 'voluntary' restraint agreement. Such agreements have been negotiated in subsequent years when considered necessary by United States authorities. In effect the 'voluntary' restraints are a quota system for if suppliers do not comply, firm quotas will be imposed. In response to the pressure of domestic beef producers, and despite vigorous opposition from New Zealand and other supplying countries, the United States Government passed the Meat Import Act in December 1979. This Act, which amends the Meat Import Law of 1964, effectively increases quota levels when the United States production declines and reduces quotas as production rises. This enables the burden of market supply adjustment to be placed entirely on third country suppliers, especially as this 'open market' policy is subject to a quarterly review of actual imports. For 1980, restraints were not negotiated on imports into the United States because it was estimated that imports from all sources would not reach the overall level allowed under the new Act. For 1981 the United States Department of Agriculture has again proposed that no import restrictions be imposed on meat imports.

### Dairy Products:

With the exception of casein, access to the United States market is controlled by country import quotas for all dairy products. Various quotas have been established since 1955 when the United States obtained a waiver under GATT to impose quotas on certain agricultural products including dairy products. In general, the base quotas which were allocated to traditional suppliers at that time have remained unchanged since they were first implemented. However, as a result of the GATT multilateral trade negotiations the United States formally increased New Zealand's cheese quota to 17,422 tonnes. However, the quotas have been extended to cover an increasingly wide range of products thus preventing an expansion of sales of New Zealand's exports. Persistent pressure from the United States dairy lobby for the introduction of quotas on imports of casein culminated in an International Trade Commission (ITC) investigation. The ITC findings issued in December 1979 did not, however, support the claims of the domestic industry that import controls were justified.

## CANADA

Canada is New Zealand's second largest market for beef after the United States. Its close proximity to the

United States market has posed problems both for exporters and for Canada when the United States has altered the intensity of non-tariff trade restrictions on beef. Canada has only been a small market for New Zealand dairy products and this is due in part at least to the restrictions it imposes.

### Beef:

Canada has imposed on occasions a similar type of so-called voluntary restraint on beef imports to that used by the United States. This has generally been to prevent the diversion of product from the United States to Canada when the former tightened its restrictions.

### Dairy Products:

Canada admits butter imports only during periods of domestic production shortfall and cheese and butter-milk powder on quota. Other milk powders are embargoed.

## JAPAN

Although Japan offers considerable market potential for temperate foodstuffs, access to the market and opportunities for increased sales are restricted. Quota and tariff restrictions imposed on New Zealand's primary product exports by Japan have been the subject of numerous and detailed exchanges between the two countries. Agreements have been reached in certain areas including the purchase by Japan of New Zealand dairy products for food aid purposes in third countries but in important areas such as access for butter and standards applicable to imports of timber, New Zealand is continuing to experience difficulties.

### Dairy Products:

Japan is currently New Zealand's single largest market for cheese and a growing market for fat-mix products. However, access to the Japanese market is restricted by high tariffs on all dairy products and the operation of an irregular tender system for butter and milkpowder. It is not known from month to month when the next tender will be issued and for what quantity. Only cheese (in the ratio of 2 units duty free per 1 unit of domestic cheese used by local processors) has entered Japan in reasonable and regular quantities in the last few years.

### Beef and Veal:

The Livestock Industry Promotion Corporation (LIPC) is responsible for controlling access to the Japanese market for imported beef. The procedures adopted by the LIPC have created uncertainty for suppliers since announcements of estimated need for imports have usually been made bi-annually for the next six months ahead with the actual amounts being allocated at irregular intervals during the period. Tenders, varying in size up to the full amount of the total estimate, have been called when the allocations have been announced. Quotas have varied from nil to 45,000 tonnes for six month periods and as high as 134,000 tonnes for a full twelve month period.

### Forestry:

Japan is an important market for New Zealand forest products but one in which a technical barrier has been seen by New Zealand exporters as posing an unnecessarily restrictive condition on the trade in sawn timber.

The issue here is that New Zealand's radiata pine has been deemed not to meet the Japanese strength rating



standard for housing construction purposes. This requires that timber in certain grades used for key elements in building has an average width of annual growth rings of no more than 6 mm. Radiata pine frequently exceeds this in New Zealand growing conditions and, while test results have been submitted which demonstrate that radiata is equally as strong as other acceptable timbers such as North American hemlock, the results have not yet been accepted by the Japanese authorities as conclusive because of the use of differing methodologies and qualities of wood in the testing procedures. The situation highlights the difficulty in areas where technical standards are concerned in determining whether a standard is reasonable or constitutes a non-tariff trade barrier.

## GREECE

### Sheepmeats:

Imports are government regulated for protective and balance of payments reasons. All sales to Greece must be negotiated under price control procedures operated by the Greek authorities and stringent veterinary regulations must be met. Access conditions have varied considerably in the past introducing a marked level of uncertainty into the trade.

## EFFECTS ON EXPORT TRADE

Non-tariff trade barriers which hinder entry of exports into markets or distort the prices at which they can be sold impose costs on both the exporting and importing countries. From the examples quoted in the previous section many of the costs to New Zealand can be readily identified in terms of the country being deprived of opportunities to export to potential markets or having its market returns reduced. The restrictions impose costs on the importing countries as well, as less efficient domestic producers fill the gaps left by more efficient foreign producers.

In the cases where quotas or embargoes are imposed there is the direct loss to New Zealand of some or all of an export market with its implication of lower international prices in general as alternative markets are sought for the product. Within the importing country there is a gain for the domestic producer who fills the void created by the exclusion of some or all of the imported product. But to the importing country as a whole there is the cost of utilizing resources in an industry which is inefficient by world standards and consumers are forced to pay higher prices for the product.

While the end result of quotas and embargoes is likely to be a higher price for the product in the importing country, this effect is much more directly induced by the use of various price distorting mechanisms. The imposition of levies on imports automatically creates room for domestic prices to rise, thus stimulating domestic production. The higher domestic market price will result in a reduction in demand for the product, and in the case of the EEC this has resulted in serious domestic oversupply of some agricultural products. Where the use of import levies is associated with the payment of export subsidies to encourage disposal of domestic surpluses on international markets the distortionary effects in third country markets are accentuated as the relatively efficient producers are forced to compete against the subsidised product.

Health and hygiene regulations constitute a serious problem for exporters even when their imposition

represents a legitimate precaution on the part of the importing country, which is usually the case. The problem for exporting countries is that each country adopts its own standards and for an exporting country to meet all the requirements of all the potential markets it must incur added expenses in the processing of its exports. On occasions the health and hygiene requirements of different importing countries can be contradictory thus preventing the exporting country from adopting one processing standard. This in turn represents an additional cost both in reduced flexibility so far as supply of the product for particular contracts is concerned, and in the costs associated with administering more than one set of health and hygiene regulations.

A similar situation arises as a result of individual countries setting their own technical standards for products. While the standards may be quite reasonable in themselves, the variety of standards confronting an exporter whose products are being exported to a number of markets can constitute a powerful disincentive.

## CONCLUSION

There has over the last twenty years been a growing recognition of the serious cumulative impact that the multitude of non-tariff trade restrictions have on international trade. Moves have been made in international fora such as the GATT multilateral trade negotiations to seek solutions to the problems which arise and a general reduction in the use of these restrictions. The development of agreed international guidelines for the treatment of trade flows, particularly in the application of health, hygiene and technical standards, would make a significant contribution towards reducing the level of uncertainty which exporters experience and in doing this may help remove a significant disincentive to trade.

New Zealand has played an active role in attempting to break down barriers to world agricultural trade, having given consistent support to the policies and work of the GATT. In multilateral trade negotiations New Zealand has placed particular emphasis on the agricultural sector seeking commitments from its major trading partners to improve access for New Zealand's agricultural exports on a long term basis. In adopting this position New Zealand has been seeking to obtain acknowledgment of the asymmetry of the situation which exists with respect to agricultural exports compared with manufactured exports.

Non-tariff trade barriers seriously impede the achievement of an economically efficient allocation of internationally traded goods and services, and of resources devoted to the production of these goods and services. The distortions created by these barriers represent an overall cost to all nations involved in international trade as they reduce or eliminate opportunities for the most efficient producers of the affected goods and services and open up opportunities for relatively less efficient protected industries.

The recognition of these costs, as evidenced in the attention now focussed on the reduction and elimination of these restrictions, is to be welcomed. However, the pace of progress towards those goals, as illustrated by the long drawn-out Tokyo Round of GATT negotiations, leaves much to be desired. The basic problem which nations face in this area is that created by the reluctance to accord a sufficiently high priority to the objective of a more efficient and open environment within which to conduct international trade.