Non-Tariff measures: Currently available evidence and future research agenda

Research Workshop on Emerging Trade Issues in Asia and the Pacific: Meeting contemporary policy challenges
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Outline

1. Introduction
   • NTMs during economic crisis of 2008-2009
   • Brief survey of literature

2. Old classification and evidence
   • ‘Old’ NTMs classification
   • Cross-country results

3. New definition, classification and evidence
   • ‘New’ NTMs definition, classification and codification
   • Results from firms and official sources

4. Way forward and future research agenda
   • Areas of research
   • Regional approach
Introduction
Emerging policy challenges in trade

- Past 20 years, trade liberalization has been used as an effective development tool.

- During this period, we have seen a continual decline of tariff rates by virtue of MTAs under WTO and PTAs at regional and bilateral level.

- Reduction in tariffs has not been reflected by a reduction in Non-Tariff Barriers (NTBs).

- NTBs are increasingly becoming important as countries are recurring to NTBs as alternative trade policy instruments for protectionist or regulatory purposes.
  - G20 Leaders Summits, UNESCAP, UNCTAD, WTO
Low intensity protectionism (and use of NTMs)

- Trade protectionism remained high and a sizeable number of countries, developed and developing alike, have raised tariff and introduced new NTMs.
- Many countries introduced direct subsidies (and agricultural export subsidies) and support for domestic industries.
- Some rise in trade defense mechanism/contingency protection including anti-dumping, countervailing and safeguard clauses (are murky and complex).
- Smaller and poorer developing countries who cannot apply similar support measures are discriminated against by default.
  - e.g., LDCs, LLDCs and SIDS.
Patterns of NTMs

- A number of countries have imposed more strict import licensing requirements for some sensitive goods like steel products.

- **Safeguards and antidumping** measures were used by both developed and developing countries.
  - Anti-dumping measures could be among the most disruptive instruments with potentially serious negative effects on trade and hence the rise in the use of such measures is a concern.

- Mostly in developed and big developing countries, have expanded the use of subsidies as a part of national economic stimulus packages.
  - Subsidies are actionable under WTO rules and can be countervailed. Therefore, they may in turn generate a chain of countervailing measures and increased protection.
Possible effects of NTMs

- **Increased and excessive** trade protection in one country is likely to lead to retaliation by other countries in the presence of a global negative shock
  - beggar-thy-neighbour policies

- Main danger still remains in their excessive and/or abusive use by trading partners

- Estimates suggest the **impact on trade flows** and GDP (and overall national welfare)
Survey of literature

- **First generation**: Baldwin (1970) and Corden (1971)
  - any measure (public or private) that causes internationally traded goods and services to be allocated in such a way as to reduce potential real world income” (Baldwin 1970)


- **Third generation**: Anderson and Neary (1996, 2005); Beghin and Bureau (2001), Kee, Nicita & Olarreaga (2009), Ferrantino (2009)

- **Approaches to measure** the incidence of NTMs
  i) frequency type measures, ii) price-comparison measures
  iii) quantity-impact measures

- **Approaches to estimate impact**
  Price, Quantity and Elasticity of demand for imports
Old classification and evidence
**UNCTAD-TCMCS Overview**

**Figure 1:** The measures and chapters of the old UNCTAD-NTMs classification

- **Core Measures**
  - 3 Price Control Measures
  - 4 Finance Measures (except 417)
  - 6 Quantity Control Measures (except 617, 627 and 637)
  - 7 Monopolistic Measures

- **Non-Core Measures**
  - 5 Automatic Licensing Measures
  - 8 Technical Measures
  - 417 Refundable deposit for sensitive products
  - 617 Non-automatic licence for sensitive products
  - 627 Quotas for sensitive products
  - 637 Import Prohibition for sensitive products
### Changing Nature of NTMs Trend

- Growing importance of Technical Measures as Barriers to Trade in the face of elimination of Core-Measures

<table>
<thead>
<tr>
<th></th>
<th>1994 (%)</th>
<th>2005 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Measures</td>
<td>45</td>
<td>15</td>
</tr>
<tr>
<td>Non-core Measures</td>
<td>55</td>
<td>85</td>
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</table>

Core Measures: *Measures intended to protect local producers.*  
Non-Core Measures: *Measures intended to protect local consumers*
## Evolution of NTMs Use by Broad Category

<table>
<thead>
<tr>
<th>TCM description</th>
<th>1994 (%)</th>
<th>2005 (%)</th>
</tr>
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<tbody>
<tr>
<td>AUTOMATIC LICENSING MEASURES</td>
<td>2.8</td>
<td>1.7</td>
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<tr>
<td>MONOPOLISTIC MEASURES</td>
<td>1.3</td>
<td>1.5</td>
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<td>TECHNICAL MEASURES</td>
<td>31.9</td>
<td>58.5</td>
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<tr>
<td>PRICE CONTROL MEASURES</td>
<td>7.1</td>
<td>1.8</td>
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<tr>
<td>FINANCE MEASURES</td>
<td>2.0</td>
<td>1.5</td>
</tr>
<tr>
<td>QUANTITY CONTROL MEASURES</td>
<td>49.2</td>
<td>34.8</td>
</tr>
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</table>

### Notes
- **Non-core measures**
- **Core measures**
### Types of NTMs Applied in ASEAN Region

<table>
<thead>
<tr>
<th>TCM description (UNCTAD code)</th>
<th>1994</th>
<th>2005</th>
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<tr>
<td>AUTOMATIC LICENSING MEASURES (5000)</td>
<td>2.0</td>
<td>2.4</td>
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<td>MONOPOLISTIC MEASURES (7000)</td>
<td>1.5</td>
<td>2.7</td>
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<tr>
<td>TECHNICAL MEASURES (8000)</td>
<td>39.2</td>
<td>49.0</td>
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<tr>
<td>PRICE CONTROL MEASURES (3000)</td>
<td></td>
<td>2.8</td>
</tr>
<tr>
<td>FINANCE MEASURES (4000)</td>
<td></td>
<td>0.1</td>
</tr>
<tr>
<td>QUANTITY CONTROL MEASURES (6000)</td>
<td>57.3</td>
<td>43.1</td>
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**Total number of observations**

*(Number of Tariff lines)*

<table>
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<tr>
<th></th>
<th>1994</th>
<th>2005</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>6620</td>
<td>136504</td>
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<table>
<thead>
<tr>
<th></th>
<th>1994 (%)</th>
<th>2005 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Measures</td>
<td>24.5</td>
<td>25.5</td>
</tr>
<tr>
<td>Non-core Measures</td>
<td>75.5</td>
<td>74.5</td>
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</table>
NTMs database for researchers: Pre 2006

- UNCTAD work on NTMs goes back to early 1980s when a taxonomy of different types of NTMs was developed
- Effort led to the establishment of the UNCTAD Coding System of Trade Control Measures (TCMCS) in late 1980s, following several revisions
- Collecting data using TCMCS began in 1988
- Data in the Trade Analysis and information System (TRAINS) database in 1992
- Since 2002 through the World Integrated Trade Solution (WITS) software.
- TRAINS database contains NTM data on 102 countries (some on several years) from 1988 to 2008.
- But only complete information until 2006
Global NTMs database: Some missing elements

- In spite of their importance in regulating trade, there is little understanding of the exact implications of NTB on trade flows.

- There is no comprehensive and continuously updated information on NTBs.

- UNCTAD-TRAINS database (only internationally known cross country database) needs improvement.

- WTO-notifications (SPS and TBT) related information, OECD and USITC database.
New definition, classification and evidence
Group of Eminent Persons on NTB

The group recommends the use of following definition as proposed by UNCTAD (GNTB-MAST):

- Non-tariff measures (NTMs) are policy measures, other than ordinary customs tariffs, that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both (UNCTAD 2009)

- **NTM**: Within border measures
- **NTB vs NTM**:
  - The protectionist or discriminatory intent is the factor differentiating non-tariff barriers (NTBs) from NTMs
  - NTBs are a subset of NTMs
The new classification introduces the concept of "procedural obstacles".

Procedural obstacles refer to issues related to the process of application of an NTM, rather than the measure itself.

"Testing requirement" is a TBT measure as opposed to "Excessive documentation requirement", a procedural obstacle.

These can only be collected through firm-level surveys.
Types of Procedural Obstacles

**Chapter**

- **A** Arbitrariness or Inconsistency
  - e.g. Behaviour of public officials

- **B** Discriminatory behaviour
  - e.g. Favouring local suppliers

- **C** Inefficiency or obstructions
  - e.g. Excessive documentation requirement

- **D** Non-transparency
  - e.g. Inadequate information on laws regulations/registrations

- **E** Legal issues
  - e.g. Lack of enforcement

- **F** Unusually high fees or charges
  - e.g. Stamps, testing or other services
Emerging trade challenges are reflected in NTMs

- New chapters such as SPS, TBT, Government Procurement, Export measures, Intellectual Property rights, etc

- New concept of “Procedural Obstacles” to facilitate collection of data from exporters/importers (from firm-level surveys)
NTMs data collection framework

Official Sources
- NTMs National and International Agencies Documentations and Databases
  - Developing Countries
  - Developed Countries
  - Database on official NTMs

Private Sector Sources
- NTMs Surveys (face-to-face Interviews)
  - Developing Countries
  - Developed Countries
- NTMs Web-Portal (Trade Barrier Reporter)
  - Developing Countries
  - Developed Countries
  - Database on NTMs perceived as barriers
Types of NTMs data sources

• **Official data:**
  • Importers complaints against its own national laws and regulations
  • Official data was collected from national official documents, international (WTO notifications) and regional organizations.

• **Survey data:**
  • Perception based firm level survey for exporters and importers complainants against its partners or own governments
  • Private sector data was collected through surveys and a web based platform.
  • Data will provide information on NTMs at the product level according to the HS classification.
Several Sources will be used to compile NTMs data.

Identification of sources:

- **Tariff schedules**
- **Government Publications**
- **WTO Countries notifications**
- **Other International/regional Organizations (IMF, ESCAP TISNET)**
- **Specialized Institutions**
  - European Commission Export Help-Desk
  - United States International Trade Commission
  - German Foreign Trade Information Office (BFAI)
  - French International Trade Monitor (MOCI)
  - Institute for economic research (IFO)
  - British Business

<table>
<thead>
<tr>
<th>NTM Chapters (code)</th>
<th>Sources (possible)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A</strong> Sanitary and Phytosanitary Measures (SPS)</td>
<td>Ministry of Agriculture; Standardization Agency</td>
</tr>
<tr>
<td><strong>B</strong> Technical Barriers to Trade (TBT)</td>
<td>Standardization Agency; Ministry of Healthcare; Ministry of Ecology; Ministry of Industry</td>
</tr>
<tr>
<td><strong>C</strong> Pre-shipment Inspection and other formalities</td>
<td>Customs Agency</td>
</tr>
<tr>
<td><strong>D</strong> Price Control measures</td>
<td>Ministry of Finance; Ministry of Economy or Trade</td>
</tr>
<tr>
<td><strong>E</strong> Licences, Quotas, prohibitions and other quantity measures</td>
<td>Ministry of Economy (or Trade, Foreign Relations)</td>
</tr>
<tr>
<td><strong>F</strong> Charges, Taxes and other para-tariff measures</td>
<td>Ministry of Economy (or Trade, Foreign Relations); Customs Agency</td>
</tr>
<tr>
<td><strong>G</strong> Finance measures</td>
<td>Ministry of Finance; National Bank</td>
</tr>
<tr>
<td><strong>H</strong> Anticompetitive measures</td>
<td>Ministry of Economy (or Trade, Foreign Relations)</td>
</tr>
<tr>
<td><strong>I</strong> Trade-related investment measures</td>
<td>Ministry of Economy (or Trade, Foreign Relations)</td>
</tr>
<tr>
<td><strong>P</strong> Export-related measures</td>
<td>Ministry of Economy (or Trade, Foreign Relations); Customs Agency</td>
</tr>
</tbody>
</table>
Key Issues

The following steps for exploring official sources of NTMs

• Identify the sources
• Collect the data
• Standardize the data (same classification, product level)
• Verify and cross check across various sources

The challenges of official data collection

• Complexity of data sources and their standardization varies across countries depending on their data collection framework
• Time, quality and comprehensiveness are largely dependent on:
  – Number of national agencies issuing regulations
  – Availability of existing databases
  – Format in which data is stored (paper / electronic)
  – Original classification used
Official NTM information

# Domestic Laws

<table>
<thead>
<tr>
<th>Country</th>
<th>SPS</th>
<th>TBT</th>
<th>Other</th>
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</thead>
<tbody>
<tr>
<td>Chile</td>
<td>850</td>
<td>200</td>
<td>0</td>
</tr>
<tr>
<td>Philippines</td>
<td>1000</td>
<td>400</td>
<td>0</td>
</tr>
<tr>
<td>Thailand</td>
<td>1300</td>
<td>1000</td>
<td>0</td>
</tr>
<tr>
<td>Japan</td>
<td>1400</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
Global picture: NTMs cases (%)

- Sanitary and phytosanitary measures (SPS)
- Technical barriers to trade (TBT)
- Other Technical measures
- Price control measures
- Quantity control measures
- Para-tariff measures
- Finance measures
- Anti-competitive measures
- Trade-related investment measures
- Distribution restrictions
- Restrictions on post-sales services
- Subsidies (excluding export subsidies)
- Government procurement restrictions
- Intellectual property
- Rules of origin
- Export-related measures
- Uncategorized

Source: Basu et. al (2011)
Global picture: Procedural Obstacles

Source: Basu et.al (2011)
Global picture: Products affected

Source: Basu et.al (2011)
NTMs and tariffs

Frequency index (number of products)  Coverage ratio (value of imports)

Source: Nicita and Gourdon (2012), UNCTAD.
Effects of NTMs Reduction on GDP (margin of GDP increase, %)

Source: South-South Trade In Asia: The role of Regional Trade Agreements, United Nations, UNCTAD and JETRO Joint Publication, 2008
Way forward and future research agenda
Why NTMs database urgently required?

- Lack of comparable database, cross-country & time-series
- Improved transparency on NTMs would contribute to discourage their use as hidden protectionist instruments
- Better information on NTMs would contribute better target trade-facilitation and aid-for-trade programs
- Coordinated effort on NTMs data collection, capacity building and dissemination, which would help policy makers and researchers to better understand the implications of NTMs
Capacity Building

• To increase transparency and monitoring of NTMs applied at the country and product level

• To foster ownership for the creation of a sustainable data collection framework at the regional and national levels

• To encourage economic analysis of NTMs and their impact on international trade
Usefulness of Official NTMs Database

Descriptive/Monitoring purposes:
- Types of NTMS applied, the product coverage
- The NTMS are applied by the countries and when they are applied

Detailed sector/product-level analysis:
- NTMs information for specific sectors/products for determination of their sources such as links to national laws and regulations number, footnotes, and references
ASEAN on Non-Tariff Barriers (NTBs)

- “ASEAN Member Countries have also resolved to work on the elimination of non-tariff barriers.
- A work programme on the elimination of non-tariff barriers, which includes, among others,
  - the process of verification and cross-notification;
  - updating the working definition of Non-Tariff Measures (NTMs)/Non-Tariff Barriers (NTBs) in ASEAN;
  - the setting-up of a database on all NTMs maintained by Member Countries; and
- the eventual elimination of unnecessary and unjustifiable non-tariff measures, is currently being finalized”
- ASEAN Secretariat and member countries use old UNCTAD-NTMs classification (TCMCS) for data collection
- Need to use the new NTMs classification for updating information
Policymakers and researchers

• Quantification and impact assessment of NTMs
  – Measuring and quantifying NTMs
  – Simulation model by incorporating NTMs such as in CGE, Gravity model

• Explore cross country comparison of NTMs incidence through calculations of AVE of NTMs

• Trade facilitations, assessing the impact of NTMs on vulnerable economies, LDCs, LLDCs

• Efforts to create time series database in TRAINS/WITS
  – impact of changes on traded goods
  – harmonization of measures and procedural obstacles
Recent UN Resources

Thank you

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