Key aspects of non-tariff measures and economic development

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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)

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

- **SPS**
- **TBT**
- **Price Control**
- **Quantity Control**
- **Finance**
- **Export**
- **Other**

**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

**Trade Defence Measures**

- Initiated by Developing Countries
- Initiated by Developed Countries

**Cases with Measures in Effect**

- 2005 to 2015
- Source: UNCTAD calculations based on WTO I-TIP database

**Trade Defence Measures by Sector**

- North-North
- North-South
- South-North
- South-South

- Source: UNCTAD calculations based on WTO I-TIP database
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.
Policymaking 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

- Exports subject to NTMs
- Tariffs (trade weighed)

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

- Beverages
- Other Prepared Food
- Prepared Vegetables
- Prepared Cereals
- Cocoa
- Sugar
- Prepared Animal Products
- Fats/Oils
- Gums/Resins
- Oil Seeds
- Milling Products
- Cereals
- Coffee/Tea/Spices
- Fruits
- Vegetables
- Live Plants
- Other Animal Products
- Dairy Products
- Fish
- Meats
- Live Animal

Exports to the EU  Export Loss

Billion US$
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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