
Session 1

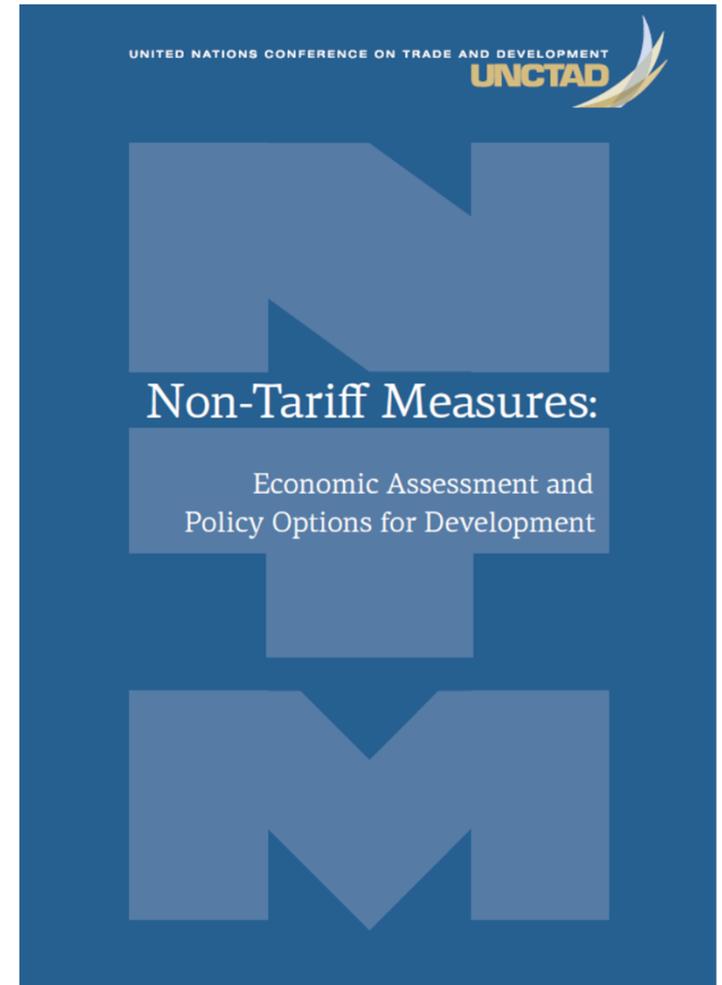
Non-tariff measures: implications for international trade and economic development



Non-tariff Measures. Economic Assessment and Policy options for Development

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Overview of the Publication:

Part I: Quantitative assessment and policy options

Part II: Case studies from developing countries

Purpose: to inform about data, methods of analysis and policy relevance related to NTMs.

Not a policy document, more of an handbook



Acknowledgements:

This publication was possible because of:

- United Nations Development Account Project:
 - ***Strengthening capacities of policy-makers to assess implications of non-tariff measures in international trade and formulate appropriate policy responses***
- And all the contributors



General outline of the course

- Day 1: Objective: understanding the **importance** of NTMs
 - General overview (**relevance**)
 - **Policy** aspects of NTMs (NTMs in WTO agreements)
 - NTMs and **SDGs** (NTMs and the pursue of SDGs)
- Day 2: Objective: methods of **analysis** of NTMs
 - **Data** (some important considerations, often overlooked)
 - **Methods** (overview, refer to more technical papers)
- Day 3 and 4:
 - Quantitative applications



By the end of the workshop:

- Better understanding of the reasons for which NTMs are important
 - For **international integration**,
 - For **socio-economic development**
- Better understanding of the analytical tools to assess implications of NTMs.
 - Understanding of the **data**
 - Understanding of the **quantitative methods**
- Shared view/experiences with colleagues



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



Alternative ways of defining NTMs:

Measures affecting Trade and Trade costs which are addressed in the WTO

- **Traditional** non-tariff barriers
 - ...Quotas, Antidumping measures, etc.
(Regulated by WTO)
- **Technical** measures to trade
 - ...SPS and TBT. (Partially addressed by WTO)
- **Administrative** barriers to trade
 - ...derived from laws and administrative procedures, Red Tape. (Sometimes regulated within PTAs, Trade Facilitations Agenda)



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, (data collection, economic effects, WTO agreements)
- Different measures = very different effects



Rationale for Defining NTMs 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.



A word of caution: NTMs and NTBs

- **NTMs:** 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.
- **NTBs:** Policy measures that *surely* affect quantity traded and prices and have *proven* discriminatory effects against foreign firms



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; 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.

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)



Policymaking perspective:

Two ways of looking at NTMs

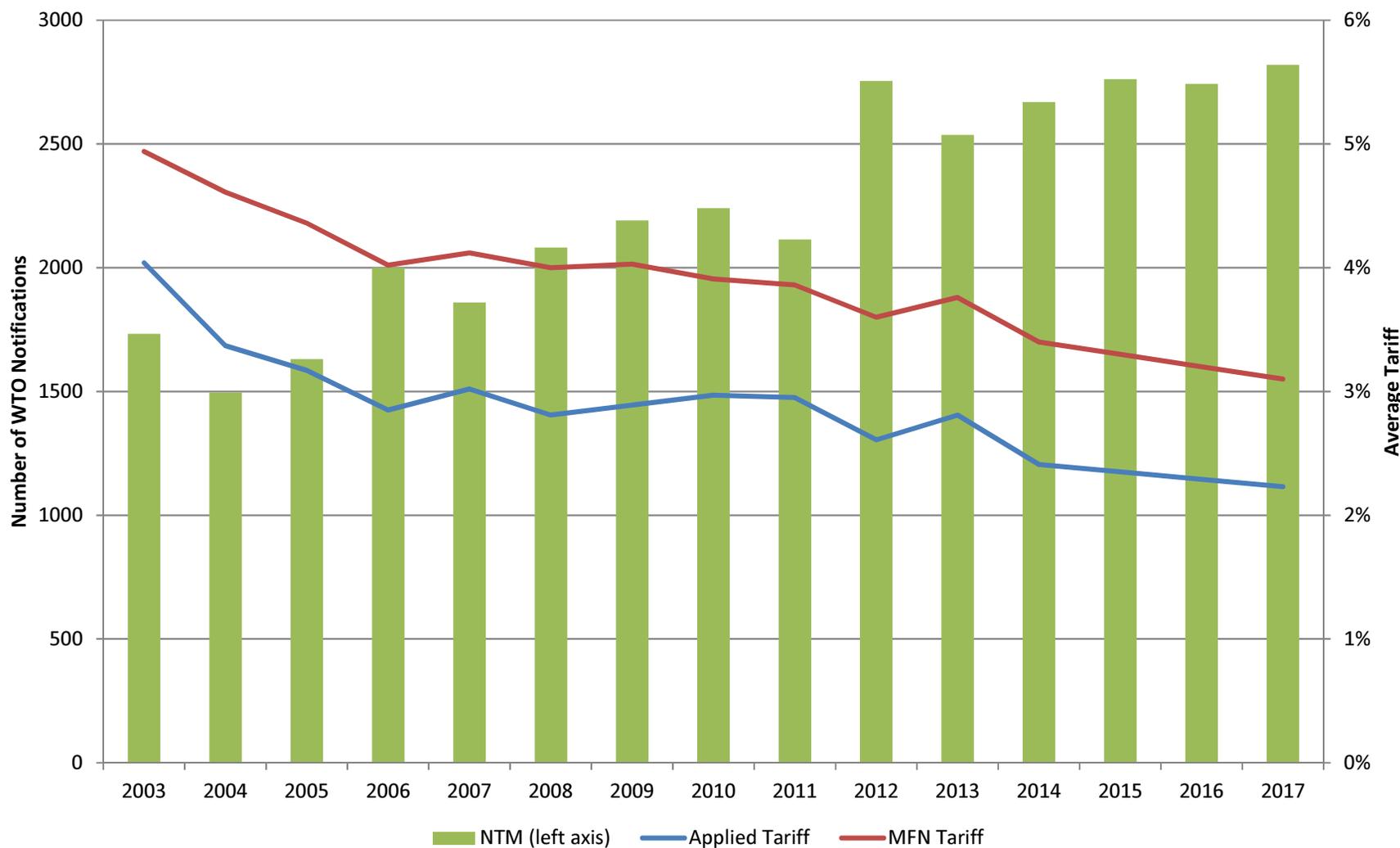
- **Domestic** perspective:
 - NTMs have **costs** and **benefits**
 - Fulfill the purpose whatever it is
 - Make sure that it is at minimal costs and externalities
- **Trade** perspective:
 - Effect on imports, exports and **trade diversion**
 - Maximize trade (exports)
 - Policy: reduce all costs related to NTMs

Trade perspective is often **myopic**. Many NTMs objective is not trade

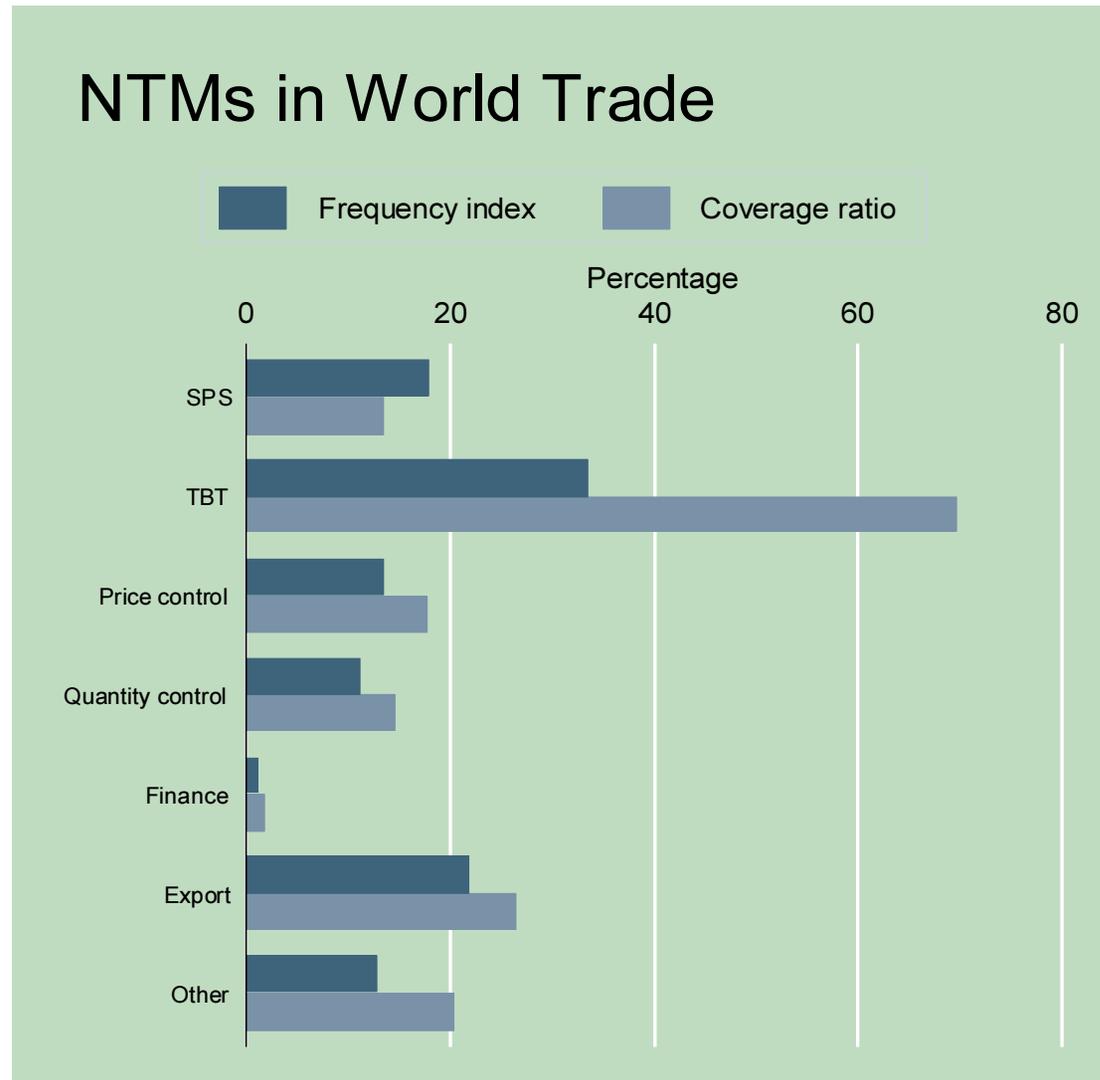


Why policymakers should care?

Trends: tariffs and non-tariffs measures

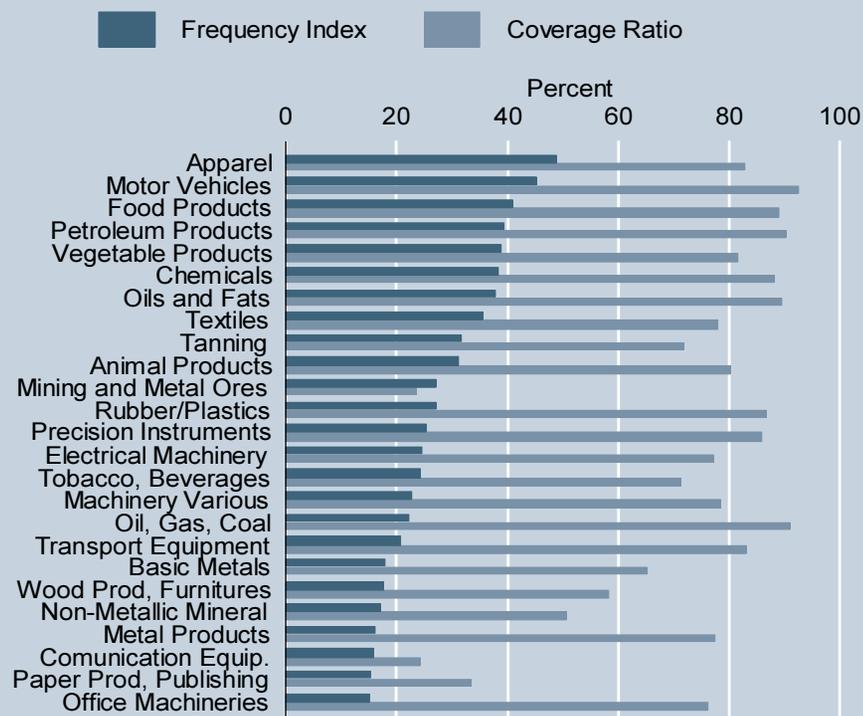


How pervasive NTMs are?

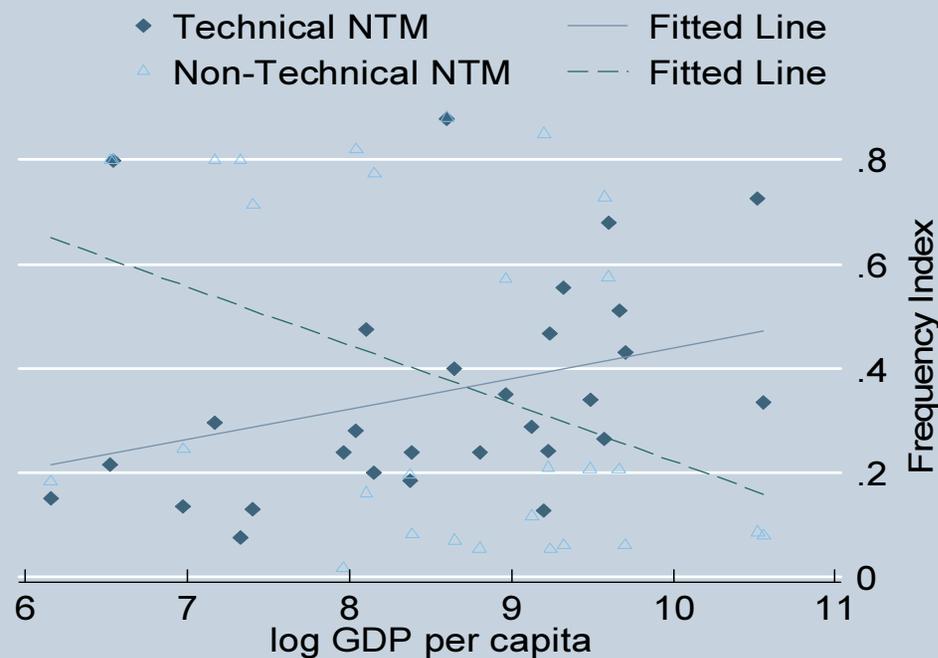


TBT, in which products and who uses them?

Technical Barriers to Trade

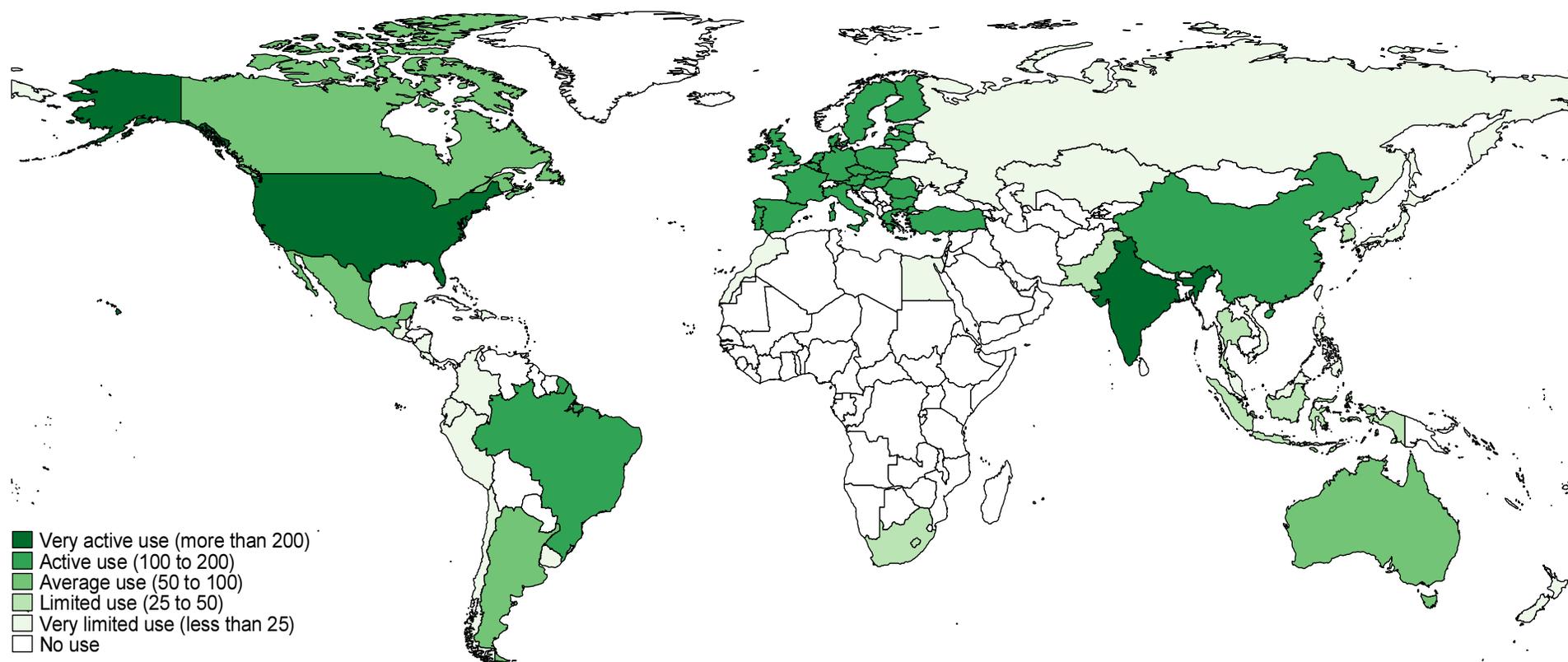


Technical and Non-Technical NTM vs GDP per Capita

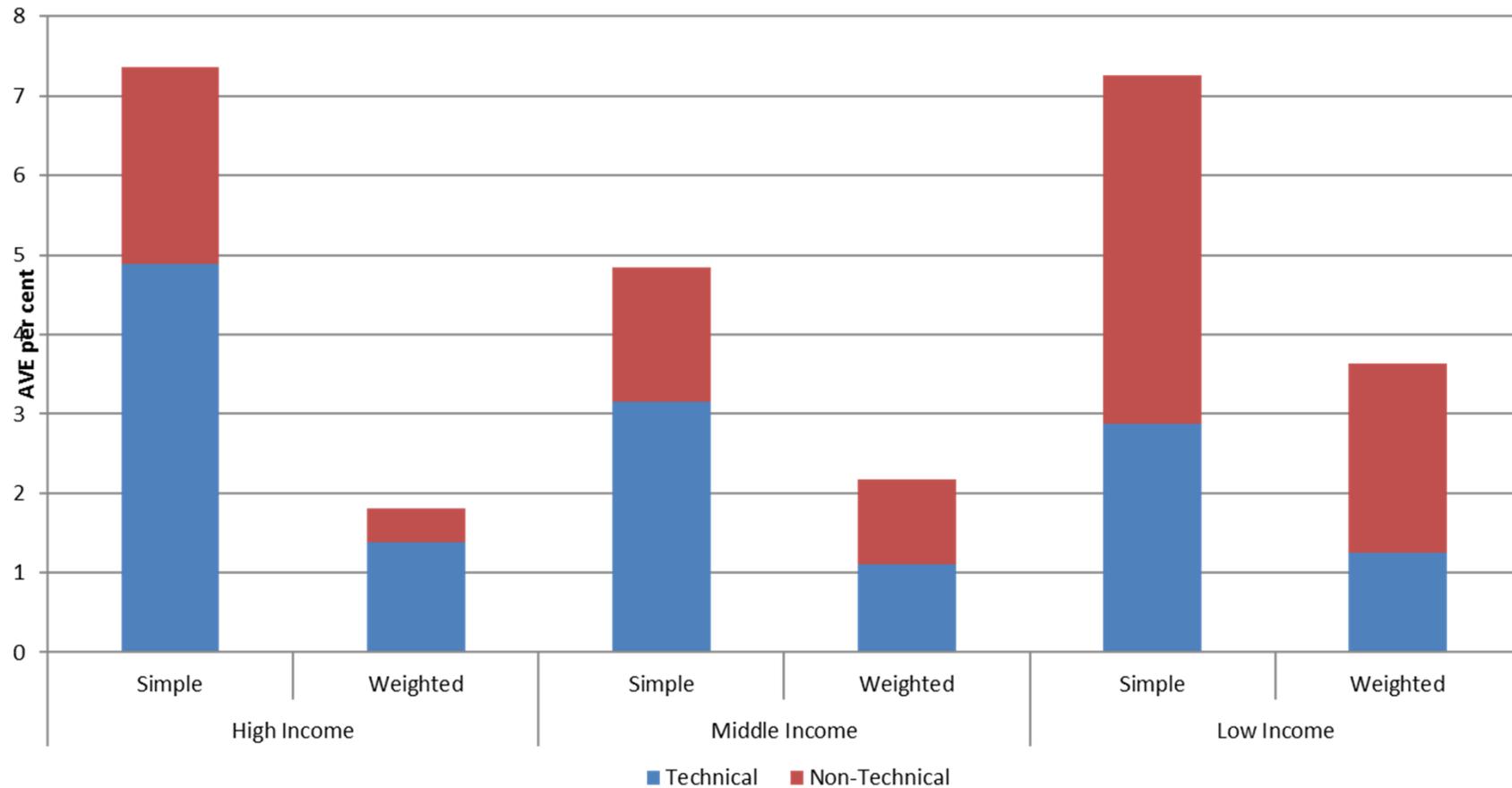


Use of Trade Defense Measures (WTO)

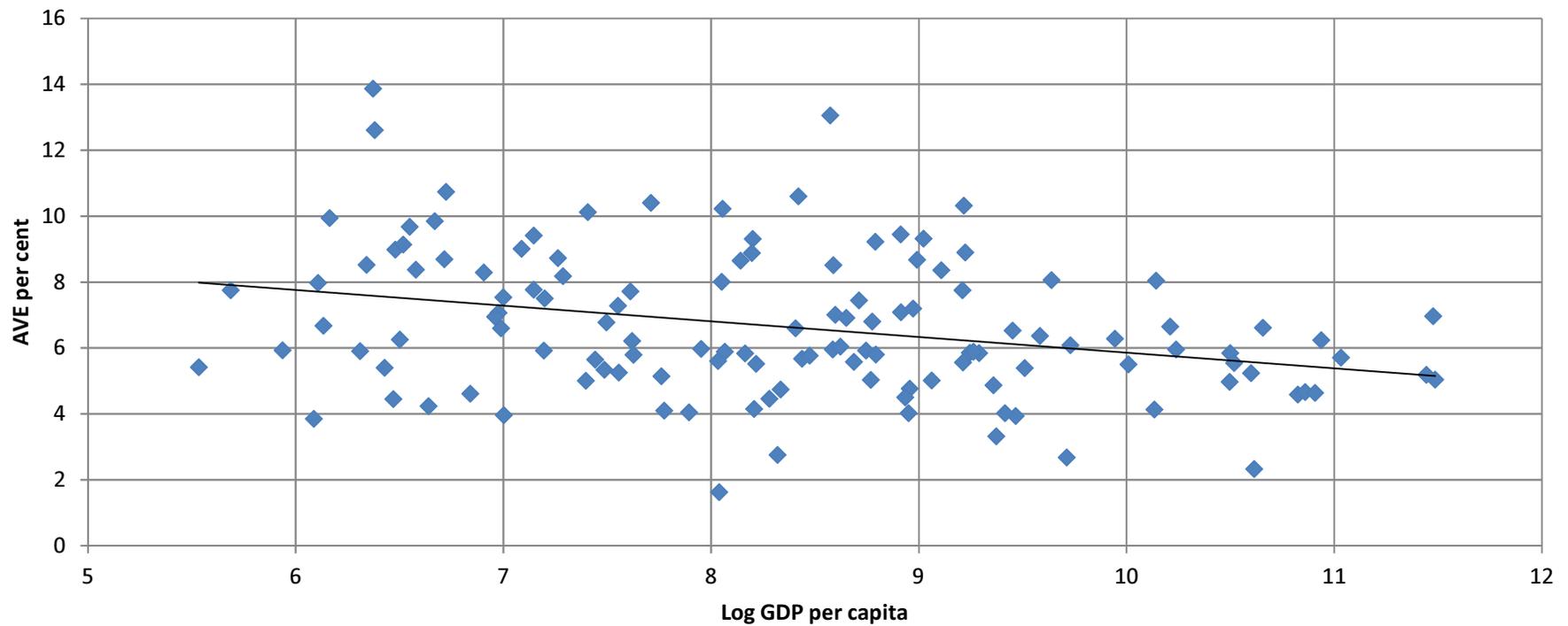
- Increasingly utilized, especially by developing countries... in contested sectors (metals, chemicals)



What are the overall trade costs of NTMs?



Average AVE (technical + non-technical) faced by exports and GDP per capita



Why researchers should care?

Economic impact of NTMs are still poorly understood and studied.

Areas of research:

- Quantification of overall costs, and **how costs are distributed**
 - Ad-valorem equivalent, price effects
- Distortionary effects of NTMs
 - Equally applied but **costs of compliance** are often different across exporters, firms, countries
 -
- NTMs when they become **NTBs**?
 - Political economy, lobbies



Some reasons for the limited literature on NTMs

- **Lack of information**
- **Assessment is difficult.** NTMs include complex and diverse instruments. Requires appropriate specific analysis.
 - Add Costs to Trade
 - Information on the measures, and how it is implemented.
 - Trade diversion effects (3rd party effects)
 - Cost of compliance may be different
 - NTMs have effects on market competition
 - SPS and TBT



Welfare effects of NTMs

Who pays for the costs of NTMs, who benefits?

- Producers or Consumers? Exporters or Importers?
 - Consumers/importers thru higher **prices?**
 - Producers/exporters thru lower **profits?**
 - **Big** companies vs **small** firms? (Capital / Labor)
- All depends on type of measures, **market power**, international competition.
- This makes the analysis even more difficult



NTMs affect not only domestic economy but also international markets

- In general NTMs primary purpose is the domestic economy. However,
- NTMs often have an affect
 - **International markets** (prices and volumes)
 - Especially when imposed by large countries
- This is the main reason why many form of **NTMs** are dealt within the **WTO** agreements and RTA.



Some examples for fix ideas: Quotas

Quota: Restrictions / Allocation on quantities that can be imported

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**



Another examples: **Price Mechanisms**

Price M.: Minimum prices for which products can be imported

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
 - negative
- **Distort** trade flows
 - competition



Another Example: Standards

Standards: Imported Products need to meet some characteristics, or comply with some procedures

Domestic effects

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

Trade effects

- Affect trade costs
- **Distort** trade flows



Standards: why developing countries should care?

International trade is increasingly about **meeting standards**

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

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

Create **discrimination** (Trade Diversion)

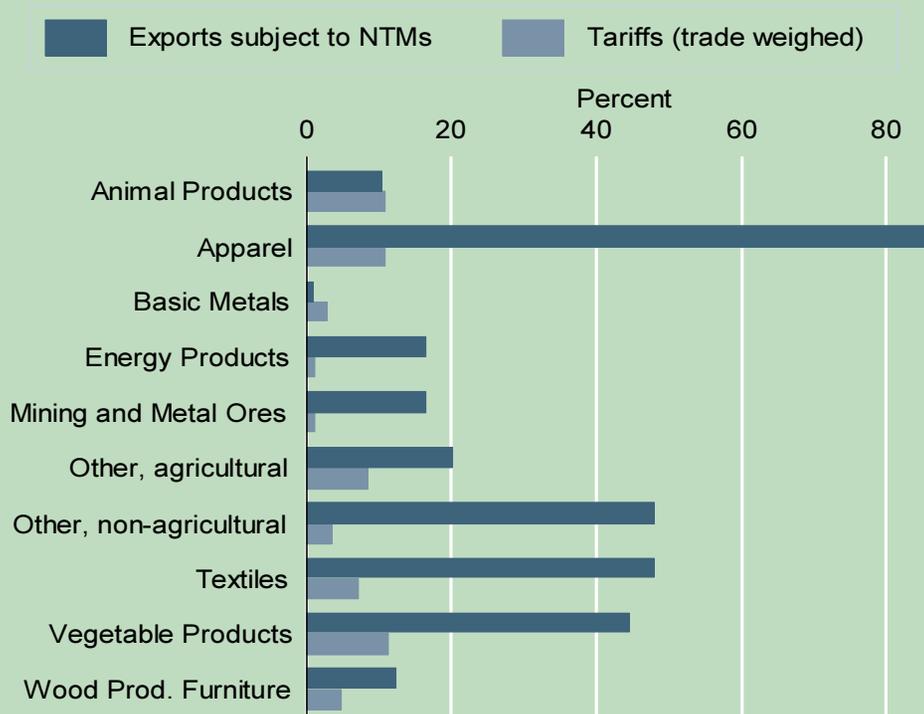
- Depends on **infrastructure, information**
 - Some firms (large) may benefit some firms (small) may lose
 - NTMs affect the overall **competitiveness** of firms/countries
-
- Important implications for the effects "**deep**" **regional agreements** for low income countries and non-members
 - Debate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



Impact of Standards on exports from LDCs

Chart 2: G20 Policies on LDCs Exports

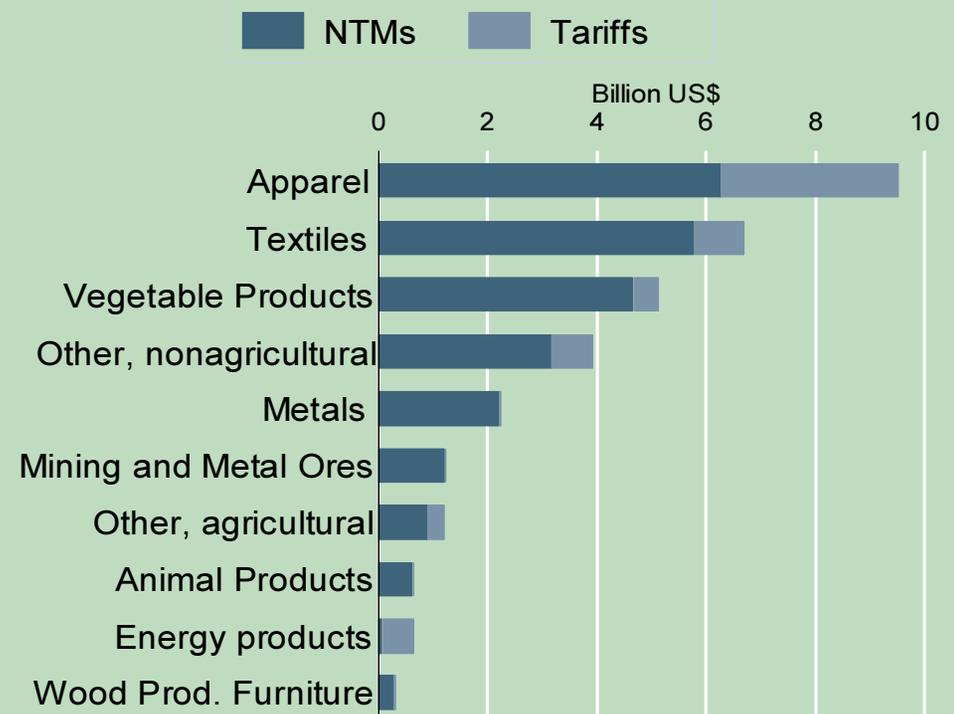
Market access is both about tariffs and compliance with NTMs



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

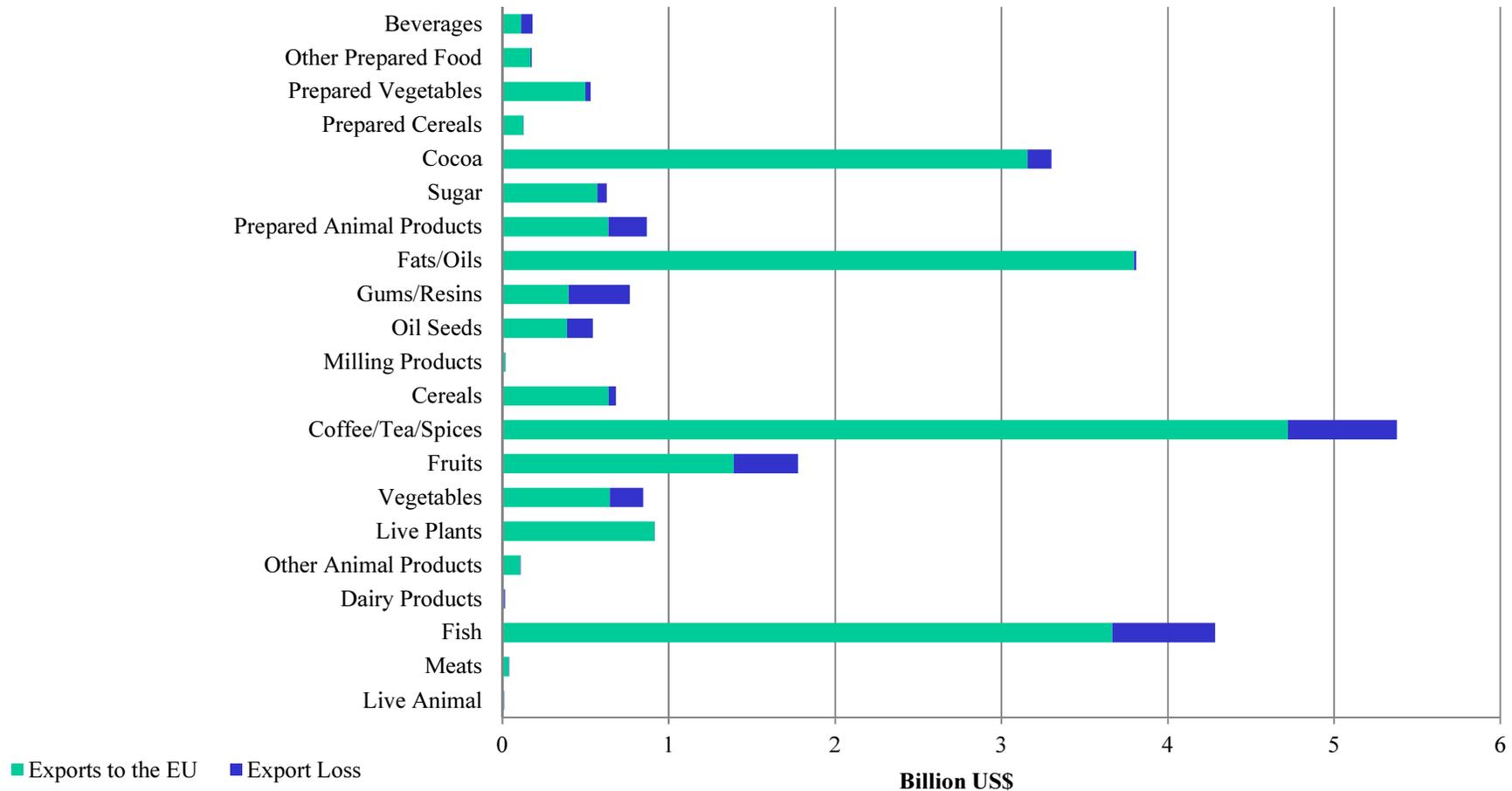


Source: UNCTAD Policy Series Study #75: G20 Policies and LDCs Export Performance



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 even governments)
- Collecting and disseminating data
 - Notifications mechanisms
 - NTMs portal, trade helpdesk
- Poor understanding of their effects make them even less transparent
 - **Research, Analysis -> Technical assistance**



NTMs in the trade agreements

Research and Analysis feeds into trade agreements/WTO

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

Research on whether NTMs are efficient.

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



Interaction of NTMs with domestic policy

- **Main questions**
 - Serves public interests (**cost-benefits**) or protectionists' interests (**elimination**) ?
 - How to minimize any discriminatory effect against trading partners? (**technical assistance**)
- **Some issues:**
 - NTMs are harder to identify/quantify than tariffs, so more **difficult** to negotiate
 - NTMs regional negotiations has impact not only on members but also on **third countries**, impacts can be positive or negative.
 - Elimination/changes in NTMs are often related to **domestic reforms** which may ultimately may result in new/different regulations.



A final word about standards

- For **trade policymakers** difference in standards are trade costs, so it should be minimized.
- For **economists**:
 - There is no natural benchmark for which a standard is excessive or protectionist
 - Regulatory standards are public goods over which different nations have different preferences.
 - Trade-off between market integration and excessive harmonization

