
Key aspects of non-tariff measures and economic development

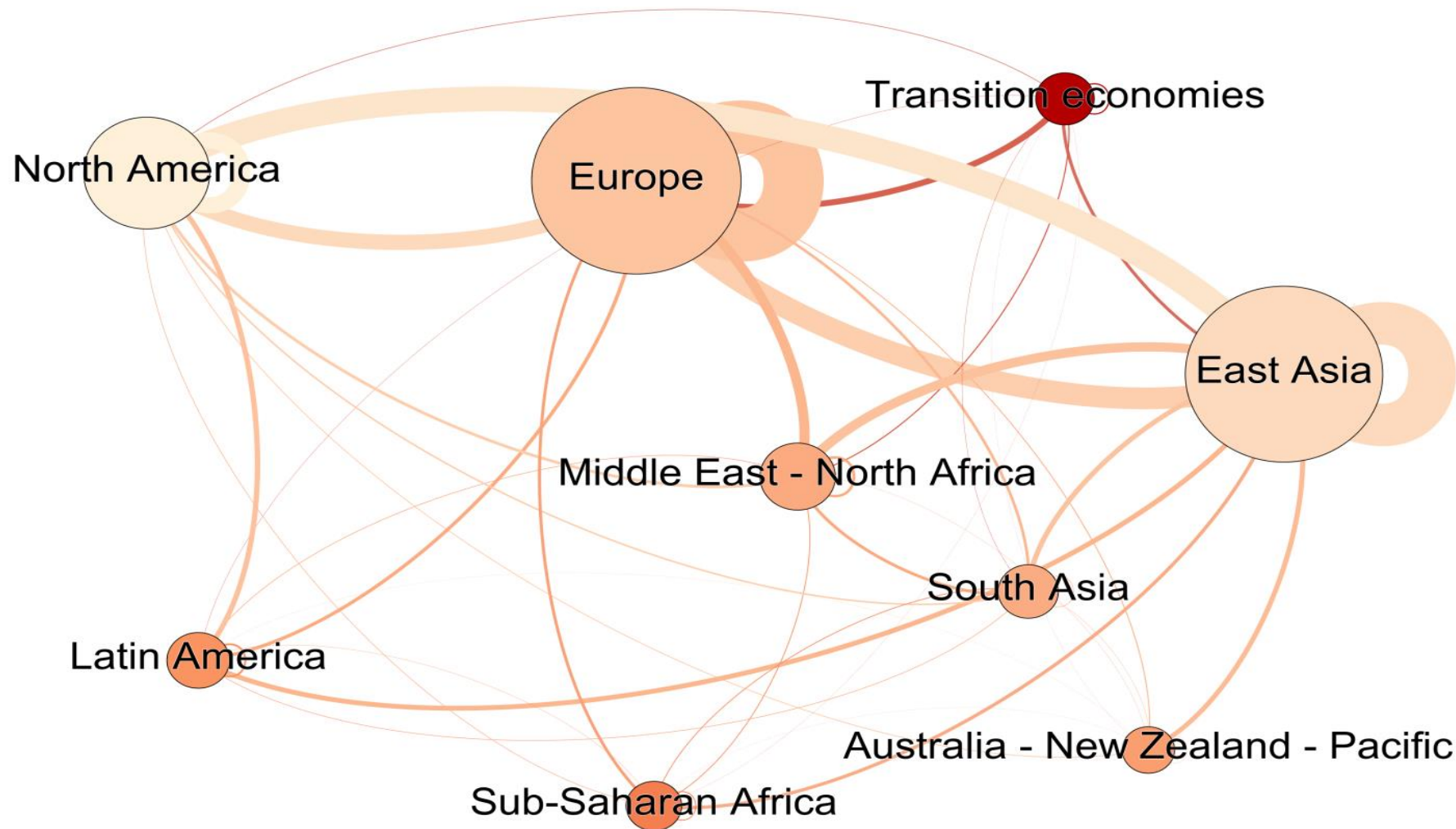
Short courses for Permanent Missions in Geneva
Organised by the Division on Technology and Logistics
Friday, 17 March 2017

Delivered by the
Division on International Trade in Goods and Services, and Commodities Trade
analysis Branch



**COURSE ON KEY ISSUES
ON THE INTERNATIONAL
ECONOMIC AGENDA**

World Trade in Goods (20 Trillion in 2015)



Factors shaping international trade

- Trade flows are related to:
 - **Demand and supply factors**
 - Domestic demand, consumer preferences
 - Productivity, export capacity, comparative advantage, value chains
 - Investments
 - **Trade costs:**
 - Geography, transport costs, government policies
- **Trade policy** is just one of the elements.
 - Level of **tariffs**
 - Presence of other policy **measures** affecting trade (non-tariff measures, red-tape, admin obstacles)



Defining Non-Tariff Measures

All measures that are not tariffs but do affect trade

- A) **Import measures**: import quotas, import prohibitions, import licensing, and customs procedures and administration fees, administered protection
- B) **Export Measures**: export taxes, export subsidies, export quotas, export prohibitions, and voluntary export restraints.
- C) Measures imposed internally in the **domestic** economy: health/technical/labor/environmental standards, internal taxes or charges, and domestic subsidies

Some issues with defining NTMs:

NTMs comprise an **extremely diverse** set of policy measures, which can be individually as different from each other as they are collectively different from import tariffs.

- Various ways of categorizing NTMs, (economic effects, laws, WTO)
- Different measures = very different effects
- Quantifying the impact of NTMs on trade is a challenging exercise



Defining NTM as a **group**?

- Why should non-tariff trade impacting measures be separated conceptually from import tariffs and **lumped together** as NTMs?
- In the context of the institutional features of the **GATT**, NTMs are usefully separated from import tariffs, as import tariffs stand out as the central policy measure with which negotiated market access commitments are made (bindings). **Tariffs** have a **special place** relative to all non-tariff measures in the GATT/WTO.



Measures (NTM) vs Barriers (NTB)

Policy	Purpose	Examples	Potential Consequences
NTB Protectionist policies	To help domestic firms and enterprises at the expense of firms in other countries.	Import quotas; local content requirements; public procurement practices	Restrict Trade, Challenges levied at WTO and other trade forums
NTM Assistance policies	To help domestic firms and enterprises, but not at the expense of firms in other countries.	Domestic subsidies; antidumping laws; industry bailouts.	Adversely affected countries may respond to protect themselves (i.e., imposing countervailing duties and subsidies).
NTM Nonprotectionist policies	To protect the health and safety of people, animals, and plants; to protect or improve the environment.	Licensing, packaging, and labeling requirements; sanitary and phytosanitary (SPS) rules; food, plant and animal inspections; import bans based on objectionable fishing or harvesting methods.	Limited formal consequences lead to efforts to establish common standards or mutual recognition of different standards.

BARRIERS: Tariffs and Non Tariff

Both are **trade barriers**: artificial restriction imposed to the free movements of goods across countries. Two main **differences**:

- Tariffs collect revenues, NTB generally not
- NTB relate to domestic policy and are less subject to international law (grey areas)



Some NTMs in details

NTMs (supported by Regulation /Law)

- Sanitary and phyto-sanitary conditions
- Technical barriers to trade
- Quotas
- Embargo
- Import licenses
- Import deposits
- Export subsidies/restrictions
- Fixation of a minimum import price
- Rules of Origin
- Subsidies (affecting trade)
- Public Procurement

...

No NTMs (no law)

- Misaligned exchange rate
- Inadequate trade infrastructure
- Private Standards

Grey areas

- Intellectual property laws
- Lengthy entry procedures
- Procedural obstacles
- Labor standards/law
- Occupational safety and health regulation



Why is trade regulated by NTMs?

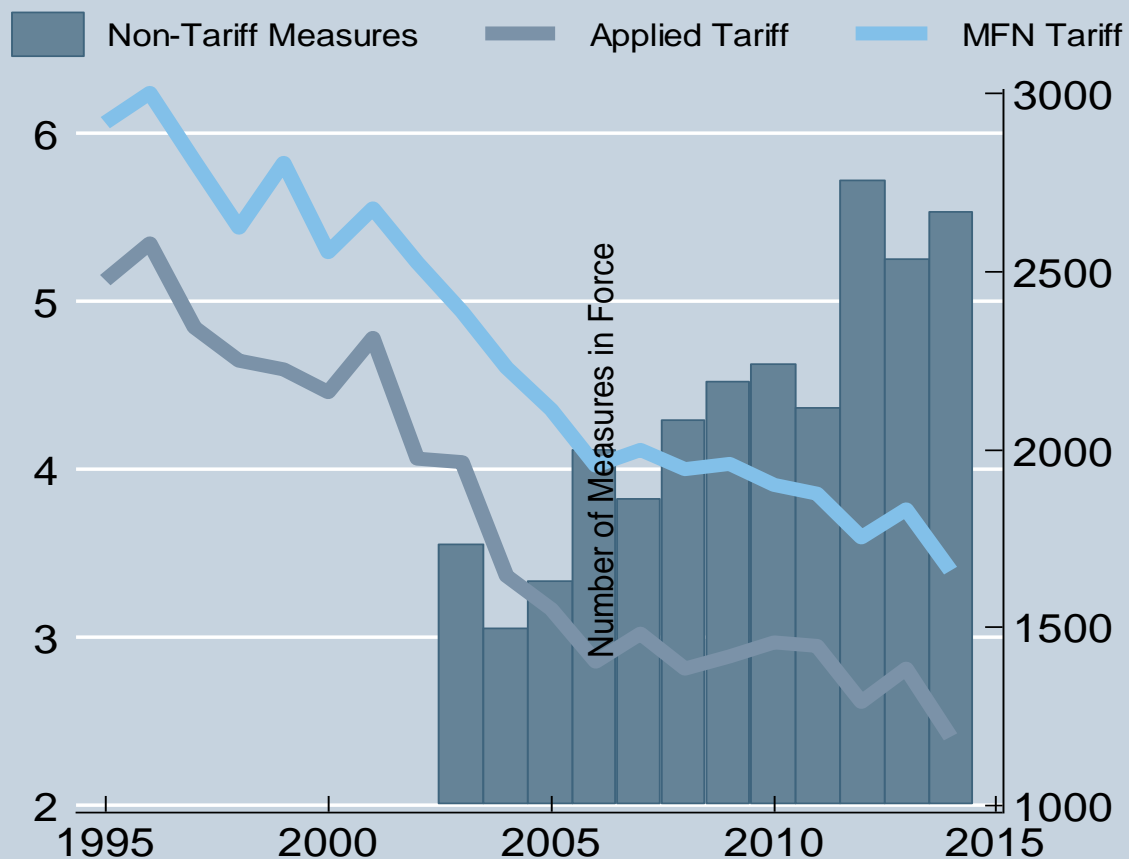
- **Public** policy:
 - Protect consumers, environment, development strategy
- **Domestic/industrial** policy:
 - Regulate domestic markets (pricing mechanisms)
 - Help domestic firms (subsidies)
- **Trade** policy:
 - Avoid unintended spillovers (Rules of Origin)
 - Favoring some trading partners (Quota allocation)
- but also to foster economic **interdependency**
 - need for deeper forms of institutional integration to address distortions affecting trade and investment (common rules, standards)



Trends: Tariffs and non-tariffs measures

Figure 5: Contrasting Trade Policies

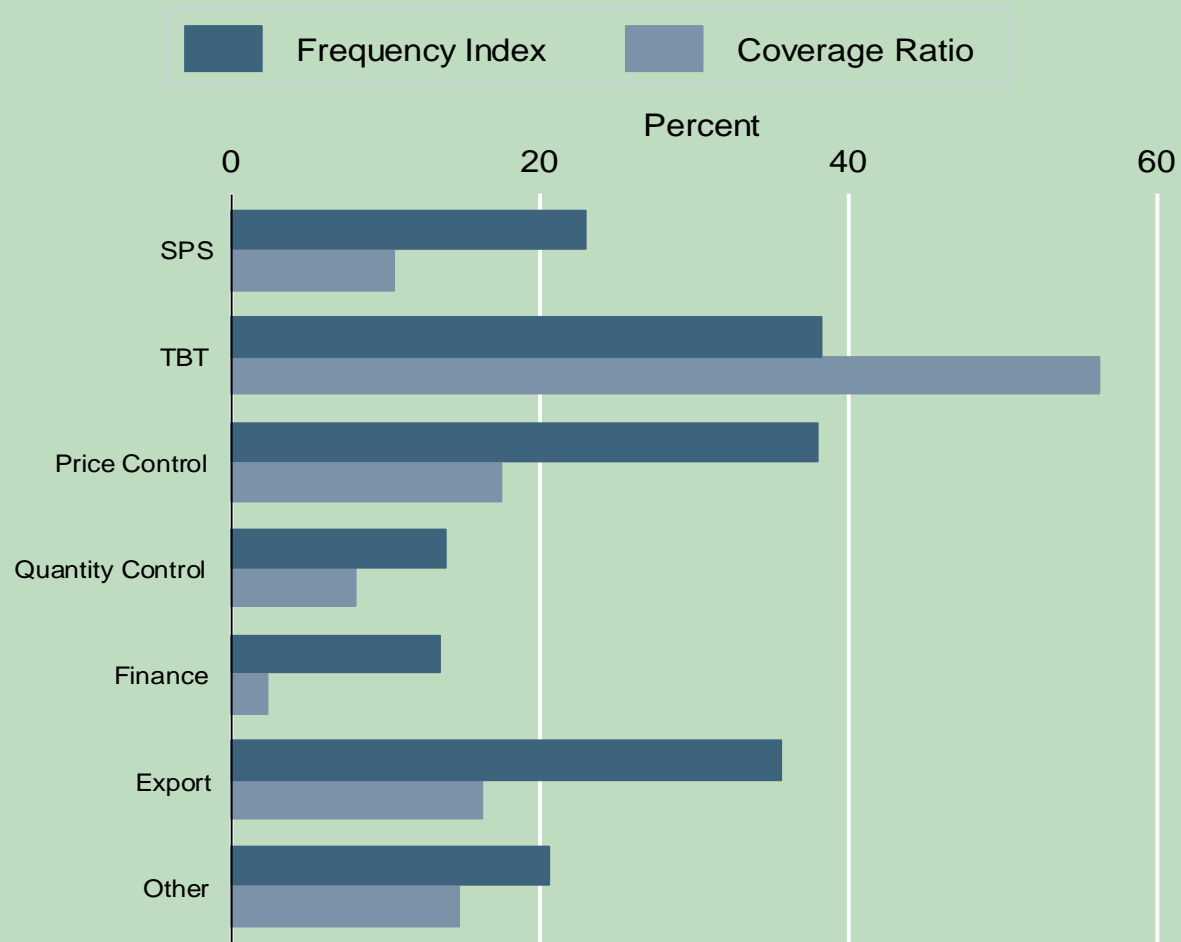
Tariffs have gone down, non-tariff measures not so



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

How pervasive NTMs are?

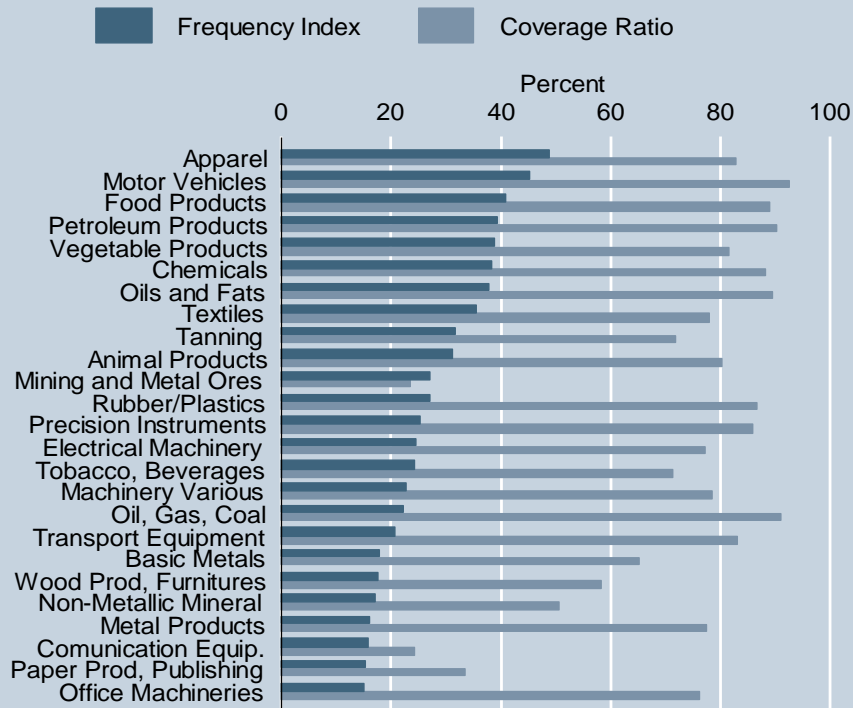
NTMs in World Trade



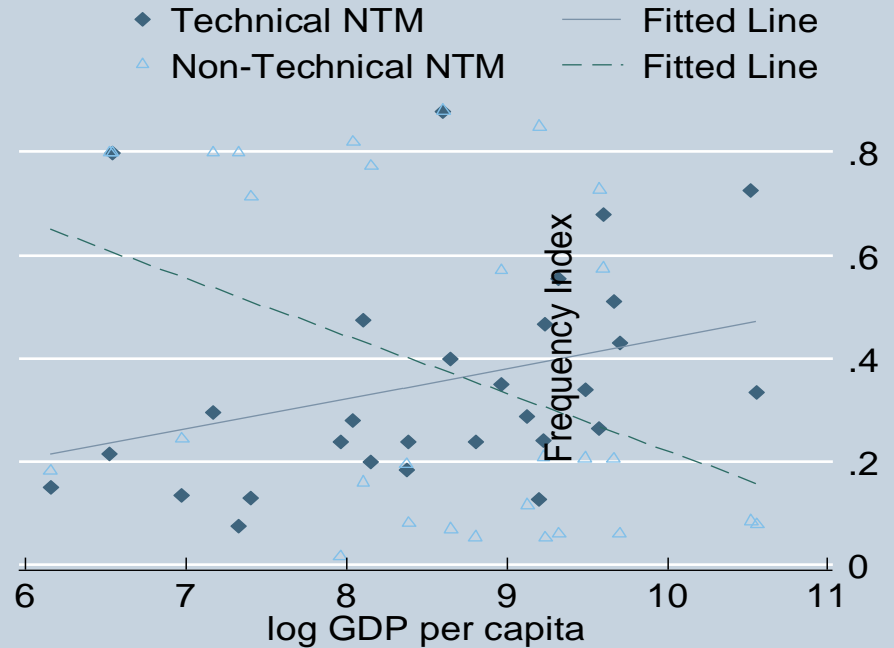
Source: UNCTAD calculations based on UNCTAD TRAINS I-TIP data

TBT, in which products and who uses them?

Technical Barriers to Trade

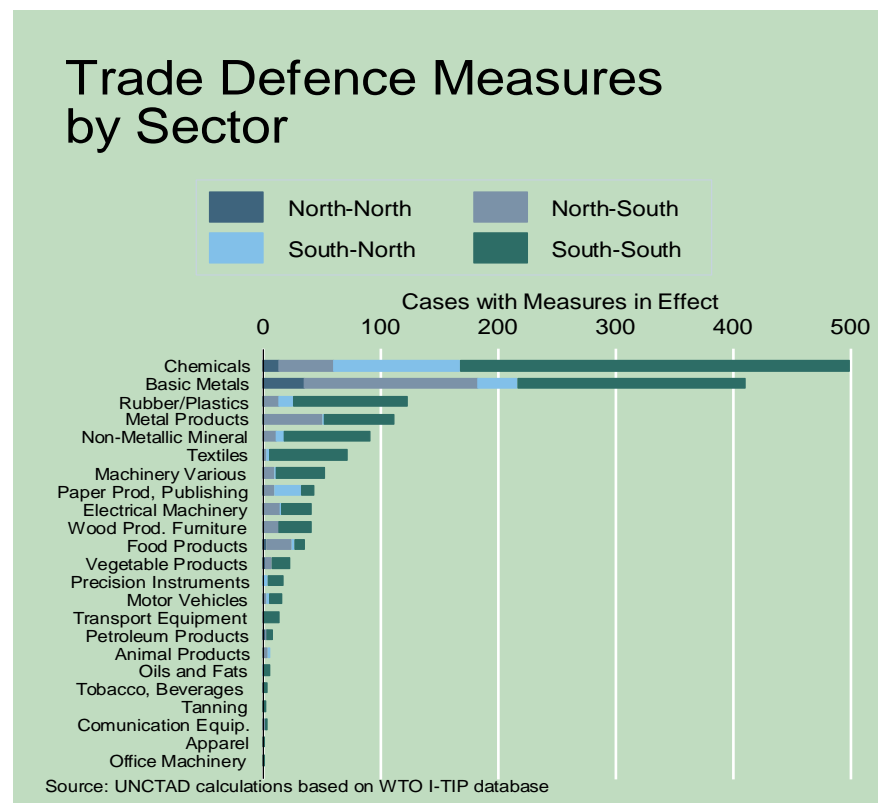
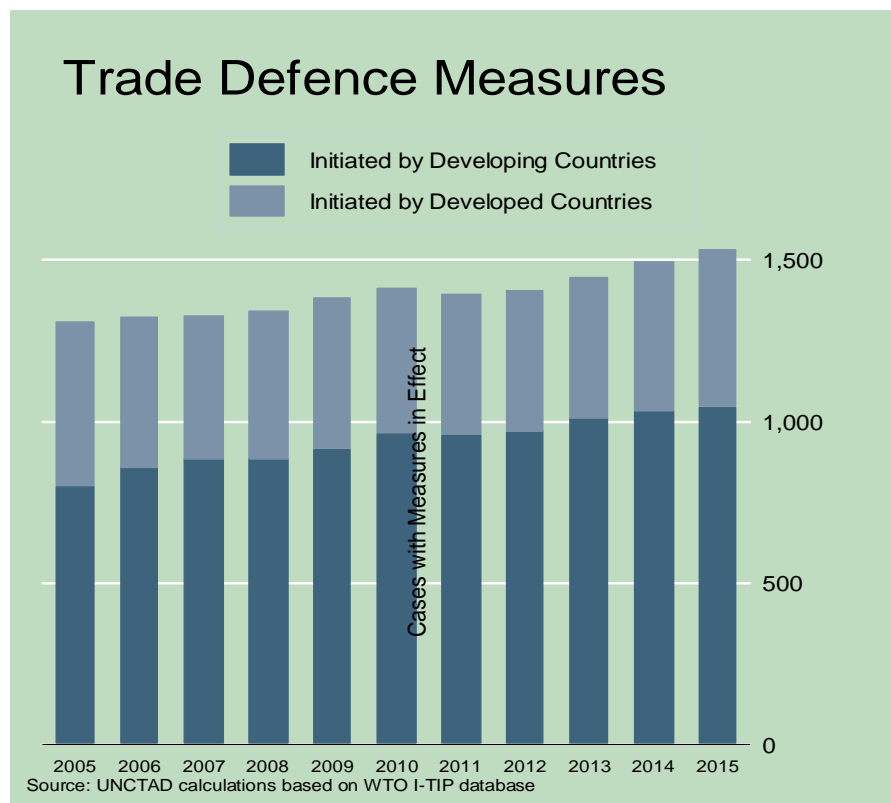


Technical and Non-Technical NTM vs GDP per Capita

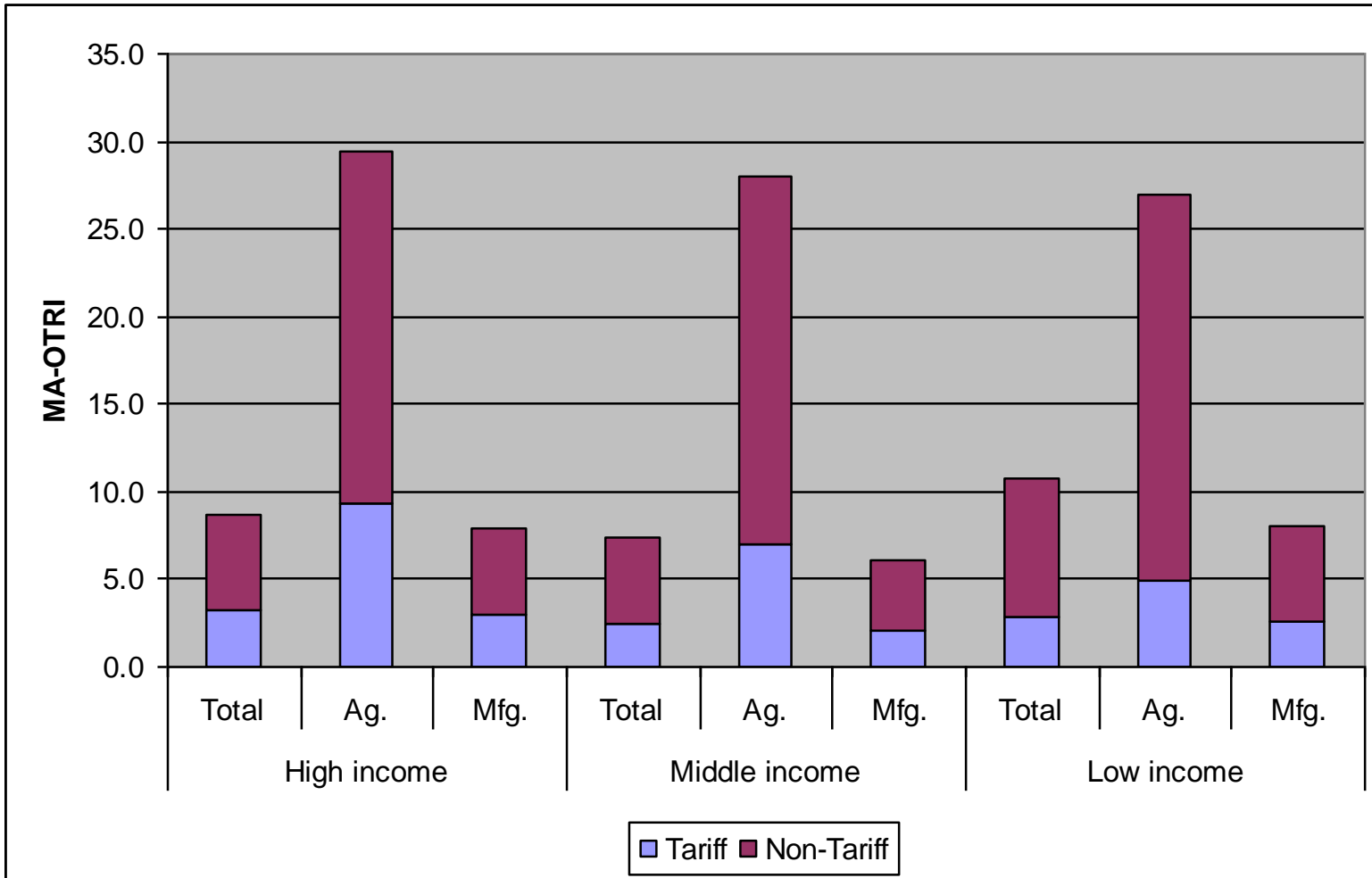


Use of Trade Defense Measures

- Increasingly utilized, especially by developing countries



What are the overall trade costs of NTMs?



Who pays for these costs?

- Producers or Consumers?
- Exporters or Importers ?
 - **Availability** of goods
 - Consumers **price** affected?
 - How much of the compliance cost is passed down to consumers?

Depends on type of measures, **market power**, international competition.



Polycymaking perspective:

Two ways of looking at NTMs

- **Domestic** perspective:
 - NTMs **costs** and **benefits**
 - Fulfill the purpose at minimal cost?
- **Trade** perspective:
 - Effect on imports, exports and **trade diversion**
 - Reduce or distort trade?



NTMs effects: Quotas

Domestic effects

- **Costs**
 - Shortages
 - Higher prices
 - Reduce competition
- **Benefits**
 - Domestic job protection
 - Domestic industry protection

Trade effects

- **Reduce** quantities traded
- **Distort** trade flows
- Affect international **prices**

NTMs effects: **Price Mechanisms**

Domestic effects

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

Trade effects

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



NTMs effects : Standards

Domestic effects

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

Trade effects

- Affect trade costs
- Affect international **prices**
- **Distort** trade flows



Standards: why developing countries should care?

Standards can add **costs** to some producers more than others

- **Production** costs and **trade** costs

Create **discrimination** (Trade Diversion)

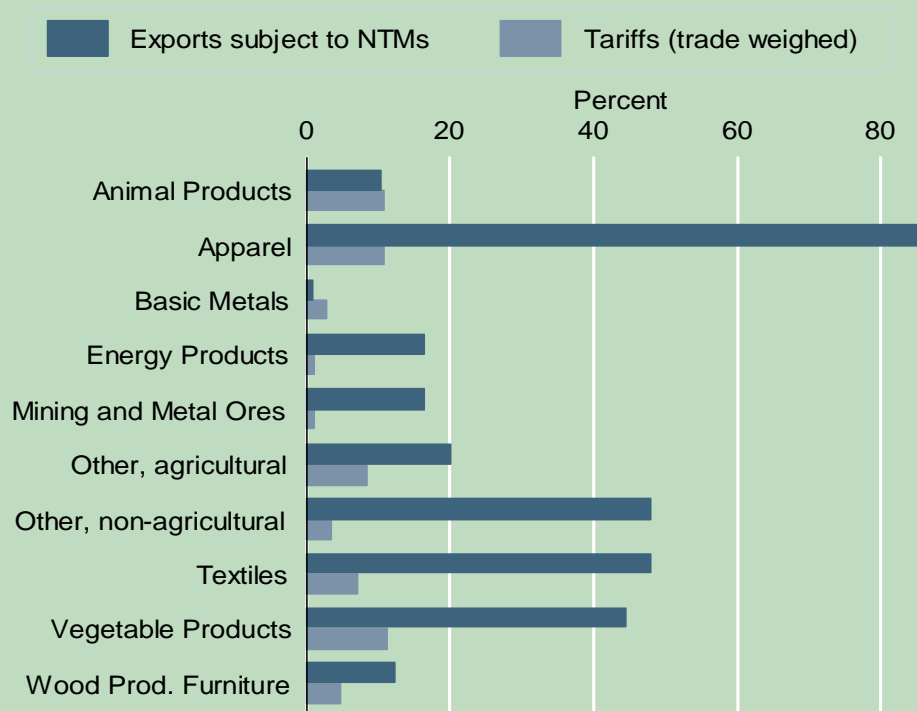
- Depends on **infrastructure, information**
 - Some firms (large) may benefit some firms (small) may lose
 - NTMs affect the overall **competitiveness** of firms/countries
-
- Important implications for the effects "**deep**" **regional agreements** for low income countries and non-members
 - **Harmonization** to what?



Impact of Standards on exports from LDCs

Chart 2: G20 Policies on LDCs Exports

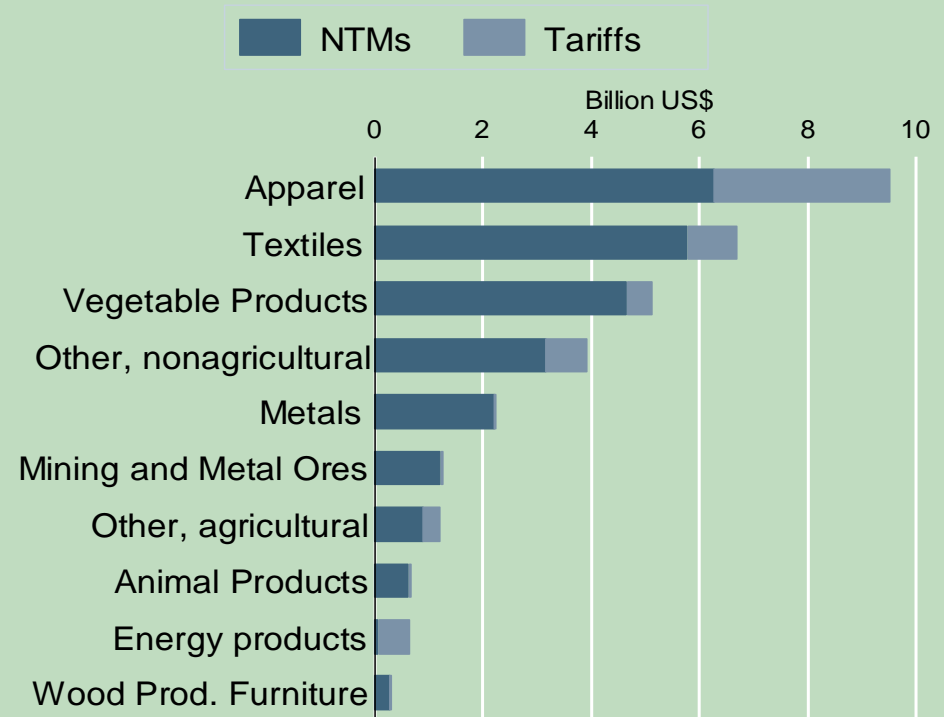
Market access is both about tariffs and compliance with NTMs



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

Chart 3: Market Access still Matters

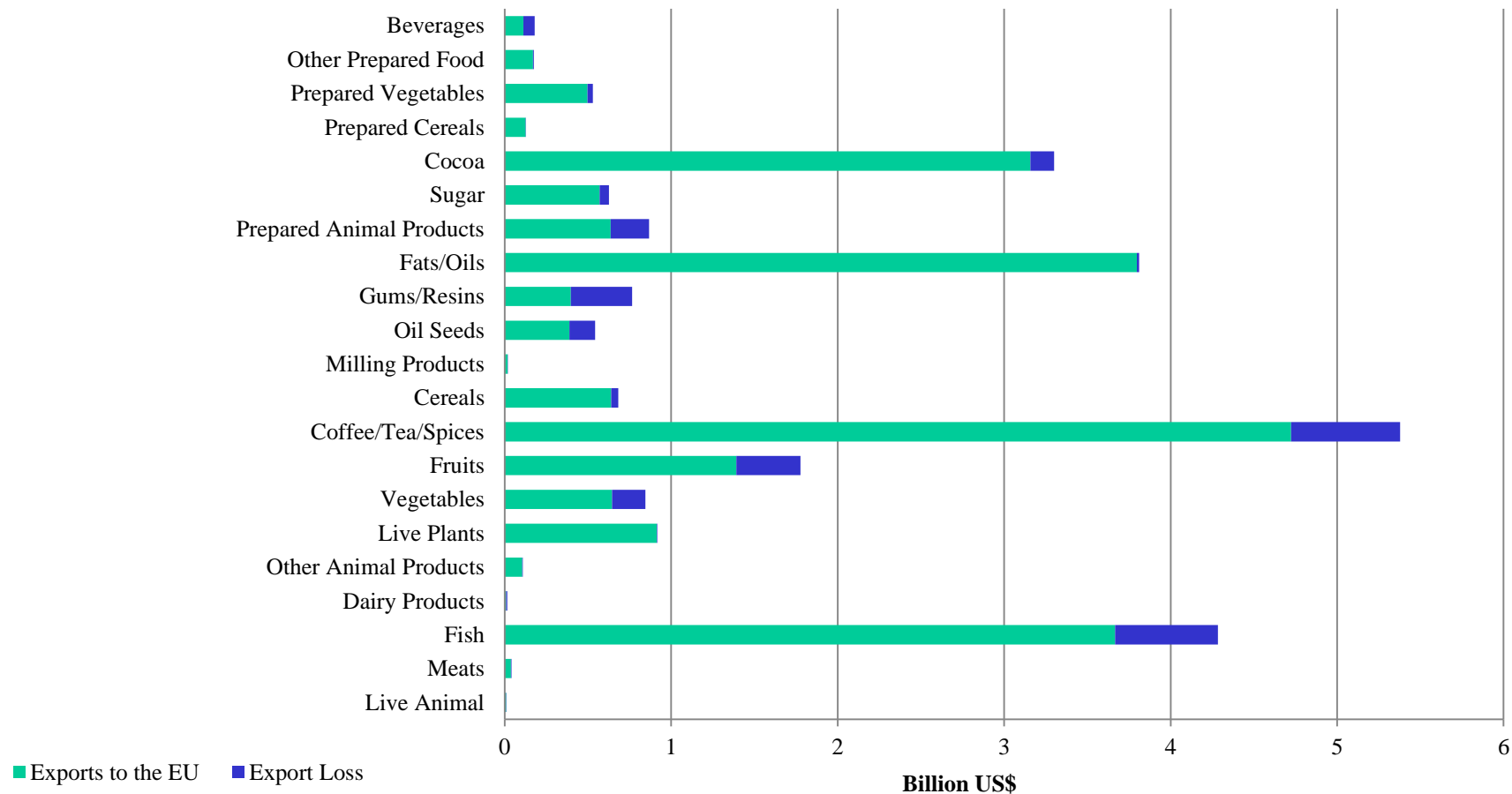
Facilitating compliance with NTMs and lower tariff would help



Source: UNCTAD Policy Series Study #75: G20 Policies and LDCs Export Performance

Trade Diversion Effects of NTM

Trade diversion effects of EU SPS on low income countries



Minimizing the negative effects of NTMs on trade

Increase Transparency of the measures

- NTMs include complex, diverse instruments, requirements are often not transparent to producers/exporters/importers, and **information difficult to access**.
 - Collecting and disseminating data
 - Notifications mechanisms
 - NTMs portal, trade helpdesk
 - Research, Analysis -> Technical assistance



NTMs in the trade agreements

A number of NTMs are now specifically dealt with in **WTO** agreements

- Border measures: More limits on export measures
- Behind-the border measures: SPS and TBT agreements

A growing number of **PTAs** go significantly beyond eliminating tariffs (already low), and focus instead on negotiating specific commitments on behind-the-border NTMs.

Reducing costs of NTMs: **Negotiations**

- A) Measures with a evident **protectionist** intent
 - Removal of protectionist measures in negotiation stage
- D) **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

Costs associated to the presence/changes of NTMs could be covered by:

- Technical assistance (**government**, capacity building)
- Regional chains investments (**private sector**, PPP)



Reducing Costs of NTM: Regulatory framework

Principle of efficient regulations: policy effort is critical to ensure that NTMs serve their intended legitimate purposes. (e.g. SPS)

- Efficient regulations are essential for addressing domestic concerns while not decreasing **competitiveness**
- NTMs can have large (and unintended) **spillovers** and therefore should be precisely targeted to the market failures they are trying to correct



Thank you

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