



UNCTAD Programme on Non-tariff Measures in World Trade

Short courses for Permanent Missions in Geneva

Thursday, 1 October 2015

Delivered by the

Division on International Trade in Goods and Services, and Commodities

Trade Analysis Branch

Ralf Peters, Alessandro Nicita and Christian Knebel



1st Session

Key aspects of non-tariff measures and economic development

World Trade in Goods (2014)



What determines international trade?

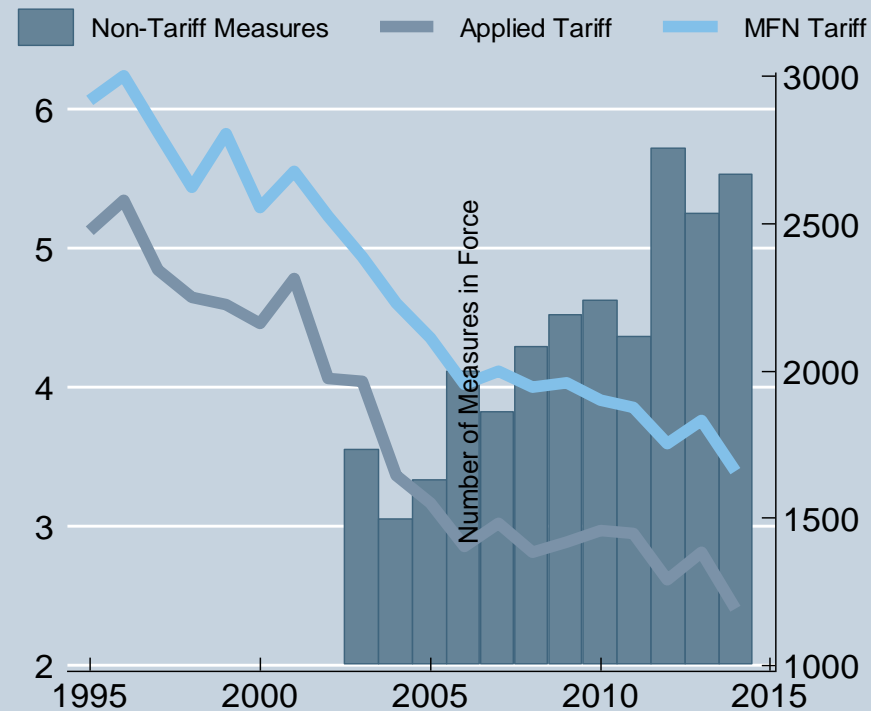
- Trade flows are related to:
- **Demand and supply factors**
 - Domestic demand, consumer preferences
 - Productivity, export capacity, comparative advantage, value chains
- **Trade costs:**
 - Geography, transport costs, trade policies
- **Regulatory frameworks**
 - Product standards, trade related disciplines
- **Trade policy** is just one of the elements affecting trade.
- In reality there are a lot of **other policy measures** affecting trade (non-tariff measures)



Trends: Tariffs vs non-tariffs measures

Figure 5: Contrasting Trade Policies

Tariffs have gone down, non-tariff measures not so



Source: UNCTAD calculations based on UNCTAD TRAINS and WTO I-TIP data



What are non-tariff measures?

Measures that directly or indirectly affect trade

a) Traditional non-tariff barriers

...Quotas, price mechanisms, contingent protection, etc. (Regulated by WTO)

b) Technical measures to trade

...SPS and TBT (Partially addressed by WTO)

Administrative barriers to trade are often referred to as
NTM

...derived from laws and administrative procedures, Red Tape, delays. (Sometimes regulated within PTAs, Trade Facilitations Agenda)



Some NTMs in more details

NTMs

- Sanitary and phyto-sanitary conditions
- Technical barriers to trade
- Quotas
- Import licenses
- Export subsidies
- Fixation of a minimum import price
- Voluntary Export Restraints
- Foreign exchange market controls
- Export restrictions
- ...and others

Not really NTMs

- Overvalued currency
- Inadequate infrastructure
- Employment law
- Occupational safety and health regulation

Grey areas

- Subsidies (Tax rebates)
- Government Procurement (SOE)
- Intellectual property (Trade Secrets)
- Lengthy entry procedures
- Procedural obstacles
- Private Standards

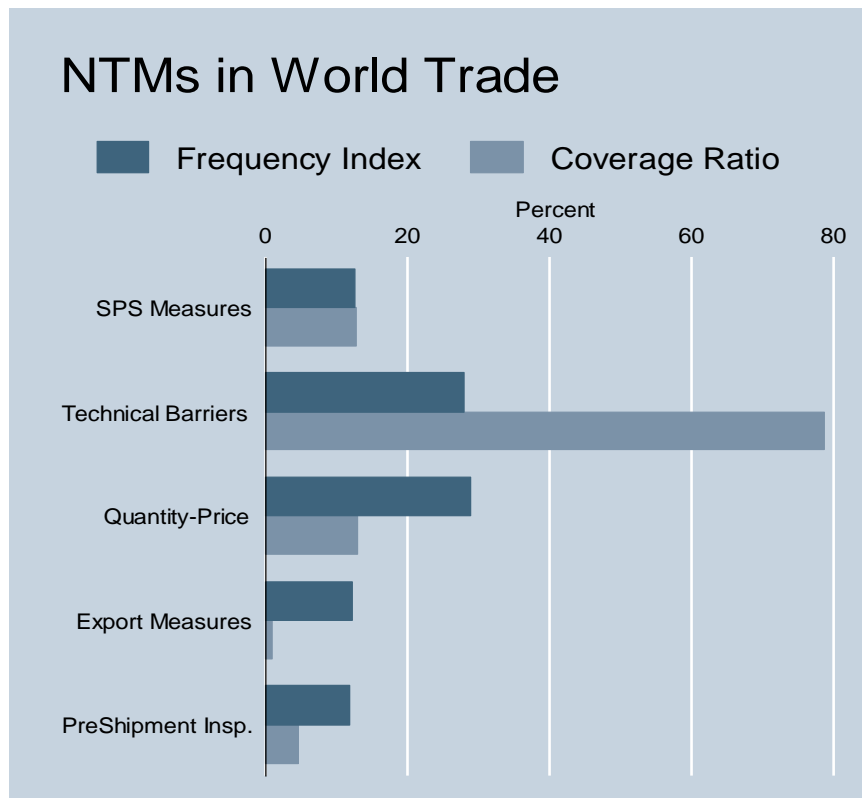


Why is trade regulated by NTMs?

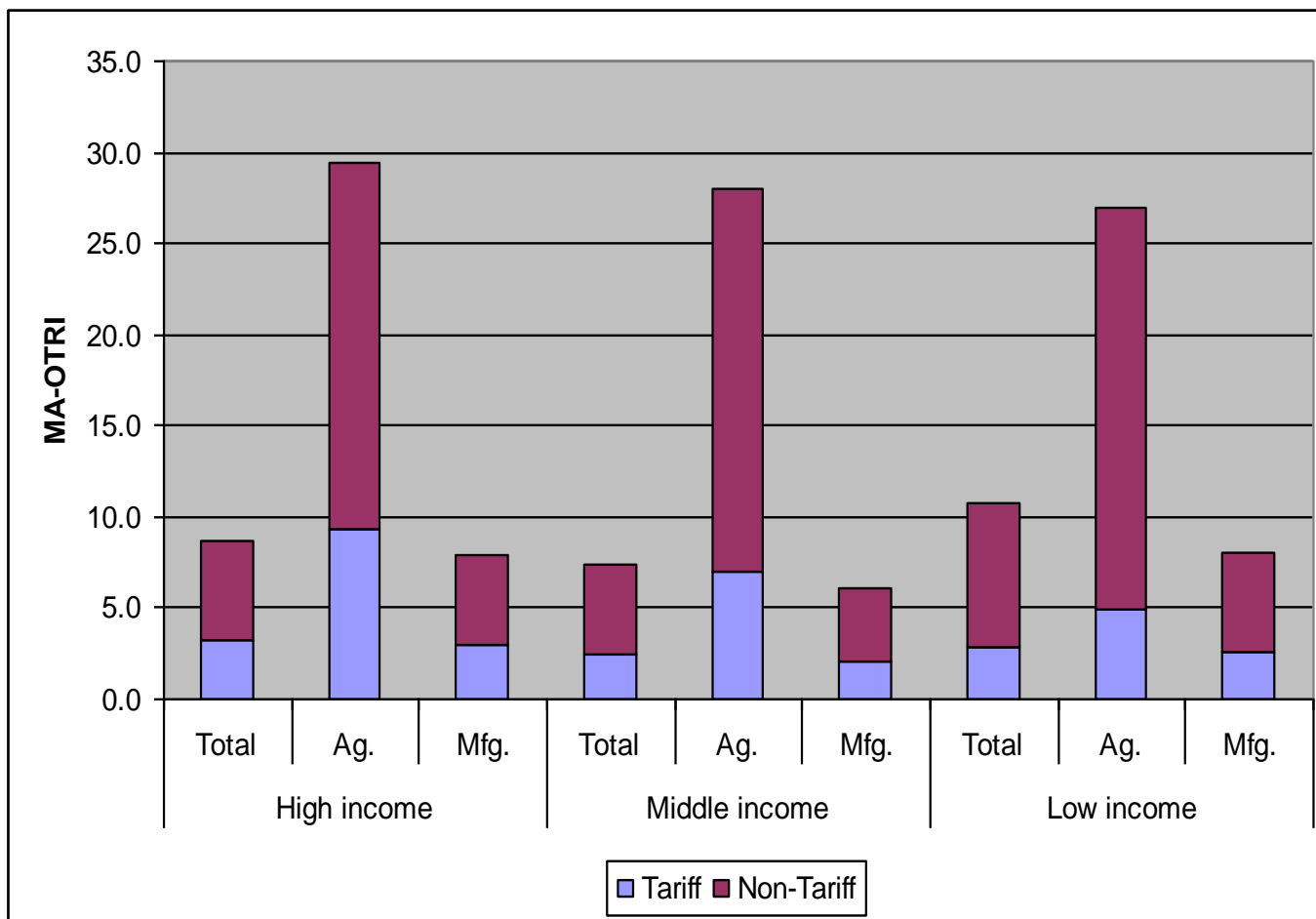
- Indirectly because of **public policy**:
 - Protect consumers, environment, development strategy
- **Domestic/industrial** policy:
 - Regulate domestic markets (pricing mechanisms)
 - Help domestic firms (subsidies)
- **Trade** policy:
 - Avoid unintended spillovers (Rules of Origin)
 - Quota allocation
- but also to foster economic **interdependency**
 - need for deeper forms of institutional integration to address distortions affecting trade and investment (global supply chains)



How much of world trade is regulated by some form of NTMs?

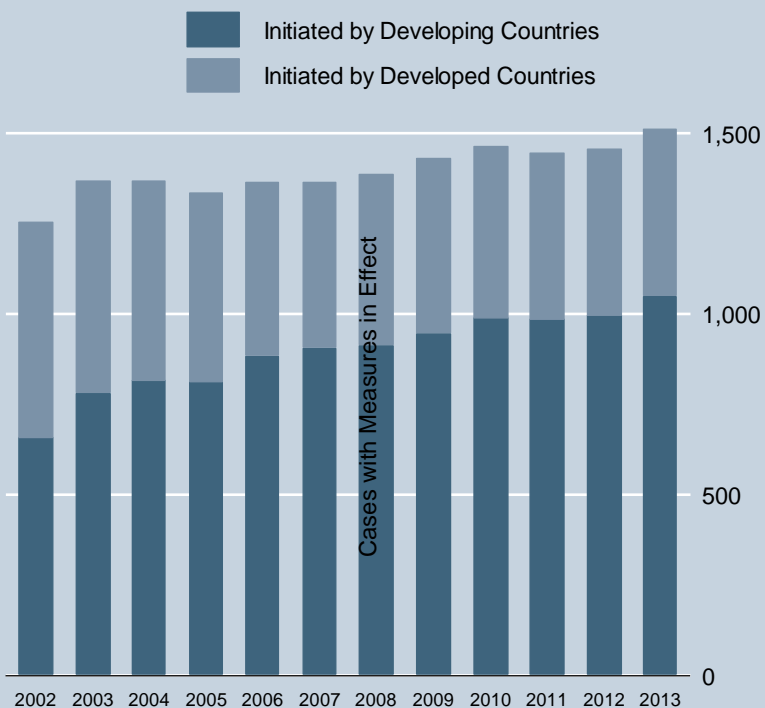


How much costs NTMs add to trade?

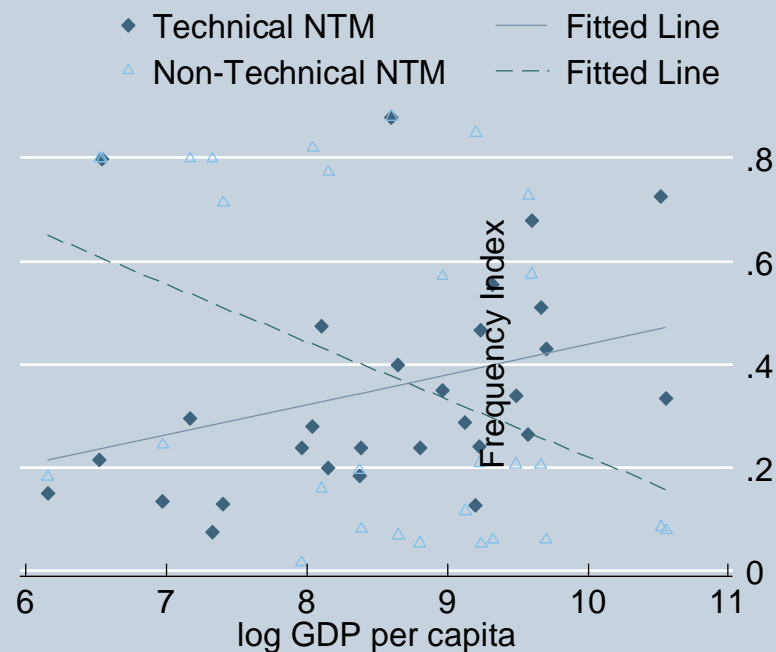


Countries apply different types of measures

Trade Defence Measures



Technical and Non-Technical NTM vs GDP per Capita



Policymakers perspective:

Two ways of looking at NTMs

- **Domestic** perspective:
 - NTMs **costs** and **benefits**
- **Trade** perspective:
 - Effects on imports, exports and **trade diversion**
 - Effects are **not** necessarily negative

Some examples...



NTMs effects: **Subsidies**

Domestic effects

- **Costs**
 - Taxpayer money
 - Efficiency losses
- **Benefits**
 - Domestic job protection
 - Domestic industry protection
 - Lower consumer prices

Trade effects

- Lower international **prices**
- **Increases** quantities traded
- **Distort** trade flows



NTMs effects: **Price** Mechanisms

Domestic effects

- **Costs:**
 - Higher prices for consumers during crop season
 - Lower competition
- **Benefits:**
 - Guarantee prices to farmers
 - Lower consumers prices during off-season.

Trade effects

- **Affects imports prices**
- **Distort trade flows**



NTMs effects : Standards

Domestic effects

- **Costs:**
 - Increased cost of inputs
 - Increased prices
 - Decreased competition
- **Benefits:**
 - Safer products
 - Higher quality products

Trade effects

- Affect trade costs
- Affect international **prices**
- **Distort** trade flows
- Guarantee imports **quality**

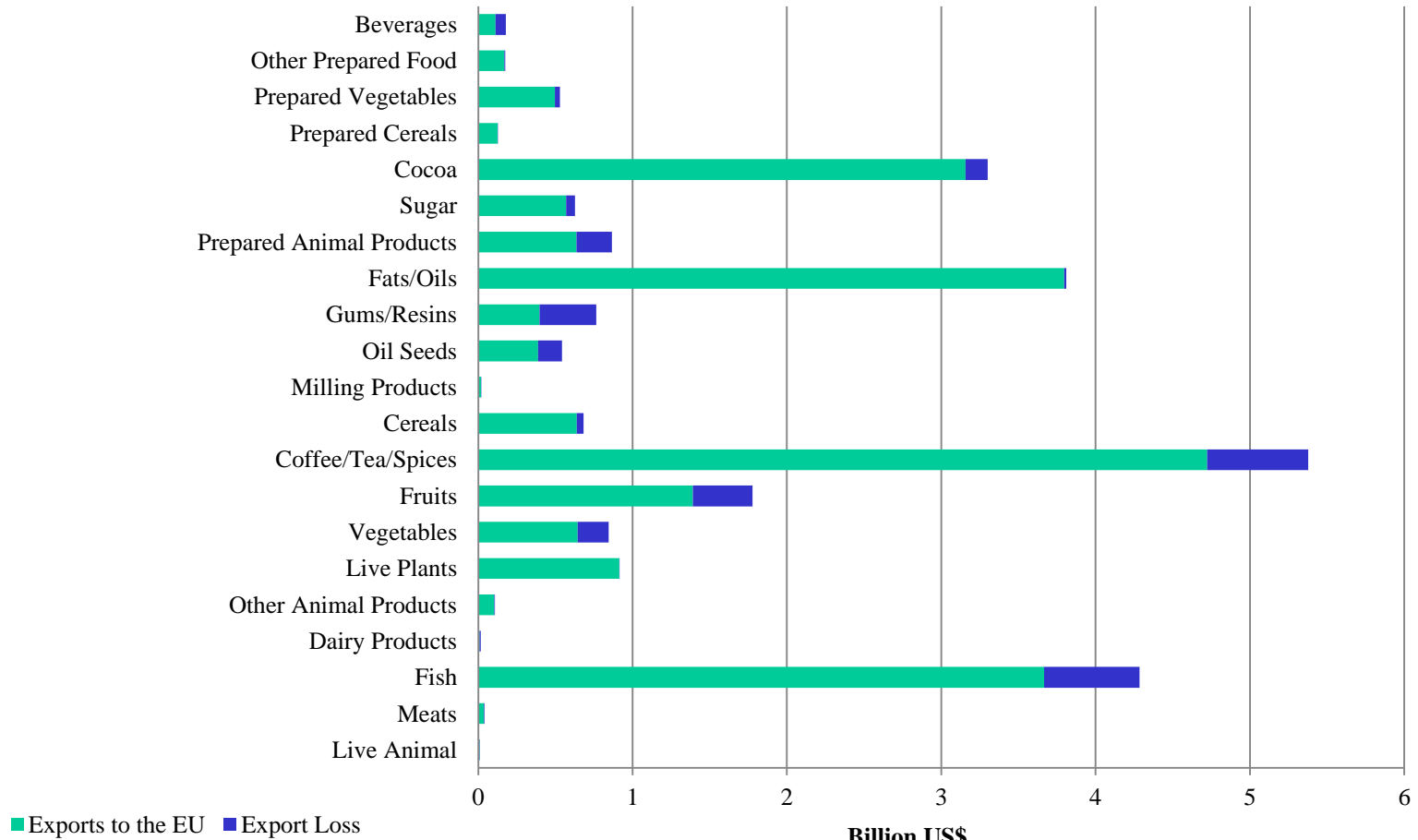


Why policymakers should care?

- a) **Traditional** measures directly relate to market access.
 - Negotiations
- b) **Technical** measures affect relative competitiveness.
 - Developing countries / SME bias
- c) Many NTMs can hide **protectionist** purposes
 - How to spot these? Proof not easy
 - Important implications for the effects "deep" regional agreements for low income countries and non-members



Trade Effects of NTMs can be quite relevant



Polycymaking response: awareness of the issues and knowledge of the rules

INCREASE TRANSPARENCY

- NTMs include complex, diverse instruments, requirements are often not transparent, and **information difficult to access.**
 - Collecting and disseminating data
 - Notifications
 - NTMs portal, trade helpdesk
 - Technical assistance



Polycymaking response: negotiations

- A) Measures with the intent to regulate **market access**
 - Removal of protectionist measures in negotiation stage
- B) **Non protectionist** measures:
 - Harmonization of regulations and mutual recognition principle
- C) **Technical** measures
 - Technical assistance in production and export processes
- D) **Administrative** measures
 - Trade Facilitations, custom procedures

Who covers the **costs** associated to NTMs?
Technical assistance vs private sector.





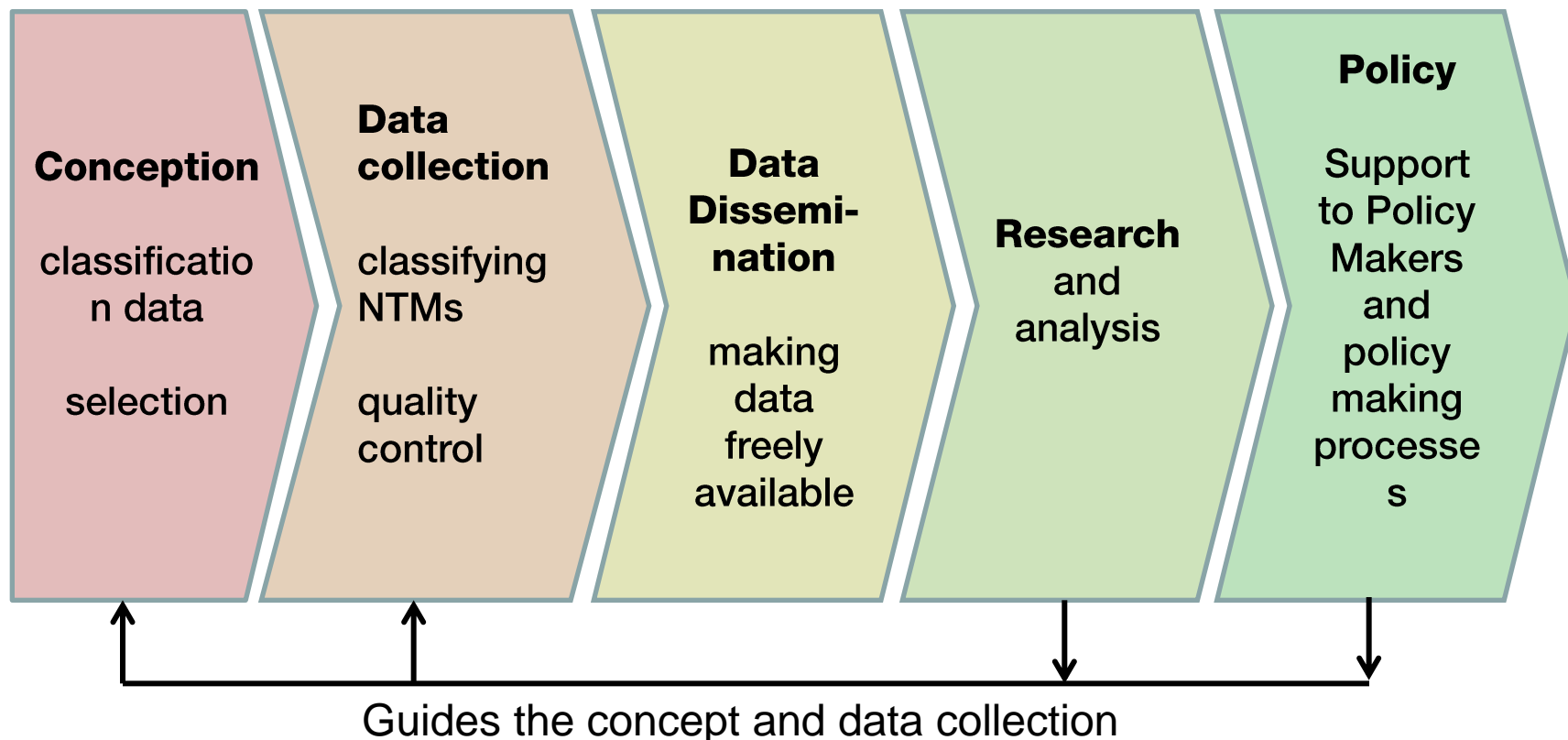
2nd Session

- a. UNCTAD programme on non-tariff measures**

- b. Policy implications and the link of NTMs to sustainable development goals**

Session 2a. UNCTAD Non-Tariff Measures Programme

- Working along the entire chain



International Classification of NTMs: The common language

- Initiated by UNCTAD,
- Multi Agency Support Team (FAO, IMF, ITC, OECD, UNCTAD, UNIDO, World Bank, WTO) developed an NTM classification
- Revised UNCTAD - WTO

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

**CLASSIFICATION
 OF NON-TARIFF MEASURES**
 FEBRUARY 2012 VERSION



| | | |
|----------------|-------------------------------|--|
| Imports | Technical measures | A SANITARY AND PHYTOSANITARY MEASURES B TECHNICAL BARRIERS TO TRADE C PRE-SHIPMENT INSPECTION AND OTHER FORMALITIES |
| | Non technical measures | D CONTINGENT TRADE-PROTECTIVE MEASURES E NON-AUTOMATIC LICENSING, QUOTAS, PROHIBITIONS AND QUANTITY-CONTROL MEASURES OTHER THAN FOR SPS OR TBT REASONS F PRICE-CONTROL MEASURES, INCLUDING ADDITIONAL TAXES AND CHARGES G FINANCE MEASURES H MEASURES AFFECTING COMPETITION I TRADE-RELATED INVESTMENT MEASURES J DISTRIBUTION RESTRICTIONS K RESTRICTIONS ON POST-SALES SERVICES L SUBSIDIES (EXCLUDING EXPORT SUBSIDIES UNDER P7) M GOVERNMENT PROCUREMENT RESTRICTIONS N INTELLECTUAL PROPERTY O RULES OF ORIGIN |
| | Exports | P EXPORT-RELATED MEASURES |

UNCTAD-MAST NTM Classification

Tree structure – Example

- A SANITARY AND PHYTOSANITARY MEASURES
 - A1 Prohibitions/restrictions of imports for SPS reasons
 - A2 Tolerance limits for residues and restricted use of substances (...)
 - A8 Conformity Assessment related to SPS
 - A81 Product registration requirement
 - A82 Testing requirement
 - A83 Certification requirement
 - A84 Inspection requirement
 - A85 Traceability requirement
 - A851 Origin of materials and parts
 - A852 Processing history
 - A853 Distribution and location of products after delivery
 - A859 Traceability requirements n.e.s.
 - A86 Quarantine requirement
 - A89 Conformity assessments related to SPS n.e.s
 - A9 SPS Measures n.e.s.
- B TECHNICAL BARRIERS TO TRADE
- C PRE-SHIPMENT INSPECTION AND OTHER FORMALITIES
- D CONTINGENT TRADE PROTECTIVE MEASURES
- E NON-AUTOMATIC LICENSING, QUOTAS, PROHIBITIONS ...
- F PRICECONTROL MEASURES INCLUDING ADDIT. TAXES ...
- G FINANCE MEASURES
- H MEASURES AFFECTING COMPETITION
- I TRADE-RELATED INVESTMENT MEASURES

At this level of coding: 122 measures in the classification

Official NTM data collection

● From here...

...to here

The Gazette of the Democratic Socialist Republic of Sri Lanka EXTRAORDINARY

අංක 1376/9 - 2005 ජනවාරි 19 වැනි බදාදා - 2005.01.19
No. 1376/9 - WEDNESDAY, JANUARY 19, 2005

(Published by Authority)

PART I : SECTION (I) — GENERAL Government Notifications

L.D. - B. 11/80 II

FOOD ACT, No. 26 OF 1980

REGULATIONS made by the Minister of Health in consultation with the Food Advisory Committee under No. 26 of 1980.

Colombo.
17th January, 2005.

Regulations

01. These Regulations may be cited as "Food (Labelling and Advertising) Regulations 2005."

02. No person shall sell, offer for sale, expose or keep for sale, transport or advertise for sale, any food in a container unless such package or container is labelled in accordance with these regulations.

Provided however that, these regulations shall not apply to any package of food if the food is of the name or brand requested by the purchaser and is weighed, counted or measured in the presence of the purchaser.



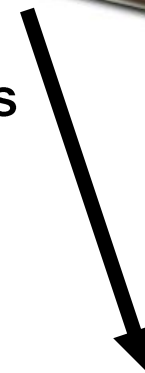
Consumer Affairs Authority Act

Measures
Enter the list of non-tariff measures you found in the official trade regulations you collected. These must be linked to

| Document Title | Regulation Title Short | NTM Code | Measure Implementation Date | Measure Repealed Date | Measure Description | Affected Products Description | Affected Countries |
|----------------|---|----------|-----------------------------|-----------------------|---|--|--------------------|
| Food Act | Food (Control of import, labelling, and sale of genetically modified foods) Regulation 2006 | B14 | 01/01/2007 | | Needs to get approval of the Chief Food Authority in order to import | Food products | All countries |
| Food Act | Food (Control of import, labelling, and sale of genetically modified foods) Regulation 2006 | B31 | 01/01/2007 | | Labelling Requirements | Food products | All countries |
| Food Act | Food (Irradiation) Regulations 2005 | A31 | 01/05/2006 | | Labelling Requirements | Food products that had been treated with irradiation | All countries |
| Food Act | Food (Irradiation) Regulations 2005 | A83 | 01/05/2006 | | Certification by the competent authorities of the country of origin that the food has been inspected | Food products that had been treated with irradiation | All countries |
| Food Act | Food (Irradiation) Regulations 2005 | A89 | 01/05/2006 | | Documentation that the Food Irradiation Facility concerned is approved, licensed, authorised by the competent national authority of food irradiation | Food products that had been treated with irradiation | All countries |
| Food Act | Food (Irradiation) Regulations 2005 | P62 | 01/05/2006 | | Certification by the competent authorities of the country of origin that the food has been inspected | Food products that had been treated with irradiation | All countries |
| Food Act | Food (Melamine in Milk and Milk Products) Regulations 2010 | A22 | 01/01/2011 | | Specifying permitted ppm levels of melamine in milk and milk products | Milk and Milk Products | All countries |
| Food Act | Food (Melamine in Milk and Milk Products) Regulations 2010 | A83 | 01/01/2011 | | A health certificate required from the National Food Safety Authority of the country of origin that the products conform to the levels of melamine specified | Milk and Milk Products | All countries |
| Food Act | Food (Packaging materials and articles) Regulation 2010 | A32 | 01/06/2011 | | Marking requirements - need to print the words "FOR FOOD USE" or any other relevant words or symbols as indicated in the regulation | Food packaging material | All countries |
| Food Act | Food (Packaging materials and articles) Regulation 2010 | A83 | 01/06/2011 | | Certification by the manufacturer that the material meets required quality standards | Food packaging material | All countries |
| Food Act | Food (Packaging materials and articles) Regulation 2010 | A22 | 01/06/2011 | | Restricted use of certain substances in food packaging material | Food packaging material | All countries |
| Food Act | Food (Preservatives) Regulations | A19 | 01/01/1991 | | Prohibited to import, manufacture, sell or distribute food preservatives other than those specified in the regulation & food which has in or upon it any preservative that is permitted by the regulation | Food preservatives | All countries |

Transparency: comprehensiveness, comparability and accessibility

- **Comprehensiveness:**
 - All currently applied measures
 - Official governmental sources
- **Comparability:**
 - Same data collection approach used for all countries
 - Data quality checking done by UNCTAD
 - Revision of methodology and quality assurance
- **Accessibility:**
 - NTMs classified
 - Products classified by Harmonized System (HS)
 - Affected countries
 - Full regulation detail



NTM online training

1. Primer to NTMs
2. Classification NTMs
3. Classification of NTMs in HS product code
4. Guidelines to data collection
5. Data classification and storage: Template and WITS Access

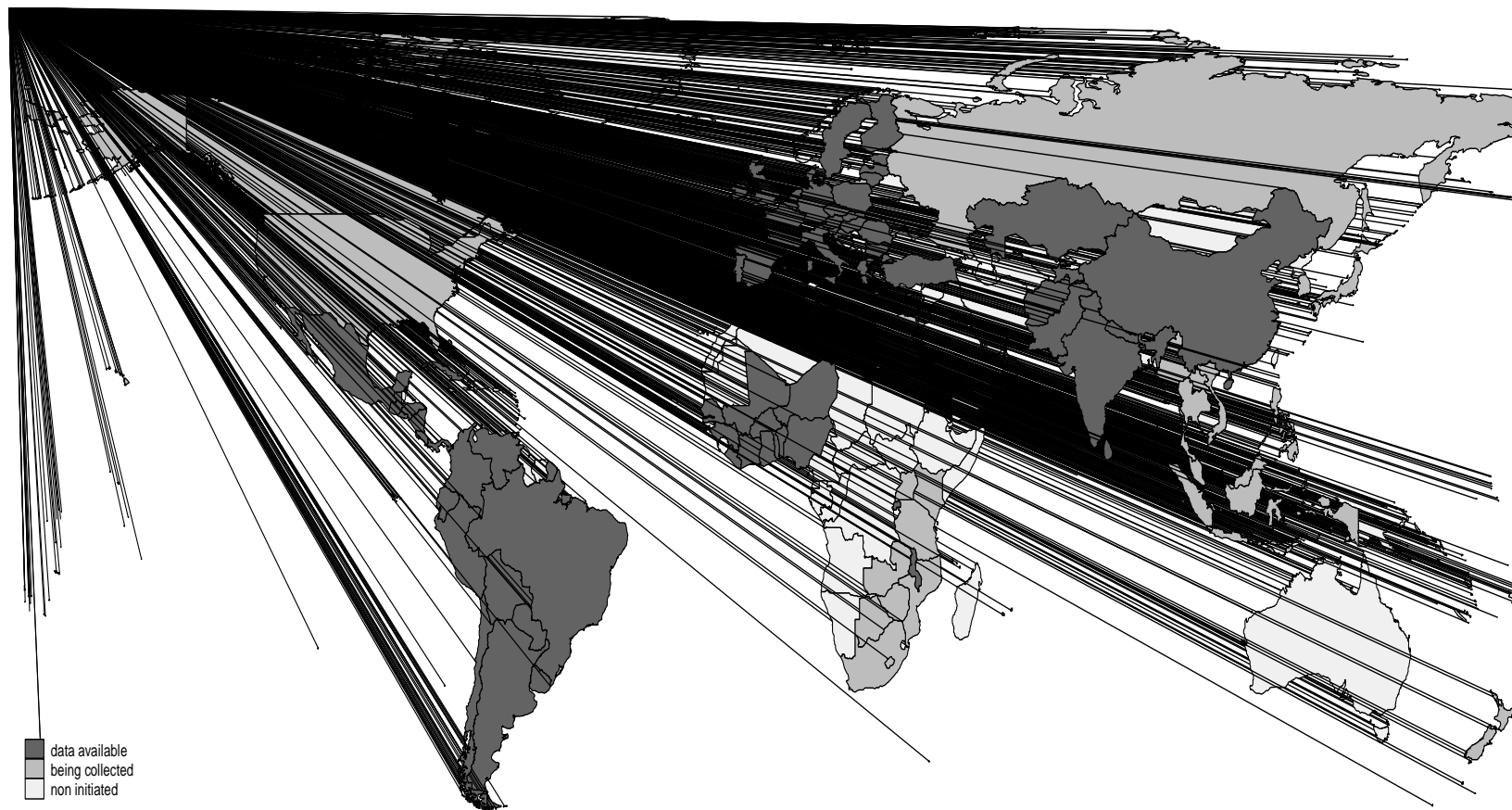
→ **Increase knowledge about NTMs**



Data Availability

| Latin America and the Caribbean | North America | Europe and Central Asia | Middle East and North Africa | Sub-Saharan Africa | South Asia | East-Asia and the Pacific |
|---------------------------------|---------------|-------------------------|------------------------------|--------------------|----------------|---------------------------|
| Argentina | US | E.U. | Egypt | Burkina Faso | Afghanistan | China |
| Bolivia | Canada | Kazakhstan | Lebanon | Cote d'Ivoire | India | Japan |
| Brazil | | Russia | Morocco | Guinea | Nepal | Hong Kong, C |
| Chile | | Tajikistan | Tunisia | Madagascar | Pakistan | Australia |
| Colombia | | Belarus | Algeria | Mauritius | Sri Lanka | New Zealand |
| Costa Rica | | | Jordan | Namibia | | All ASEAN |
| Cuba | | | Palestine | Senegal | | Korea |
| Ecuador | | | | Tanzania | | |
| Guatemala | | | | Kenya | | |
| Mexico | | | | Malawi | | |
| Paraguay | | | | Rwanda | | |
| Peru | | | | Nigeria | | |
| Uruguay | | | | Benin | | |
| Venezuela | | | | Cape Verde | Liberia | |
| El Salvador | | | | Gambia | Mali | |
| Honduras | | | | Ghana | All TRIPARTITE | |
| Nicaragua | | | | Guinea Bissau | | |

Map of Data Availability



World Integrated Trade Solution website: wits.worldbank.org

The screenshot displays the WITS website interface. At the top, there is a navigation bar with links for Home, About WITS, Country Profile, Reference, Training, GPTAD, and Support Links. The main content area is divided into several sections:

- INTRODUCTION:** A text block describing the WITS software's capabilities in providing access to international merchandise trade, tariff, and non-tariff measures (NTM) data.
- MY COUNTRY:** A section for Switzerland in 2012, featuring a "Trade Summary" table and two bar charts: "Export Partners" and "Exports by Product Groups".
- WITS CUSTOM QUERY:** A section with a registration notice and login options.
- WORLD AT A GLANCE:** A section with three tables: "Top Importers 2012", "Top Exporters 2012", and "Exports by Product Groups 2012".
- RELATED LINKS:** A list of external resources related to trade and development.

At the bottom of the page, there is a footer with the text "UNited Nations Conference on Trade and Development UNCTAD" and a logo.

Soon also here:
www.i-tip.org

Transparency

- Strong need and demand for transparency in trade policy per se: Internationally coordinated effort
- **UNCTAD leads collection of official NTMs**
- Additional cooperation with WTO to complement notifications
- Access to NTM data for:
 - Exporters/importers
 - Policy makers
 - Researchers



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Session 2b. Policy implications and the link of NTMs to sustainable development goals

- 1. Indirect and direct linkages between NTMs and sustainable development**
- 2. Policy implications for coherent and convergent policy making**
- 3. UNCTAD's "Regional NTM Integration Review"**



Indirect linkages between NTMs and SDGs

- NTMs seen as trade costs
 - Trade costs reduce trade opportunities
 - And therefore reduce trade's potential to
 - generate income
 - create employment
 - reduce poverty
 - create financial resources to promote social and environmental sustainability
- “trade – growth nexus” or “export led growth” → only part of the story...

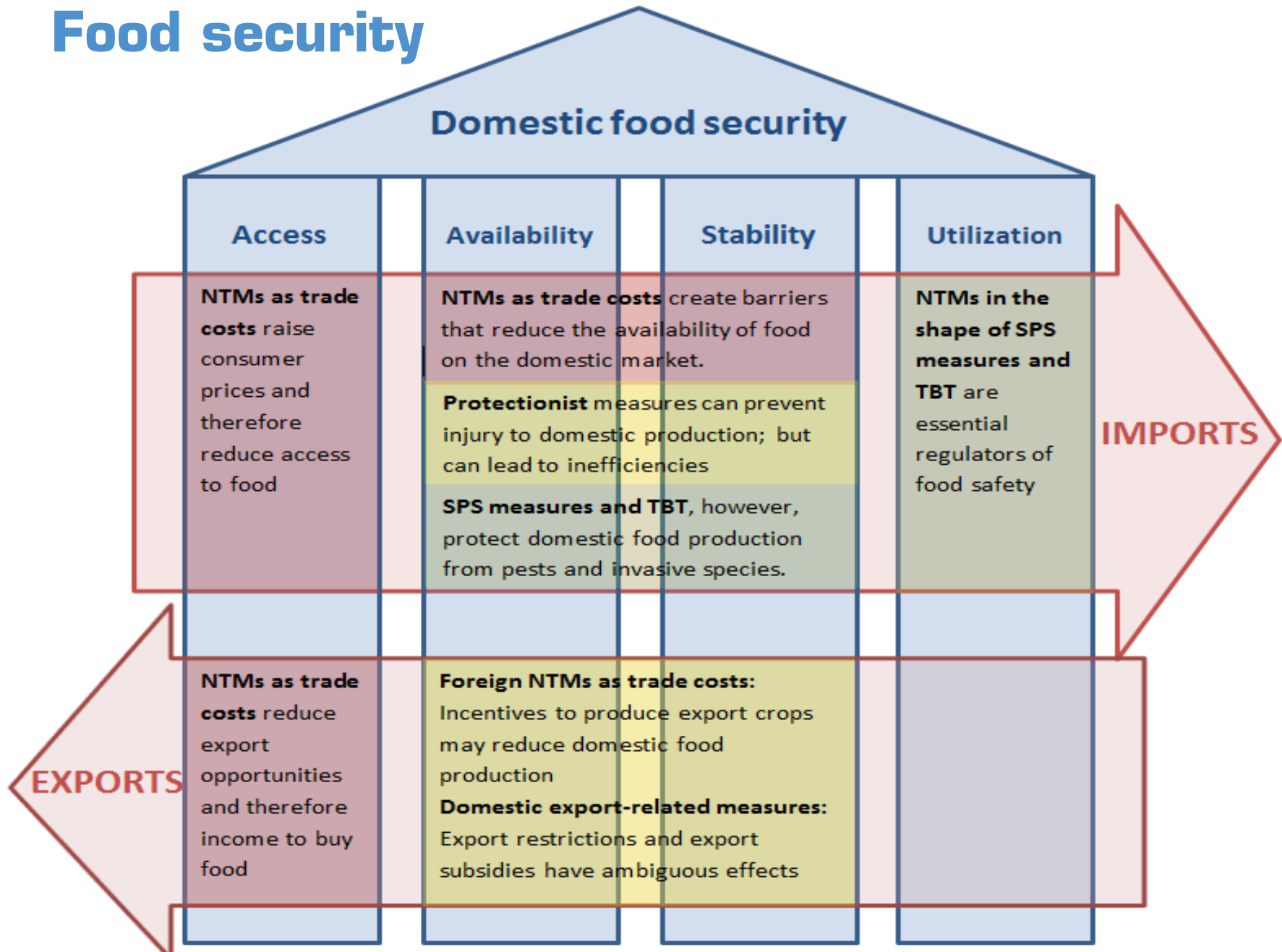


Direct linkages between NTMs and SDGs

- Many NTMs, specifically SPS measures and TBT, are policies to protect human, animal and plant health, or to protect the environment → elimination *not* an option
- Usually, applied equally to domestic producers
- They ***directly*** impact on sustainability
 - food security (SDG 2),
 - nutrition and health (SDG 3),
 - protect endangered species and the environment (SDGs 14&15),
 - ensure sustainable production, consumption (SDG 12) and energy (SDG 7),
 - combat climate change (SDG 13).



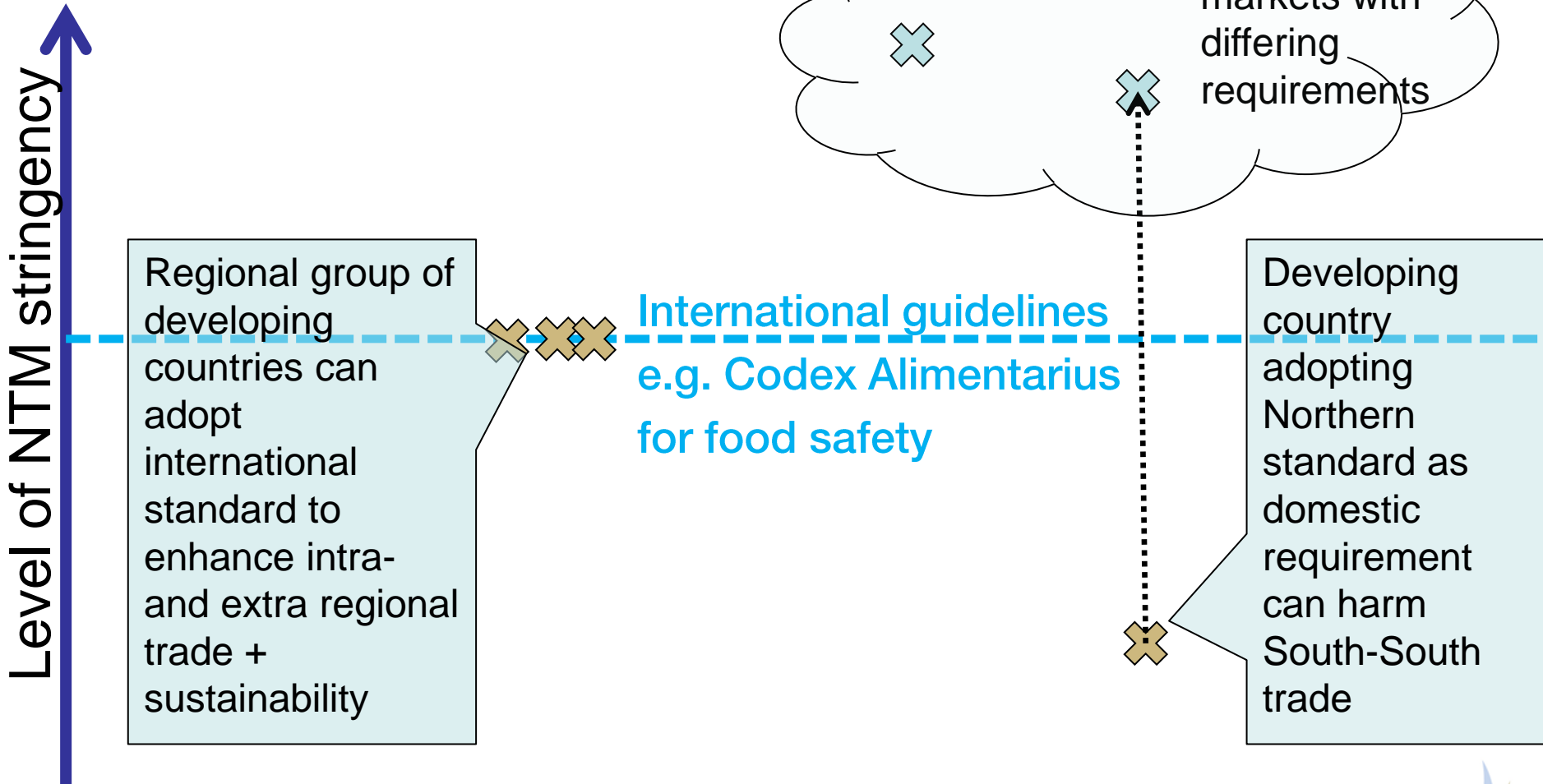
Example of multi-dimensional assessment: Food security



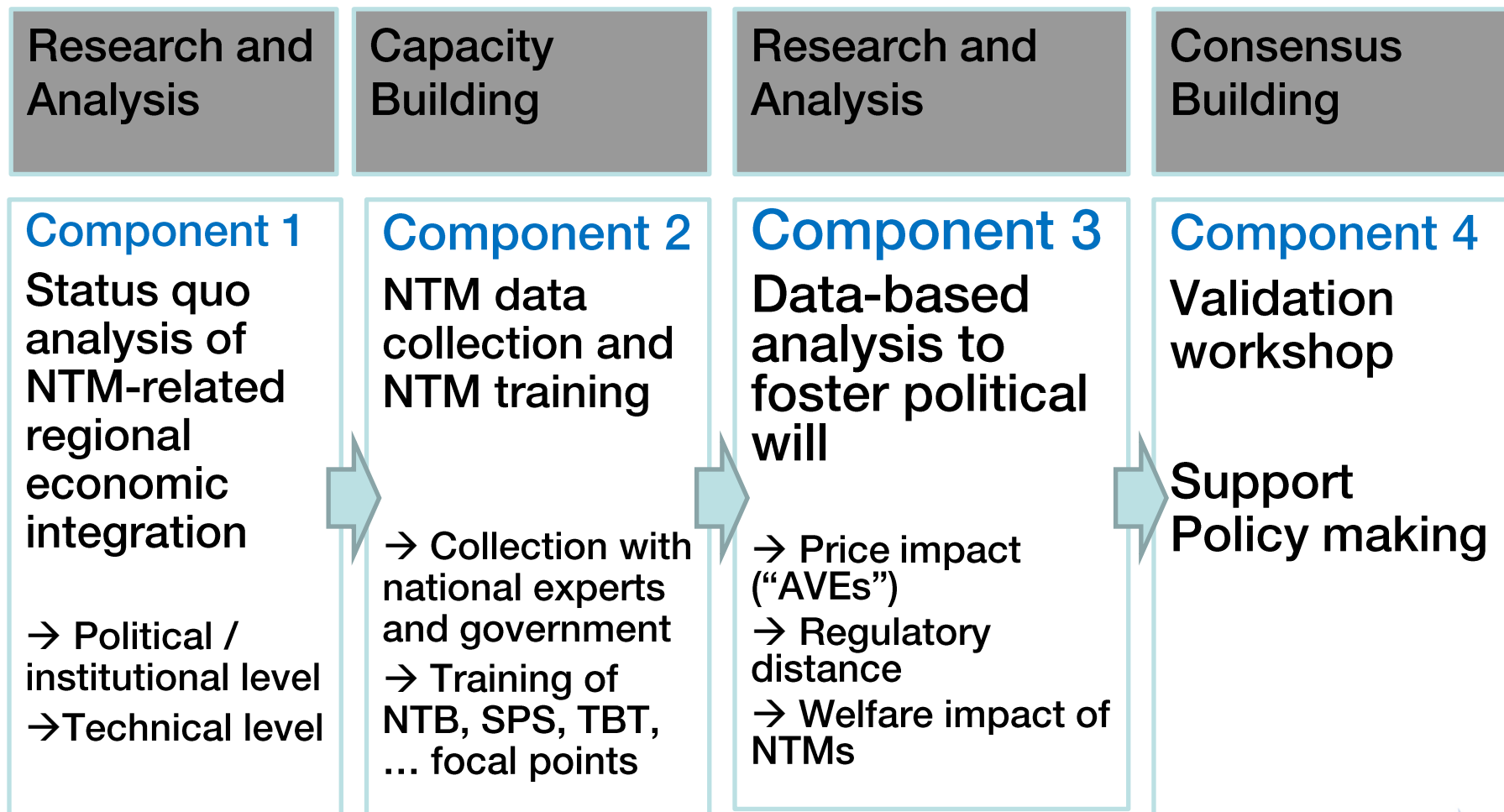
Policy implication of complex interactions: coherence and convergence

- **Coherence:**
 - SDGs may lead to increased regulatory activity to "directly" regulated sustainability...
 - but "indirect" linkages must not be ignored
 - Coherent policy making requires that responsible agencies/ministries assess costs and benefits of NTMs
- **Convergence:**
 - Harmonization of requirements can reduce trade costs (of adapting products to different market requirements)
 - ..while maintaining beneficial sustainability effects
 - Convergence and coherence can support each other

Convergence: how? towards where?



Regional NTM Integration Review



Data analysis I:

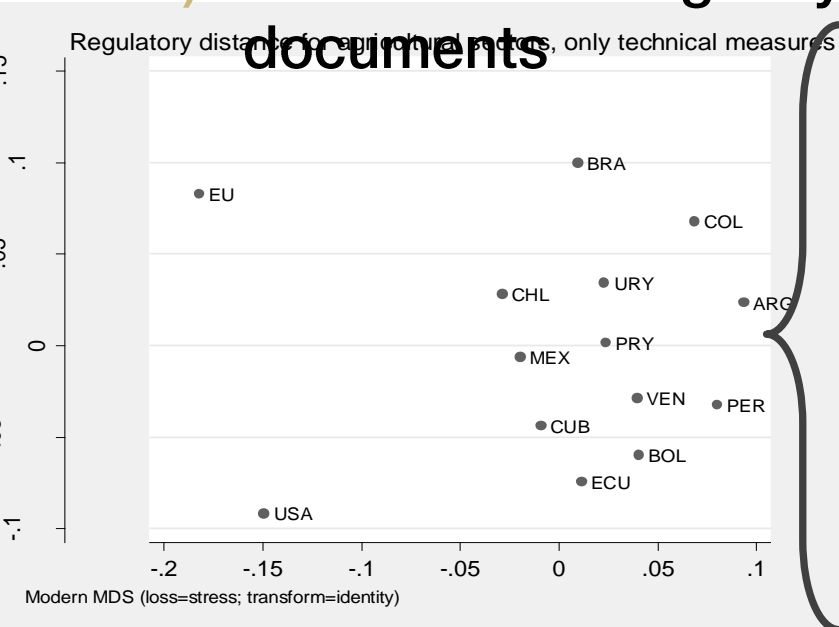
Assessing regulatory distance

Where are countries regulations "close", where "distant"?

a) Distance in regulatory structure

- Benchmark and identify potential and priorities of harmonization
- Identify "shortest harmonization distances", by country, by sector, by sub-sector...

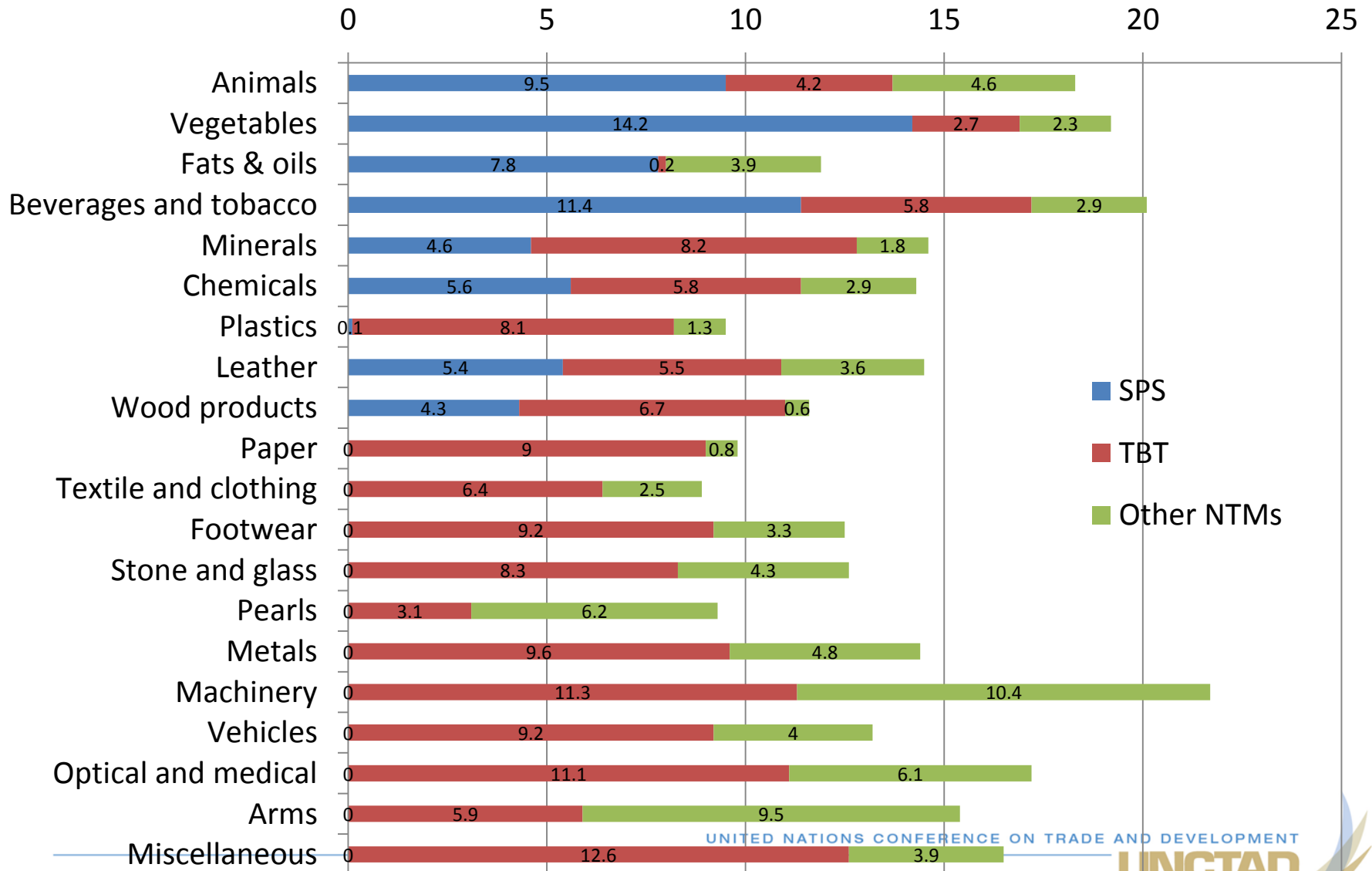
b) Distance in stringency: details matter...back to full



| NTMs at HS6, e.g. oranges | Country A | Country B | Country C |
|---------------------------|-----------|-----------|-----------|
| A21: MRL | 1 | 1 | 0 |
| A81: SPS Inspection | 1 | 1 | 0 |
| A83: SPS Certificate | 0 | 1 | 0 |
| E11: License | 0 | 0 | 1 |

Data analysis II:

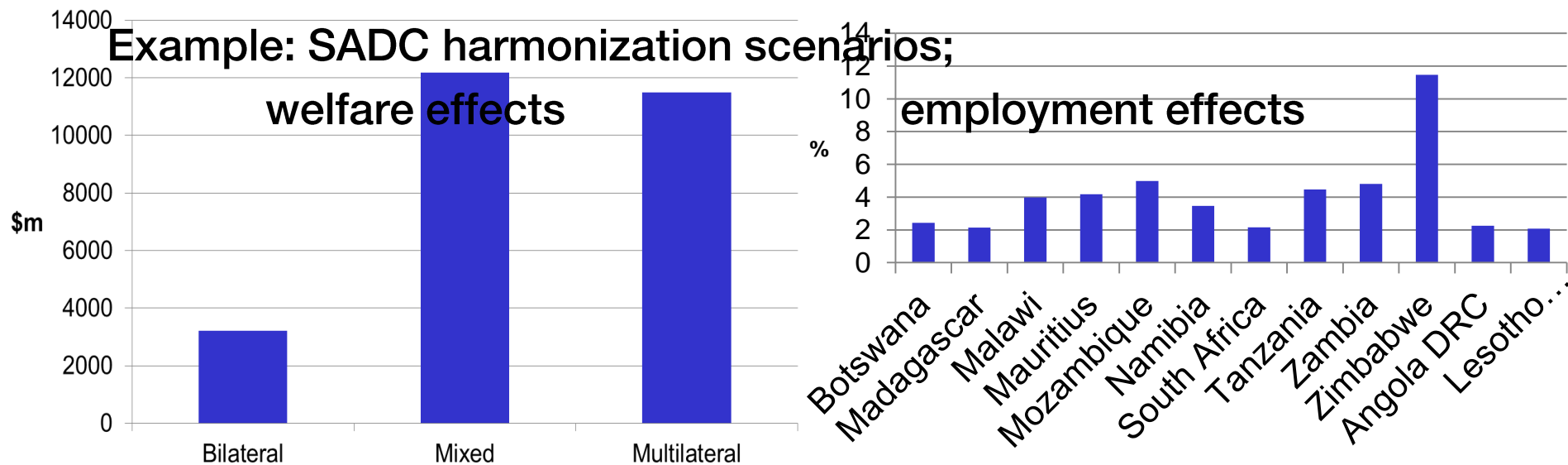
Estimating NTM AVEs; e.g. here for *Africa*



Source: Cadot, Gourdon, Asprilla, Peters, Knebel (2014).

Data analysis III: Simulating welfare gains of liberalization/harmonization scenarios

- Complex models assess magnitude of policy changes
- Welfare/GDP, employment and trade effect on groups and sectors → important figures for policy makers



David Vanzetti, Ralf Peters and Christian Knebel, "Sand in the Wheels" 2015



Conclusion on policy implications

- NTMs and SDGs are linked through direct and indirect channels → weighing up costs and benefits is crucial when trying to use NTMs for sustainable development
- UNCTAD has developed expertise in assessing the cost-dimension of NTMs
- Science-based guidelines (e.g. Codex) are likely to bring adequate (e.g. health) benefits
- Regulatory convergence can reduce trade costs while health and environmental objectives can be met
- UNCTAD's regulatory distance approach assesses status quo and potential of structural convergence



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PROSPERITY FOR ALL

www.unctad.org
unctad.org/ntm



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