Chapter 6

Barriers to Trade in Goods and Services

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1 Introduction

Barriers to market access can be classified in two broad categories, namely, tariff and non-tariff barriers. A principal distinction between the two categories is that while tariff yields revenue income for the government imposing them, there is no such income from non-tariff barriers (their exclusive function is raising barriers for overseas traders). Generally, free traders prefer tariff to non-tariff barriers (NTBs) because of the transparent nature of the former. Although tariffs are declining progressively, they remain an important barrier to market access, specifically in many developing and least-developed countries (LDCs), and for industrially advanced countries in sectors in which they are apprehensive of competition from overseas producers.

2 Tariff-Barriers to Trade in Goods

2.1 Definition and Purposes of Tariffs

Tariff or customs duty is a monetary sum payable to governments that is levied when goods are sold beyond national borders. However, tariffs should not be confused with similar charges imposed by customs authorities, the amount of which is contingent on the cost of certain services by such authorities. The charges levied for services are in exchange for those services; states do not levy them merely as a condition for entry into the market. Generally, states levy tariffs on imports, but sometimes they may also be levied on exports. States typically levy export tariff to discourage export rather than to earn revenue.

Import tariffs basically serve two main purposes; namely (i) as they increase the cost of imported goods they provide protection for domestic producers of identical or substitutable goods, and (ii) they can increase revenue of the government. A flat tax on all goods irrespective of their domestic or imported origin may also raise revenue but that is not a viable