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INFLUENCE OF NON-TARIFF BARRIERS ON TRADE AMONG MEMBERS OF THE EURASIAN ECONOMIC UNION: LITERATURE REVIEW

Abstract: Today, in the multilateral trading system, non-tariff barriers have significant share of all trade restrictions. One of the reasons for this is the results of the negotiations on trade liberalization between neighbor countries. Also decrease in customs tariffs is one of policy supported by WTO. At present non-tariff barriers remain one of the few ways to protect the domestic market, but not all of them de jure and de facto comply with the rules established by all unions such as WTO and Eurasian Economic Union. The use of non-tariff barriers is becoming an increasingly urgent issue on the agenda of many meetings within integrated associations. To ensure more productive work to eliminate such barriers within the Eurasian Economic Union members should expand the relevant powers of the Union authorities.

Key words: non-tariff barriers, non-tariff measures, export, import, Eurasian Economic Union.

Аңдатпа. Бүгінгі таңда көпжақты сауда жүйесіндегі барлық сауда шектеулерінде бейтарифтік тосқауылдардың елеулі үлесі бар. Көршілес елдер арасындағы сауданы ырықтандыру жөніндегі келіссөздердің нәтижесі осы себептердің бірі болып саналады. Сондай-ақ, кедендік тарифтерді төмендету ДСҰ қолдау саясатының бірі болып табылады. Қазіргі уақытта бейтарифтік тосқауылдар, ішкі нарықты қорғаудың аздаған тәсілдерінің бірі болуда, бірақ олардың барлығы дерлік Дүниежүзілік Сауда Ұйымының және Еуразиялық Экономикалық Одақтың барлық кәсіподақтарының көзделген нормаларына де-юре және де-факто сәйкес келемейді. Бейтарифтік тосқауылдарды пайдалану, бірлескен бірлестіктердің көптеген кездесулерінің күн тәртібіндегі маңызды мәселесі болуда. Еуразиялық Экономикалық Одақтағы осы кедергілерді шешудегі өнімді жұмысты қамтамасыз ету үшін, мүше-мемлекеттер Одақтың органдарының тиісті өкілеттіктерін кеңейтуі қажет.

Кілт сөздер: бейтарифтік тосқауылдар, бейтарифтік шаралар, экспорт, импорт, Еуразия экономикалық одағы.

Аннотация. В статье представлено описание и анализ многосторонней торговой системы, в которой нетарифные барьеры имеют значительную долю всех торговых ограничений. По мнению автора, одной из причин этого являются результаты переговоров по либерализации торговли между соседними странами. Также снижение таможенных тарифов является одной из политик, поддерживаемых ВТО. В настоящее время нетарифные барьеры остаются одним из немногих способов защиты внутреннего рынка, но не все они де-юре и де-факто соответствуют правилам, установленным всеми профсоюзами, такими как ВТО и Евразийский экономический союз. Использование нетарифных барьеров становится все более актуальным вопросом в повестке дня многих совещаний в рамках объединенных ассоциаций. Для обеспечения более продуктивной работы по устранению таких барьеров в Евразийском экономическом союзе члены должны расширить соответствующие полномочия органов Союза.

Ключевые слова: нетарифные барьеры, нетарифные меры, экспорт, импорт, Евразийский экономический союз.

The main form of economic collaboration between countries is the Trade. In all countries governments controls the overseas to meet national interests such as economic, social and political. All of them are based not only on internal environment within the country, but also on general environment in the world.

Aims of the government are to protect local producers, implement policies to increase export and attract new investments from abroad. These policies include financial, technical, administrative and credit policy. In addition there are rules controlling transfer of goods and services through the boarder. All of these activities directly or indirectly influence on overseas trade. These activities have one common name that is non-tariff controlling measures or non-tariff barriers (NTB). In any country customs tariffs and NTB are most important instruments to control and influence the overseas trade.

United Nations Conference on Trade and Development developed detailed classification of NTB. It isconsists of nontariff barriers such as technical barriers, sanitary or environmental protection barriers, and others traditionally used as instruments of trade policy, they are quotas, price control, exports restrictions, and also other behind-the border barriers, such as competition, investments, and government procurement restrictions.[1]

Nowadays with decrease of customs tariffs, NTBs play significant role in overseas trade. It is very difficult to quantify this influence because their nature is not specific and sometimes it is impossible to separate it from trade costs. In the case of tariffs, the estimates are straightforward and already

available for review and calculations. However, in the case of nontariff barriers, to find value of the related price or quantity these are influenced the trade are difficult to construct because of the lack of good data and often contain complicated assumptions these are use complicated methodology.[2] Unlike customs tariffs which are imposed officially by country's government, NTB can be introduced by decision of small local authorities.

In recent decades NTB increases its influence especially because of integrations done in the world. Such integrations as World Trade Organization, European Custom Union, Eurasian Economic Union, Association of South East Asian Nations and others try to eliminate customs tariffs. These actions are meant to increase trade among countries and increase access to other countries of goods and services from local producers. That is why the only possible instrument to protect local producers is NTB.

Natalie Chen and Dennis Novy (2009) performed a study [3]. The study covered 166 industrial production companies in 11 country members for 1999-2003 periods. The results of it show that NTB have still significant influence on trade within European Union. Despite the fact, that all customs tariffs and quotas were eliminated in 1968 and rules for one common market were introduced in 1980.

Developing the integration between countries Kazakhstan, Russia and Belarus signed a contract on May 29, 2014 regarding creation of Eurasian Economic Union. [4] The agreement consider the fact that union should have one common internal market for goods and services and members should not impose any NTB except the cases stipulated in this agreement. Restrictions may be applied in order to protect life and health, social behavior, public order, environment protection, animals and plants, for fulfillment of international obligations and ensuring defense and security. However, such measures should not be lead to discrimination or a hidden trade restriction. The member states of the EEU have established general principles of NTB regulations, rules and procedures how they should be applied.

Within Eurasian Economic Union NTBs consider broad set of restrictions and interdiction that are influence overseas trade. The list of these NTBs are very similar to the classification developed by United Nations Conference, quantitative limitations, customs procedures and administrative guidelines, technical specification, sanitary and phytosanitary barriers, government participation in trade, restrictive by-law of origin and anti-dumping barriers. From that we can derive two main types of restrictions, one is economic another one is administrative types.

Economic limitations influence on the trade volume indirectly through market forces, making imported and exported goods and services more expensive. While administrative limitations government may directly influence on price and volume of goods and sometimes customers are lose a chance to purchase specific goods and services from abroad.

In its way administrative limitations may have two types. First is quantitate includes embargo, quotas or voluntarily export restrictions. Second is protectionism includes monopoly behavior of domestic market, technical barriers or local content requirements.

As well economic limitations may classify into two main groups. First is similar to custom tariffs, they are taxes and special fees related to import and export. A second type brings financial, credit and currency actions to influence on export and import. Example can be subsidies, export financing and currency regulations.

Of course from one side these restrictions help to support and protect government policy aimed at protecting human, animal or plant life or health in the form of sanitary and phytosanitary, however from other side these actions may behave as competitive restrictions, lead to increase in costs and as result disturb the trade itself. Because of these reasons it is very important to analyse quantitate part of NTB and review their influence on trade and country's economy as the whole, as well as to understand possible benefits from decrease of NTB. But we should keep in mind that total elimination of NTB is impossible because they are government instruments to follow its policy, but decrease of NTB is important factor to increase trade and investments between any countries.

According to studies performed by Eurasian economic committee, sanitary and phytosanitary and price control NTB have largest portion of negative influence on trade within Eurasian Economic Union.[5]

Also according to studies the most valuable barrier which brings negative influence is technical barriers.[5] Especially the requirements to perform tests and product certification, as well as production quality controls. Other significant barrier includes additional taxes and fees in the destination country especially related to VAT payments. Among all exporters from Kazakhstan and Russian Federation pay attention on restrictions they face during cargo inspections and other formalities during goods transfers. It is also difficult to obtain credit to finance operations related to import. Exporters from Belarus face limitations on government purchases in Kazakhstan and Russia due to local content requirements.

According to study, exporters from Belarus have lowest level of NTB influence on their export. [5] Total effect of all barriers is estimated around 15% of total export within union despite the destination point. Estimations of export from Russia to other union's countries are around 25% additional costs. Talking about Kazakhstani export to other countries additional costs related to the export to other countries within union is in the range between 16.3% - 78.9%. That big range depends on estimation methodology and destination point of the sales. [5]

According to the results of the study it is predicted that in midterm plans Belarus will win most from the decrease of NTB. Country's GDP may

increase by 2.8% and accumulated welfare by 7.3%. In Kazakhstan accumulated welfare may increase by 1.3% and GDP by 0.2%. For Russia Federation rate will be the lowest because of much larger economy and the reason that trade within the union is not that much significant in comparison with trade with other countries in the world. The effect for Russia will be GDP may increase by 0.2% and welfare by 0.5%.

Another important point of the study is that main economy sector which mostly influenced by NTB despite of destination point are cars, machinery and equipment production. Among other things high costs of export face producers of chemical products to Belarus and Russia, producers of wood products during export to Kazakhstan and Russia, producers of agricultural goods while exporting to Belarus, and producer of electrical equipment during export to Kazakhstan. [4]

After review of the literature and studies related to the nontariff barriers I believe that the issues related to them are very significant and they are really disturbs the trade within any union. The governments always should focus on policies that will help to reduce nontariff barriers and create environment for mutual profitable trade.

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