

ARTNeT Capacity Building for Trade Policy Researchers

Supporting Equitable Development in ASEAN:
Impact of Regional Integration on CLMV Countries

Overview of Non-Tariff Measures:

**What they are and
how they affect
trade**

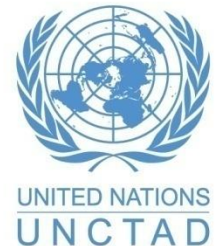
1. Why are they important?

2. What are they?

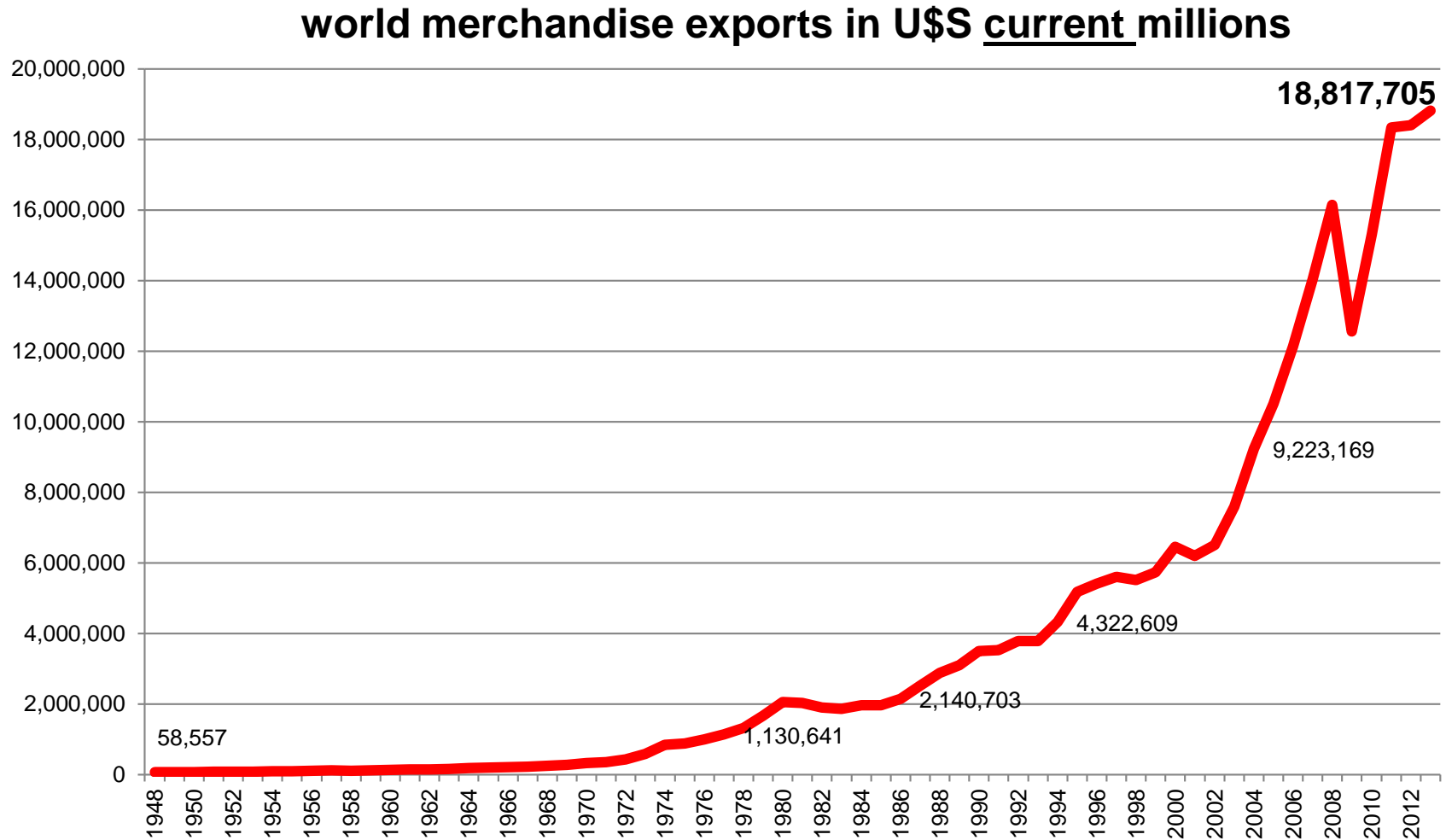
- Not, Trade facilitation
- Yes, Official requirements

3. May they affect trade?

Session 4

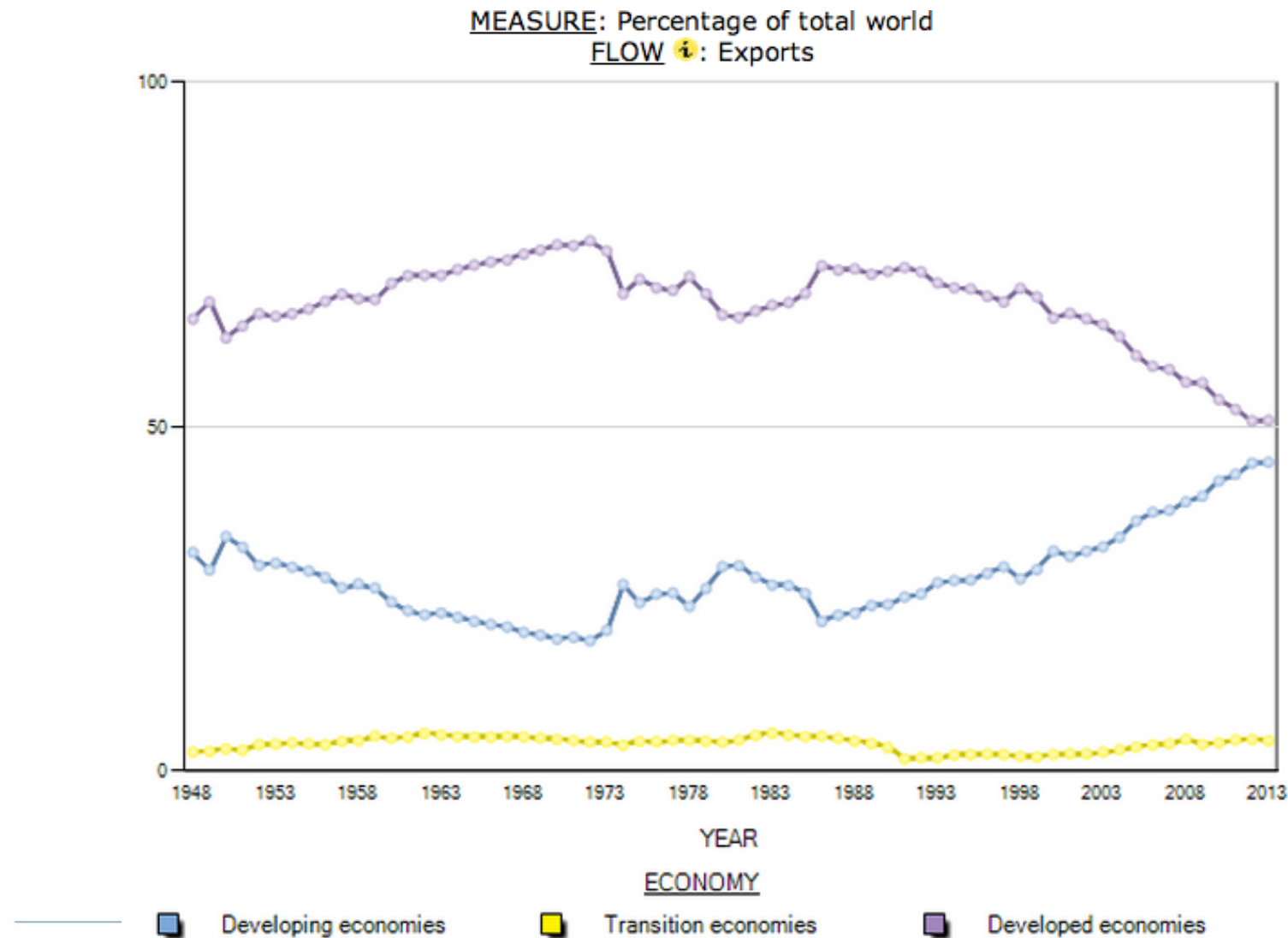


World trade has been doubling every decade, for the last four decades

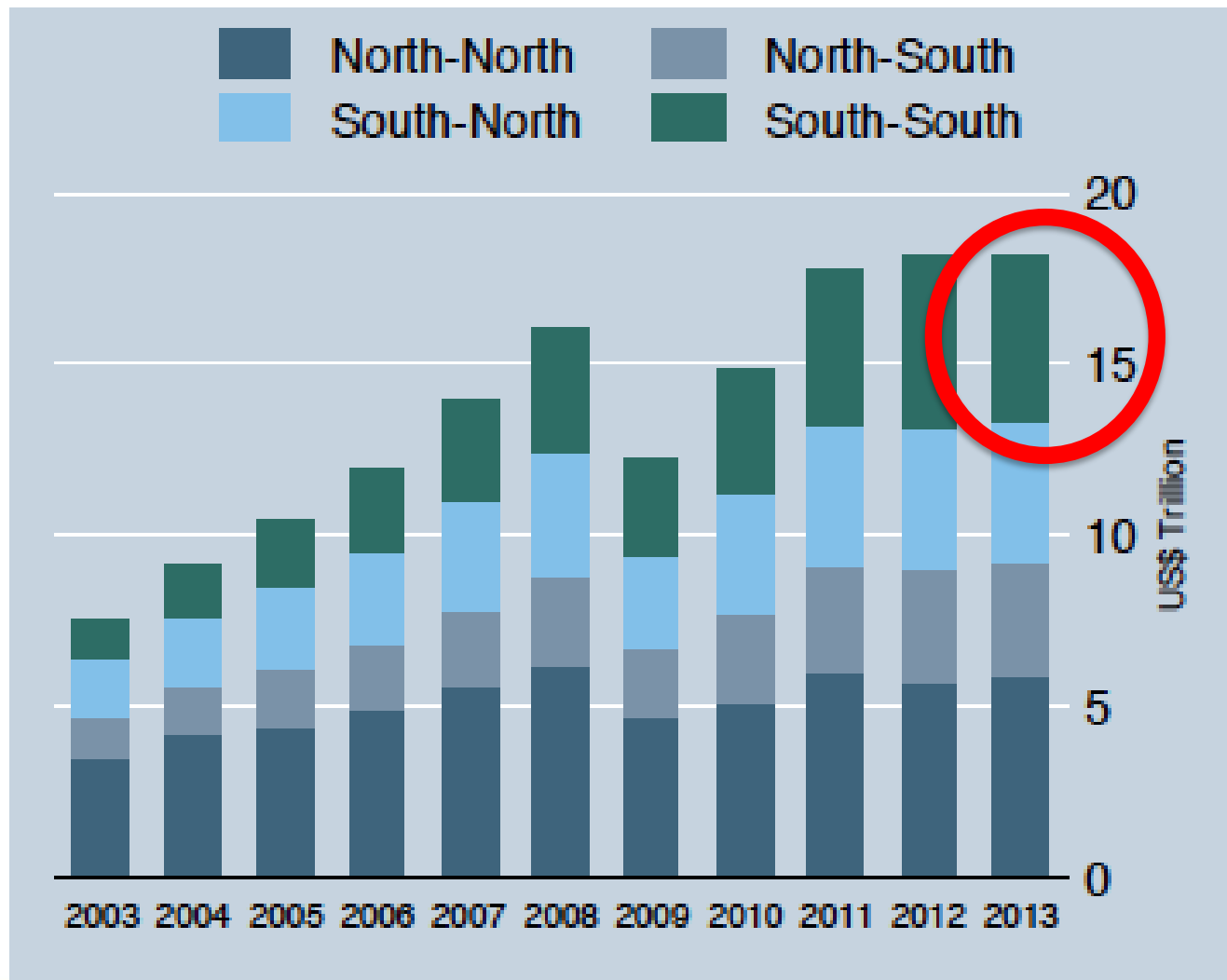


Source UNCTAD stats

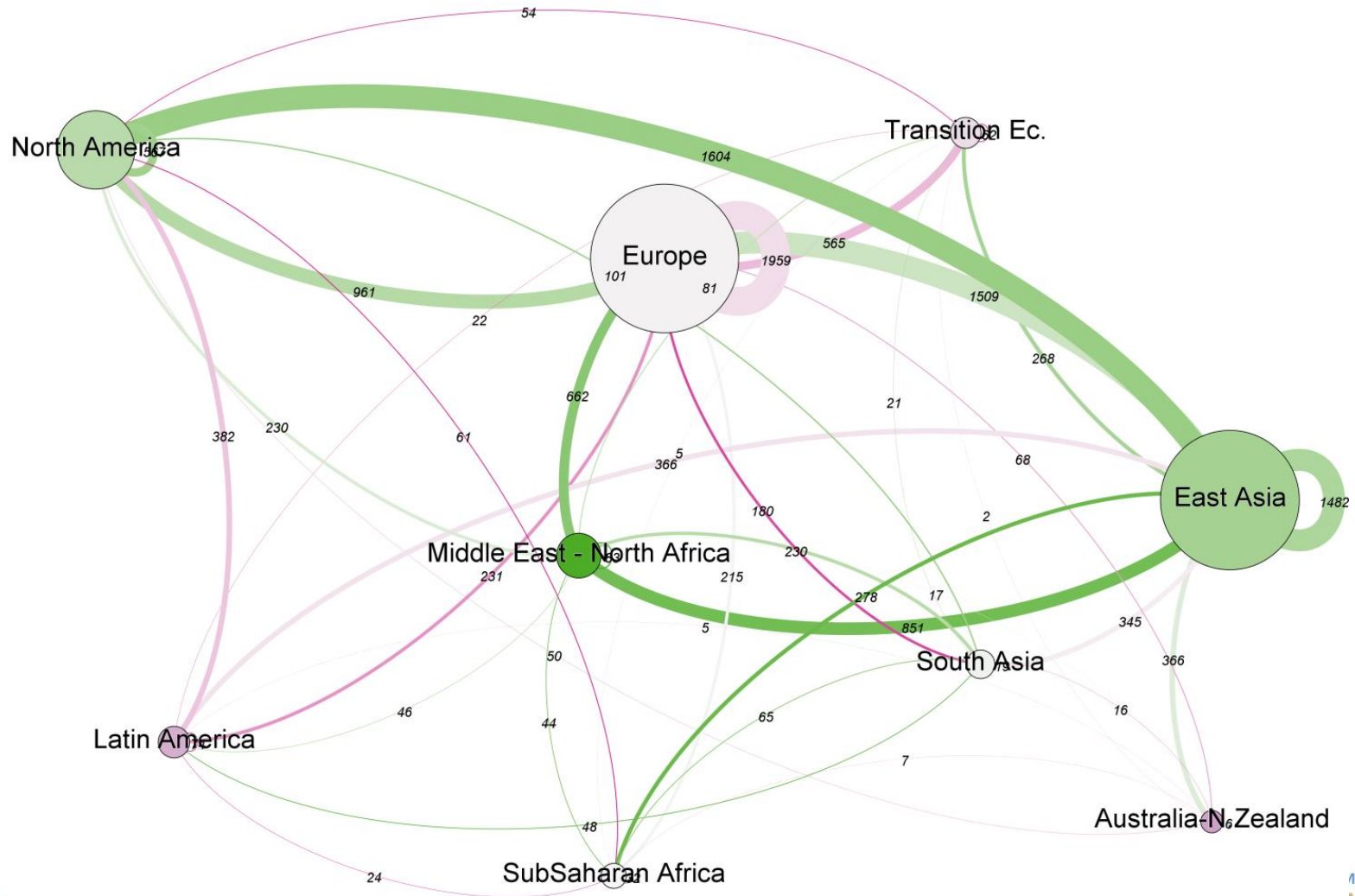
...developing countries' trade has increased dramatically accounting now to roughly 45% of world trade...



...and particularly by South - South trade...



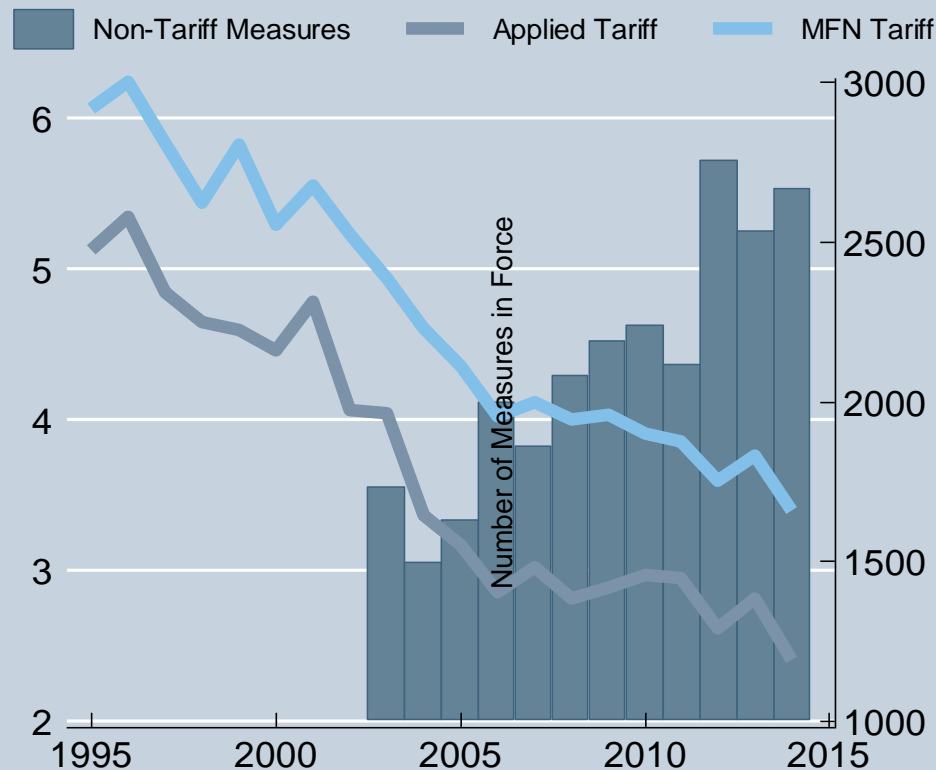
World Trade in Goods (2014)



Trend: 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

Policies in trade (and investment) are inextricably interlinked

- Transport cost, insurance , etc → Direct cost
 - Tariff,
 - Non-tariff, (NTM \neq NTB)
 - Trade Facilitation
- } Market access
- at the border and
 - beyond the border
- Tax, subsidies (import and export)
 - Infrastructure
 - Macroeconomic and political stability
 - Human resources and labour
 - Competition policy
 - Other,
 - price support measures, income transfers, production subsidies, investment grants etc.

- Unilateral,
- Within regional agreement
- Multilateral

Trade and investment are inter related

main engine for economic growth and development

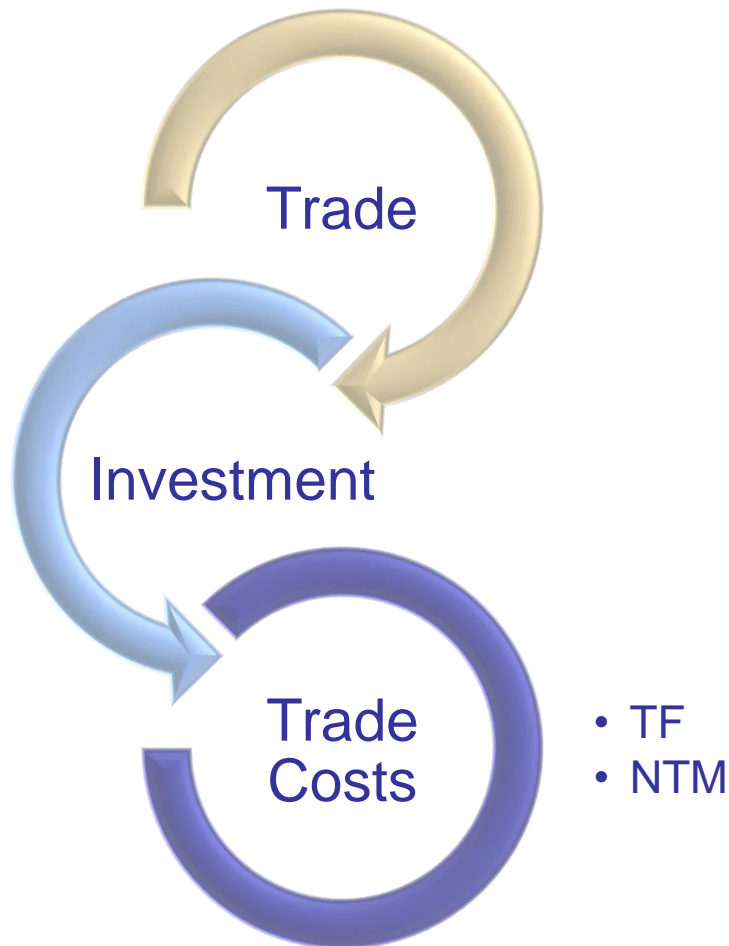


Economic literature has shown that trade and investment are self-reinforcing

- Trade induces FDI
- FDI induces Trade

- FDI substitute to trade
 - Supply domestic market of host country
- FDI complement to trade
 - Efficiency seeking firms to look for the best location
 - Export platform
 - Cross-border mergers
 - The rise of GVC has made the link between trade & inv closer than before
 - Especially w/ intra-firm trade

Reduce trade costs as an objective



- Reduce compliance costs of regulatory and administrative procedures
- Reduce uncertainty and unpredictability
- Improve transparency
- Consult

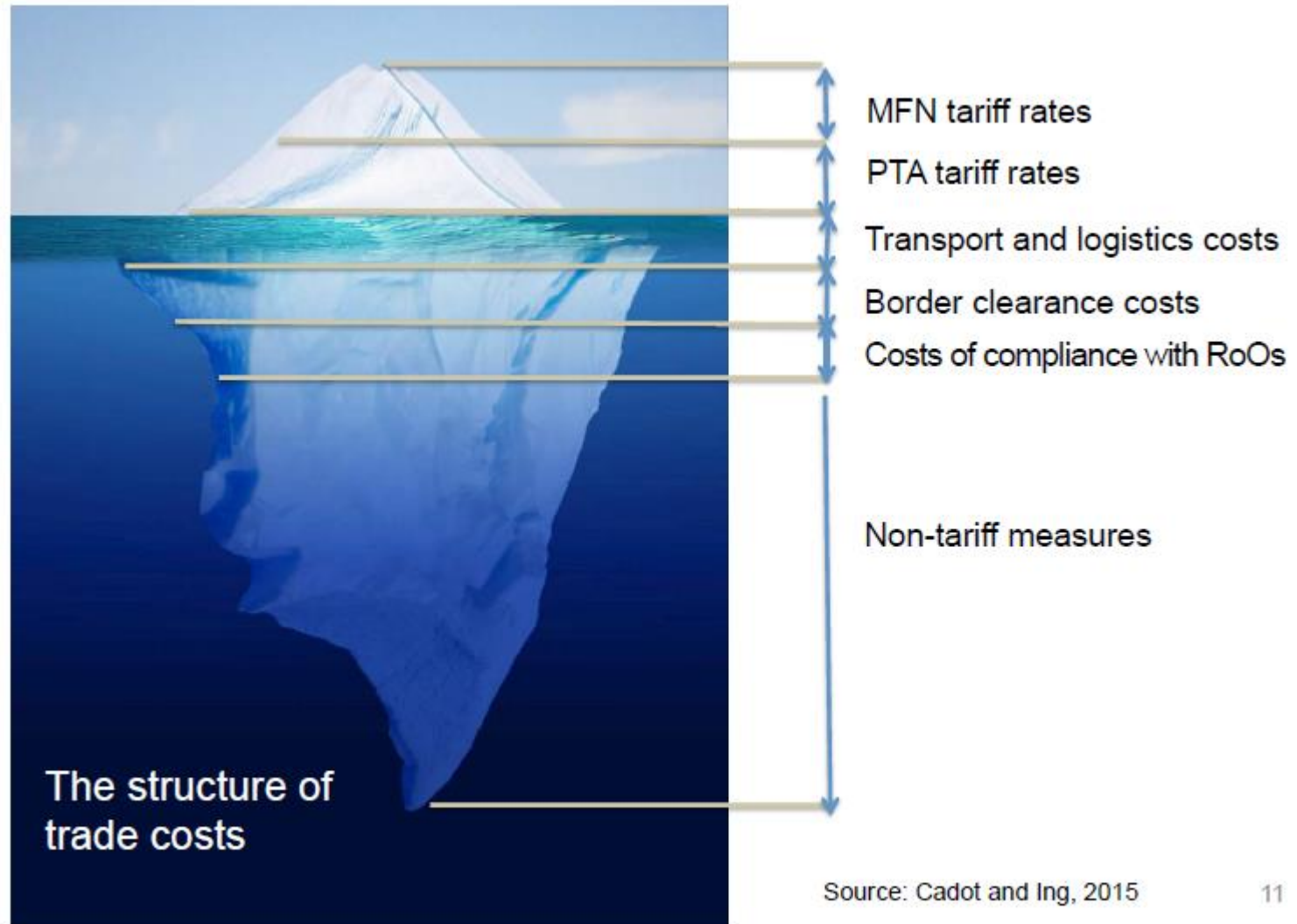


What determines international trade?

- **Demand and supply factors**
 - Domestic demand, consumer preferences
 - Productivity, export capacity, comparative advantage, value chains, fragmentation of production
- **Trade costs**
 - Geography, transport costs, communication costs → Natural costs
 - Trade policies (e.g. tariffs, quotas, subsidies) → Policy induced costs
 - Regulatory frameworks
 - Product requirements
 - Conformity assessment, ...
 - Procedural obstacles → TFA
 - Private standards → ?

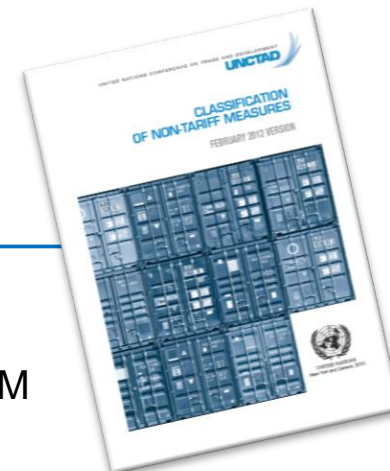


Trade costs



Source: Cadot and Ing, 2015

NTM - How it started



- **Expert meeting 2005**
 - Methodology, classification, quantification and impact on dev of NTM
 - Set up of Group of Eminent Persons
 - MAST (Multi-Agency Support Team)
- in charge of technical work
 - FAO, IMF, ITC, OECD, UNIDO, UNCTAD, WB and WTO
- **Pilot Project (2007-2009)**
 - Test data collection method and validate classification
 - Brazil, Chile, Philippines, India, Thailand, Tunisia, Uganda

➔ Agreed International NTM Classification, Version 2012

- **Official NTM data are collected** jointly with partners - International effort is coordinated by UNCTAD
- UNCTAD TRAINS is most comprehensive NTM database
Accessible through: wits.worldbank.org

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

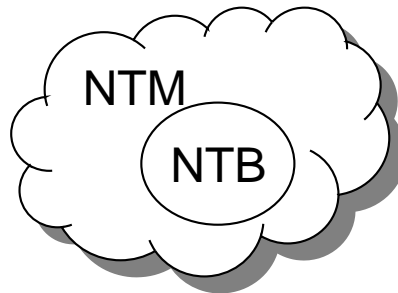


What are NTM?

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

- NTM \neq NTB



- No judgment over legitimacy or lawfulness
- Different from concept of “**Procedural Obstacles**”



Procedural Obstacle is associated with a NTM measure

Procedural
Obstacles

Measure

The way measures are
implemented (praxis).

Attributes or operation of a
measure

Administrative delays,
queuing, discriminatory
enforcement of rules,
informal practices

Subjective

"Official Measures"

Requirements enacted within
a legal text or regulation
issued officially by a country.

Law, decree, etc.

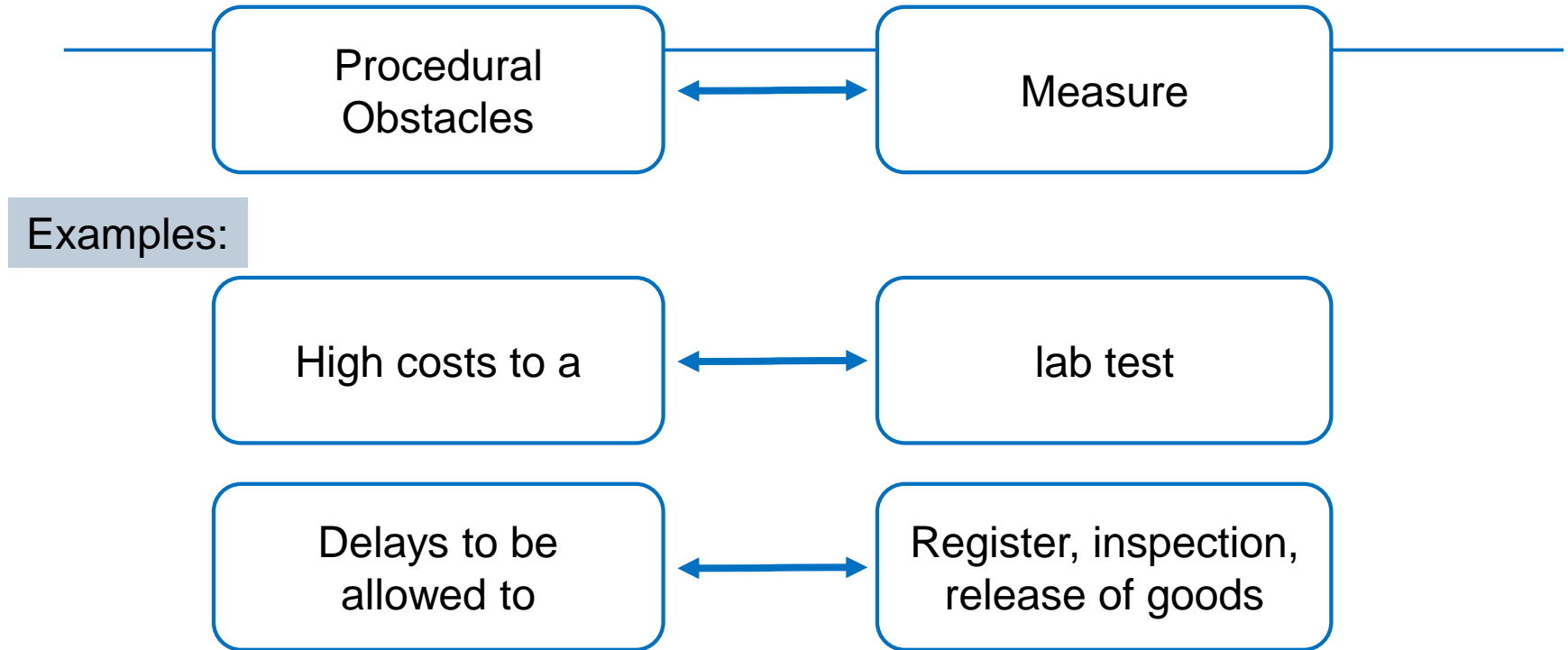
Regulation 1

Measure 1

Measure 2

Measure 3

Procedural Obstacle is associated with a NTM measure



- A. Administrative burdens
- B. Information/transparency issues
- C. Inconsistent or discriminatory behaviour of official
- D. Time constraints
- E. Payment
- F. Infrastructural challenges
- G. Security
- H. Legal constraints
- I. Other

“ Long waiting times at borders, inappropriate fees, cumbersome formalities, and inadequate or unclear rules and regulations,

can all become serious obstacles to trade, and as a consequence adversely affect investment, employment and trade-led development ”

NTM is different from TF, even if both use the word “measure”

TF

- **Measures** are 30+ different provisions contained in the TFA, that. If applied, would permit country to solve number of issues.
- ‘Issues to solve’
- Commitments to undertake.
- Improving border procedures, efficiency in clearing

Procedures for Control of conformity assessment of SPS and TBT.

NTM

- **Measures** are legal requirements to be met
- Product characteristics, Production requirements, Connected taxes or services, etc
- Go beyond the border. What are the requirements (sometimes to be checked at customs at the time of crossing)

Measures at the border and before the border

Conformity assessment of SPS and TBT. Checks, inspection



What is TF – that is NOT in the NTM database

- The Trade Facilitation Agreement contains provisions for
 - expediting the movement,
 - release and clearance of goods, including goods in transit
- Mainly implying simplification, standarization and transparency
- of trade procedures in customs and other border agencies



What is TF?

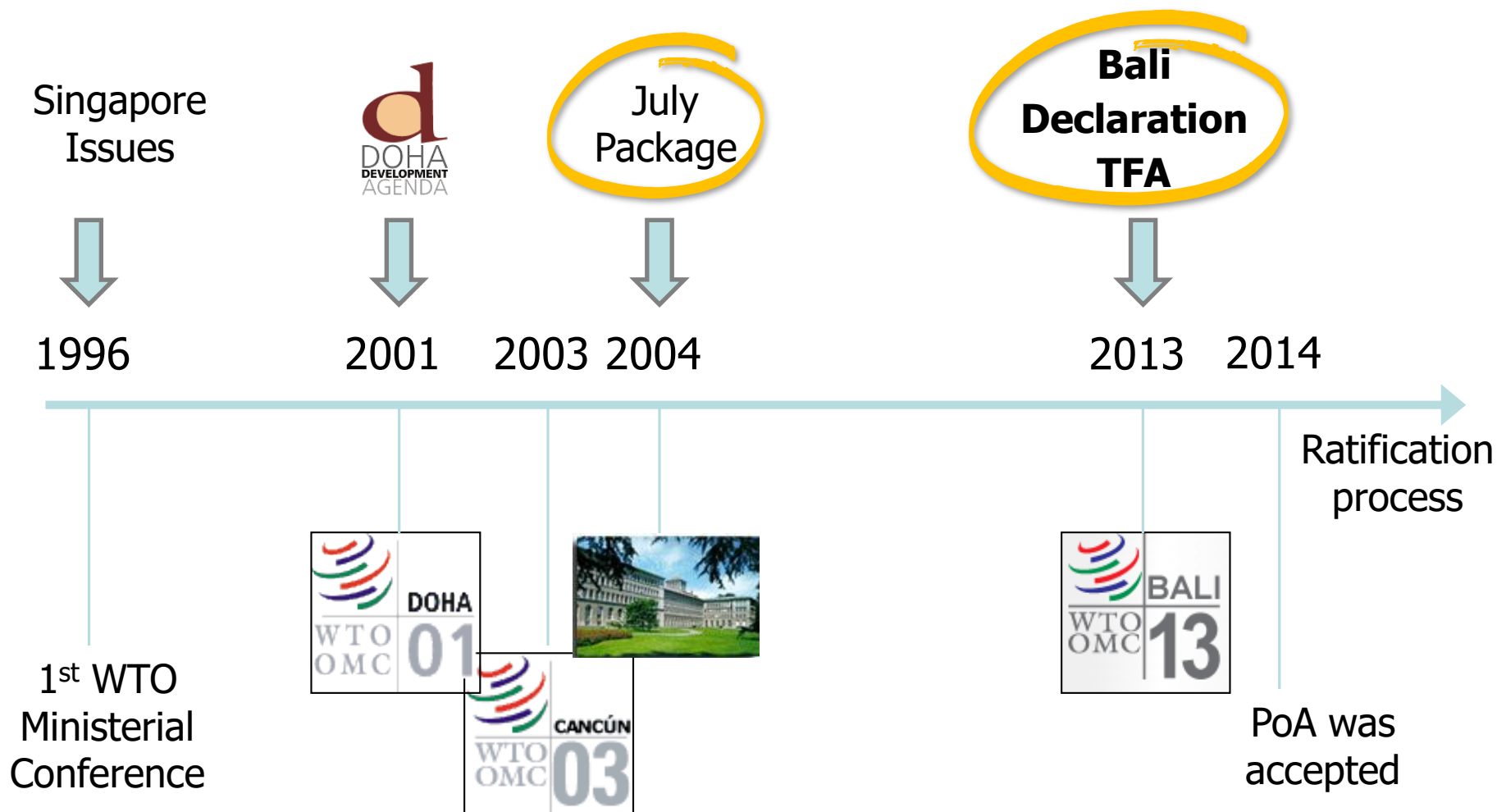
We call these
"TF measures"
Within the WTO TFA

Examples,

- Publication of trade procedures (Art.1)
- Disciplines on fees and charges (Art. 6)
- Advance rulings (Art. 3)
- Customs processes to expedite the release and clearance of goods such as Pre-arrival processing (Art. 7.1),
- Risk Management (Art. 7.4),
- Post-audit clearance audit (Art. 7.5)
- Publication of average release times (Art. 7.6)
- Set authorized operators (Art. 7.7), use of customs brokers (10.6)
- Priority to perishable goods (7.9)
- Cooperate with other border agencies (national level and with neighbor countries) Art.8
- Formalities and documentation requirements (Art. 10..1)
- Single Window (Art. 10.4)



Time Line of TF Negotiations for the The Trade Facilitation Agreement (TFA)



36 provisions to be categorized in A,B or C

**36 provisions
are listed in the
WTO TFA**



3 different categories of commitments: A, B & C

Cat.	Timing	Condition
A	Time of entry into force of the TFA	Ø
B	(x) years after entry into force	Ø
C	(x) years after entry into force	Financial and technical assistance

Structure of the Trade Facilitation Agreement

Preamble

Section I - Substantive Provisions

Section I contains provisions for expediting the movement, release and clearance of goods, including goods in transit.

TFA Articles	Scope	GATT articles
Articles 1 to 5	Transparency	Article X
Articles 6 to 10	Fees and Formalities	Article VIII
Article 11	Transit	Article V
Article 12	Customs cooperation	na

Section II - Special and Differential Treatment (Articles 13-22 Categories)

Section III – Institutional arrangements and final provisions

(Article 23.1 Committee on TF and Art. 23.2 National Committees on TF)



Review of TFA articles 1 to 10

Transparency Articles (1-5)

- 1 - Publication and availability of information
- 2 - Prior publication and consultation
- 3 - Advance Rulings
- 4 - Appeal or Review Procedures
- 5 - Other measures to enhance impartiality, non-discrimination and transparency

Fees & Formalities (6-10)

- 6 - Disciplines on fees and charges imposed on or in connection with importation and exportation
- 7 - Release and clearance of goods
- 8 - Border agency co-operation
- 9 - Movement of goods under customs control intended for export
- 10 - Formalities connected with importation and exportation and transit




- Art.1.2 - Information available through Internet
- Art.1.3 – Enquiry Points
- Art.1.4 – Notification
- Art.2.1 - Opportunity to comment and information before entry into force
- Art.2.2 – Consultations
- Art.3 – Advance rulings
- Art.4 - Procedures for appeal or review
- Art.5.2 – Test Procedures
 - Provide, upon request, an opportunity for a confirmatory (second) test
- Art.6.1 - General disciplines on fees and charges imposed on or in connection with importation and exportation
 - Fees and charges imposed on or in connection with importation and exportation are published in accordance with Art.1.1 (“Publication”)1
- Art.7.1 – Pre-arrival processing
- Art.7.2 – Electronic payment
- Art.7.3 - Separation of Release from Final Determination and Payment of Customs Duties, Taxes and Fees
- Art.7.4 – Risk management
- Art.7.5 – Post-clearance audit
- Art.7.6 - Establishment and Publication of Average release time
- Art.7.7 – Authorized operators
- Art.7.8 – Expedited shipments
 - Set-up special facilitative procedures to allow expedited release of goods entered through air cargo and for those persons who apply for such treatment (i.e. not systematic)
- Art.7.9 – Perishable goods (Release goods within the shortest possible time)
- Art.8 – Border agency cooperation
 - Ensure cooperation and coordination between the national border agencies
- Art.10.1 – Formalities and documentation requirements
 - Review import, export and transit formalities and documentation requirements with a view to:
 - Minimizing incidence/complexity of operations
 - Decreasing and simplifying documentation requirements
- Art.10.3 – Use of international standards
- Art.10.4 – Single Window
- Art.12 – Customs cooperation
- Art.23.2 – National Committee on Trade Facilitation

Ways in which TF can help reduce cost of NTM

Few examples

- Single window, including IT interagency connection,
 - Facilitate access to info (you still need to comply)
- Pre-arrival processing, risk assessment → not to check everything, post-clearance audit – also automated procedures
 - Can lead to less time to comply (you still need to comply)
- NTFC and focal points, regular review of documents → avoid duplications or excessive. Also coordinate within gov
 - Help get rid of what you did not intend to check (hidden costs). Means better competitiveness
- Built in transparency and predictability



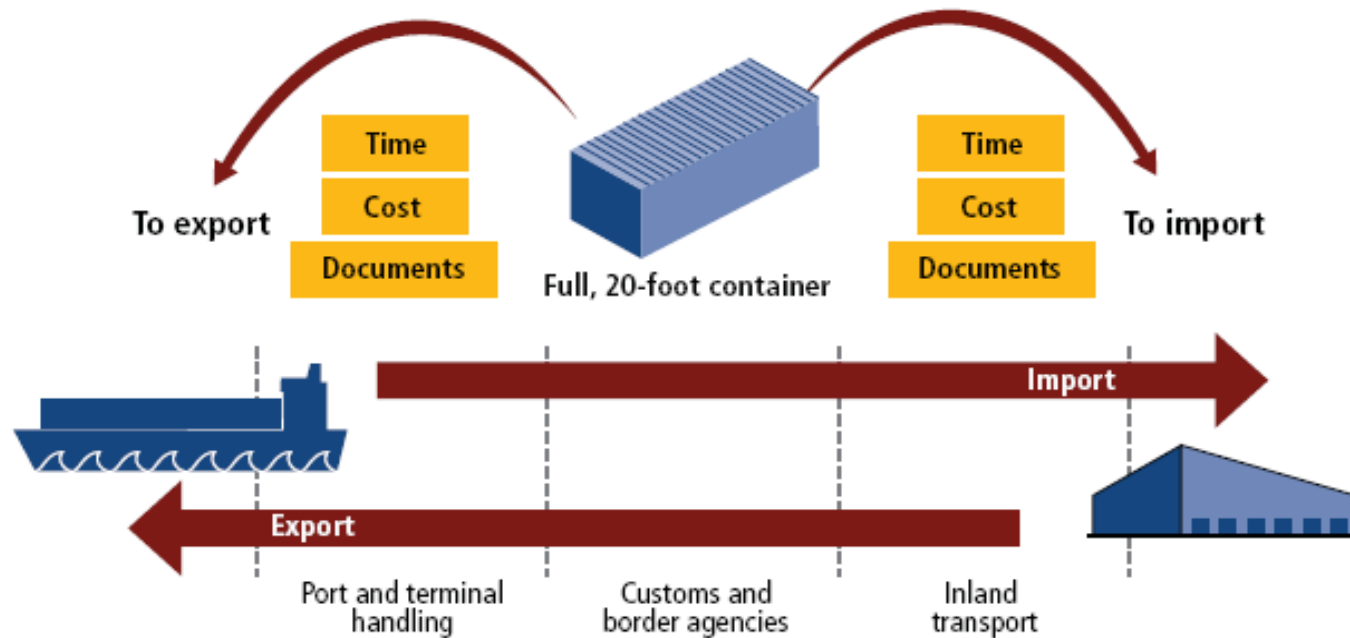
Ensure compliance with regulations but with lower cost

TF data

- 1. World Bank – Trading Across Border Indicators
In Doing Business Report
- 2. World Bank – Logistics Performance Index (LPI)
- 3. World Economic Forum – The Enabling Trade Index (ETI)
 - in Global Enabling Trade Report development
- 4. Organization for Economic Co-operation and Development – Trade Facilitation Indicators



World Bank: Trading Across Borders Indicators



Source: World Bank, *Doing Business 2012* Report, Trading Across Borders Indicators, 2012.

Trading Across Borders Indicators

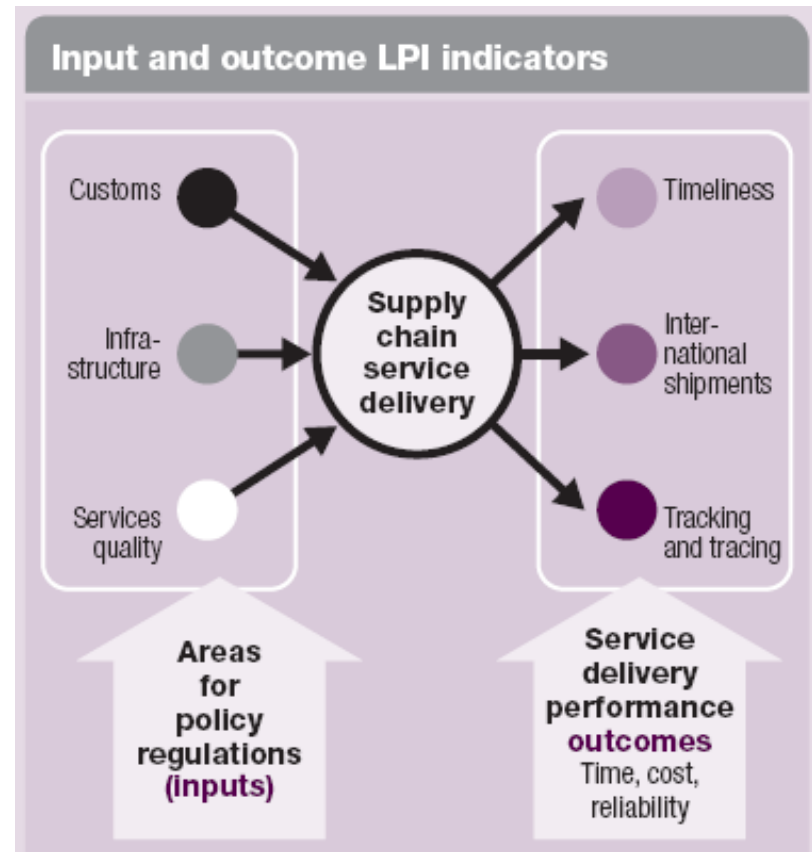
2016 Data

Region / Economy	Rank	DTF	Time to export: Border compliance (hours)	Cost to export: Border compliance (USD)	Time to export: Documentary compliance (hours)	Cost to export: Documentary compliance (USD)	Time to import: Border compliance (hours)	Cost to import: Border compliance (USD)	Time to import: Documentary compliance (hours)	Cost to import: Documentary compliance (USD)
East Asia & Pacific	..	68.67	51.4	395.7	74.7	166.9	59.3	420.8	69.7	148.1
Europe & Central Asia	..	82.42	27.6	219.2	30.7	143.8	23.2	202.4	27.4	108.1
Latin America & Caribbean	..	66.02	86.1	492.8	68	134.1	106.8	665.1	93.3	128.1
Middle East & North Africa	..	54.2	65.4	445.1	78.8	351.1	119.7	594.3	104.7	384.6
OECD high income	..	93.33	15.2	159.9	4.5	35.6	9.4	122.7	3.9	24.9
South Asia	..	57.75	60.9	375.6	79.8	183.9	113.9	652.8	108.1	349.3
Sub-Saharan Africa	..	48.96	108.2	542.4	96.6	245.6	159.6	643	123	351.3

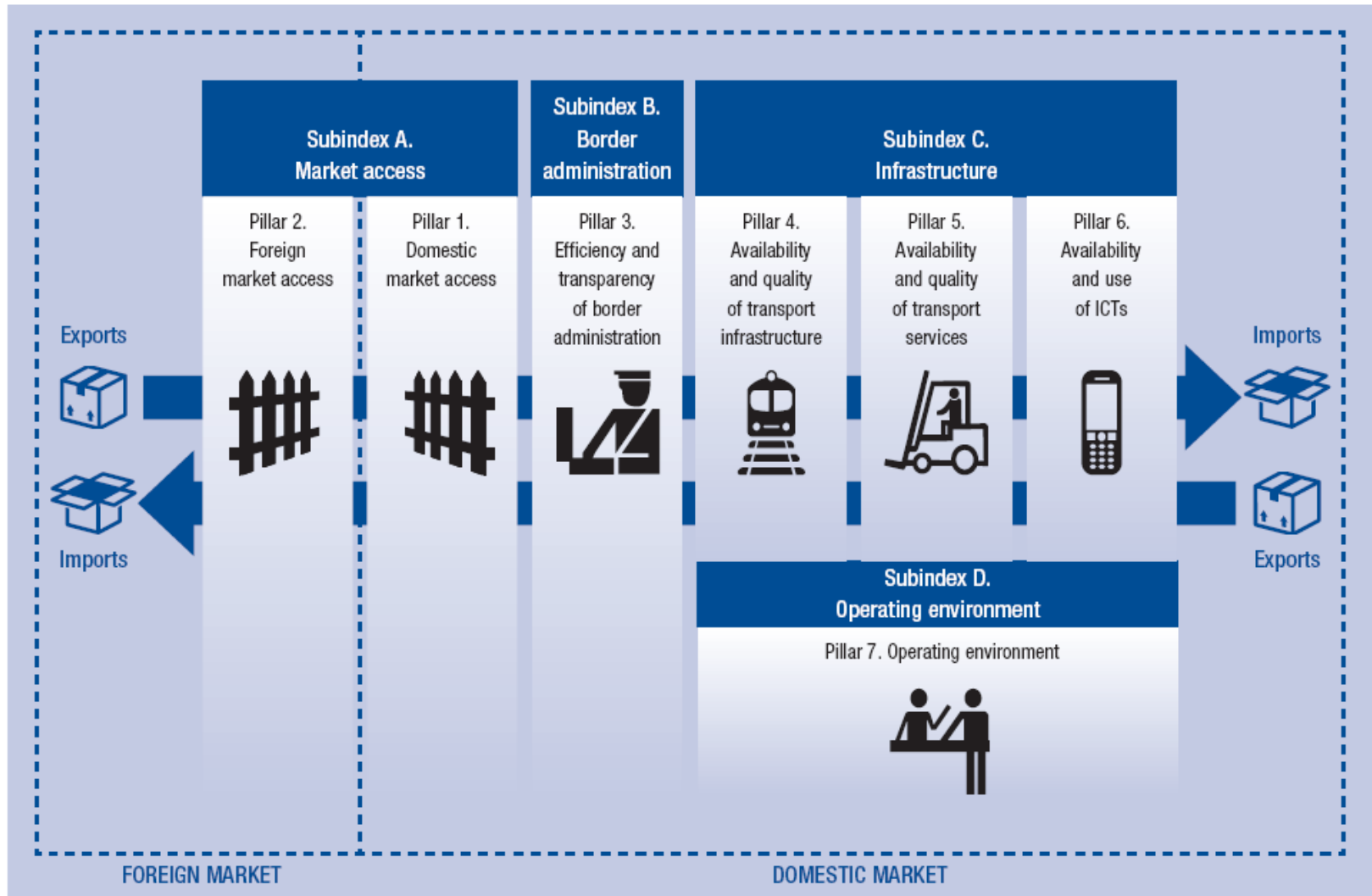
World Bank: Logistics Performance Index 2014

The World Bank's Logistics Performance Index (LPI) analyzes countries in six components:

1. The efficiency of **customs** and border management clearance.
2. The quality of trade and transport **infrastructure**.
3. The ease of **arranging competitively** priced shipments.
4. The competence and quality of **logistics** services.
5. The ability to **track and trace** consignments.
6. The frequency with which shipments reach consignees within scheduled or expected **delivery times**.



World Economic Forum: The Enabling Trade Index (ETI)



Welfare effects from Trade Facilitation measures

Key findings	
Francois et al. (2005)	Based on a CGE model exercise, the authors estimate that world annual income will increase by USD 72 billion (USD 151 billion) following a 1.5% (3.0%) reduction in TTCs for goods trade. In proportion to national income, most of these gains would benefit developing countries. All regions or major trading nations would benefit except China in the 1.5% reduction scenario. All countries/regions would benefit in the 3.0%, or „full liberalisation"
OECD	Based on a CGE (GTAP – Global Trade Analysis Project) model exercise, the authors estimate that a 1% reduction in TTCs for goods trade will bring annual gains of about USD 40 billion on a world basis. Most of these gains will benefit developing countries in relative terms. There are no losers. Estimates as share of GDP reveals that Middle East and North Africa (0.27%), non-OECD Asia Pacific (0.25%), OECD Europe (0.19%) and Sub-Saharan Africa (0.18%) would be particularly well off.
Wilson et al. (2002)	Based on a CGE model exercise for APEC economies, the authors estimate that a 5% reduction in TTCs for goods trade will raise APEC GDP by USD 154 billion, or 0.9%.
Commonwealth of Australia (2002)	In terms of annual increases in real incomes measured in 1997 prices, gains from reforms of customs procedures are estimated to be USD 0.4 billion in the Philippines, USD 2.3 billion in Singapore and USD 1.2 billion in Thailand.
UNCTAD (2001)	A 1% reduction in the costs of maritime and air transport services in developing countries could increase global GDP by USD 7 billion (1997 value).

Source: Michael Engman, (2009), „The Economic Impact of Trade Facilitation", in *Overcoming Border Bottlenecks — The Costs and Benefits of Trade Facilitation*, OECD, p.85.

‘Administrative trade barriers’ in Southeast Europe

1. Discrepancy between working hours of Customs and working hours of various inspections;
2. Excess number of forms and documentations for border control;
3. Non-recognition of Quality certificates;
4. Non-recognition of mutual technical standards and certificates;
5. Non-transparent excise duties.

Source: Chamber of Economy of Montenegro, CEFTA week 2009:
To European Integration through Regional Economic Cooperation, podgorica, 2009, p. 22.

Procedural Obstacle is associated with a NTM measure

Procedural
Obstacles

Measure

The way measures are
implemented (praxis).

Attributes or operation of a
measure

Administrative delays,
queuing, discriminatory
enforcement of rules,
informal practices

Subjective

"Official Measures"

Requirements enacted within
a legal text or regulation
issued officially by a country.

Law, decree, etc.

Regulation 1

Measure 1

Measure 2

Measure 3

NTM

Inputs
& Processes



Transport
& other

Production stage

Regulations on the quality or safety of inputs used

Follow certain safety processes in production. The producer to have Authorizations to produce, or have Certifications for producer (not for the product). Registration

The Product itself

Quality or safety requirements. Testing, inspection. Authorizations or Certifications needed for the product, Labelling, Traceability info, Registration

Post Production stage

Transport, storage

On the commercial transaction & adm

Taxes, Quotas, Any price limitation, Regulations on the mode of payment, financial.

Three types of data

Not to be mixed or mistaken

1. "Official Measures"

- Requirements enacted within a legal text or regulation issued officially by a country.

NOTE:

Notifications to WTO are based on regulations but are not consistently or systematically reported

2. Survey data

- Complaints from exporters Could be compiled by governments

3. Voluntary

- Private standards or international std

Actively read all regulations from **Official Journal** and register in the database those that are **trade related**

All regulations that affects trade

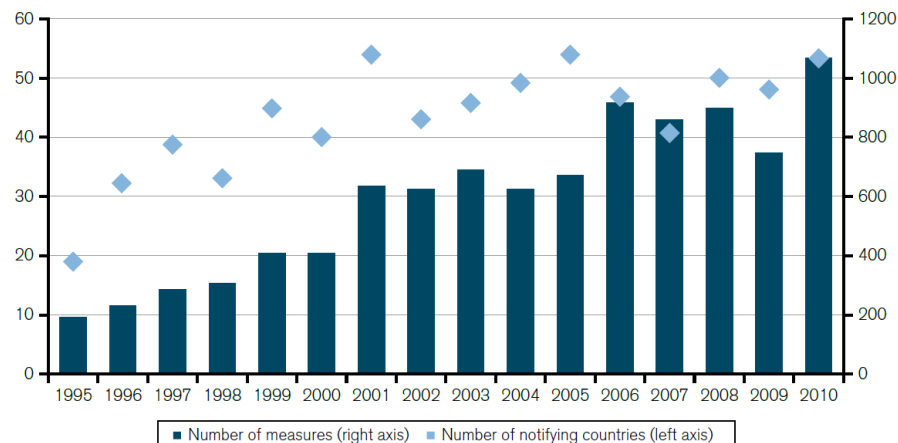
- Currently applied
- Affecting trade
- Official and mandatory
- Detailed and specific

Other data apart from Official measures
Some tables

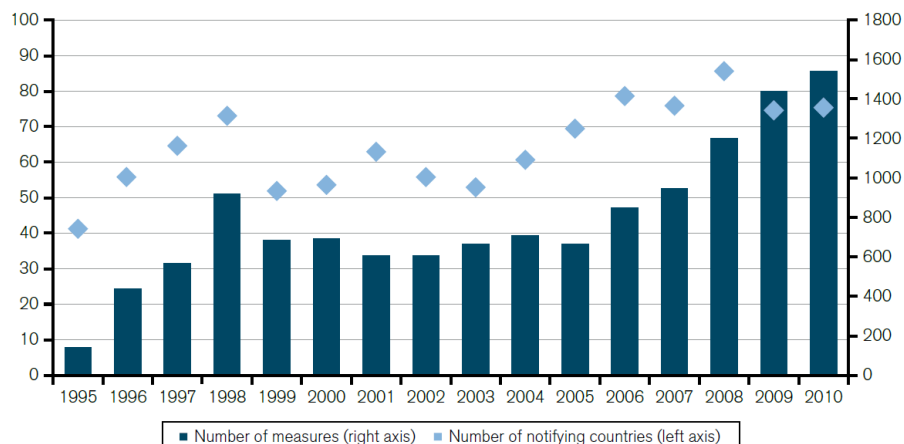
WTO SPS & TBT notifications (1995-2010)

Number of measures & number of notifying countries

(a) SPS



(b) TBT



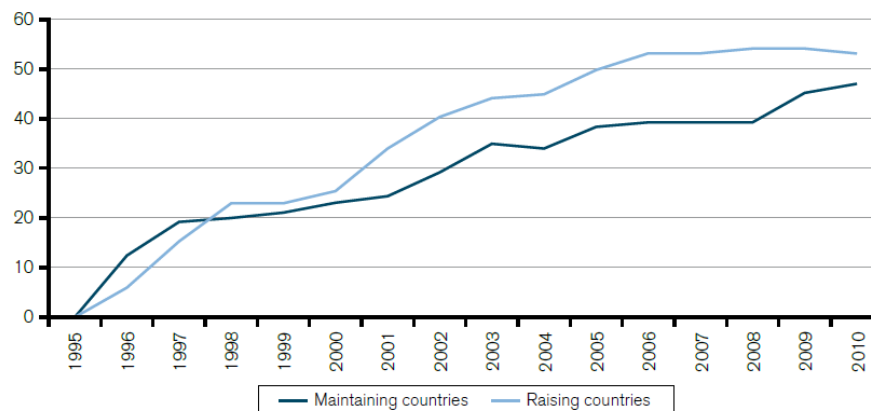
Based on WTO notifications
(WTO I-TIP database).

Source: WTO (2012)

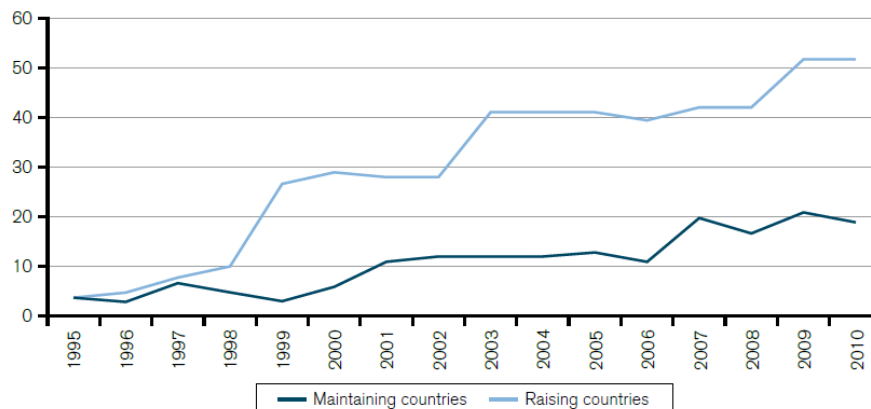


Trade concerns: Maintaining and raising countries

(a) SPS



(b) TBT



Based on WTO STC database. Source: WTO (2012)

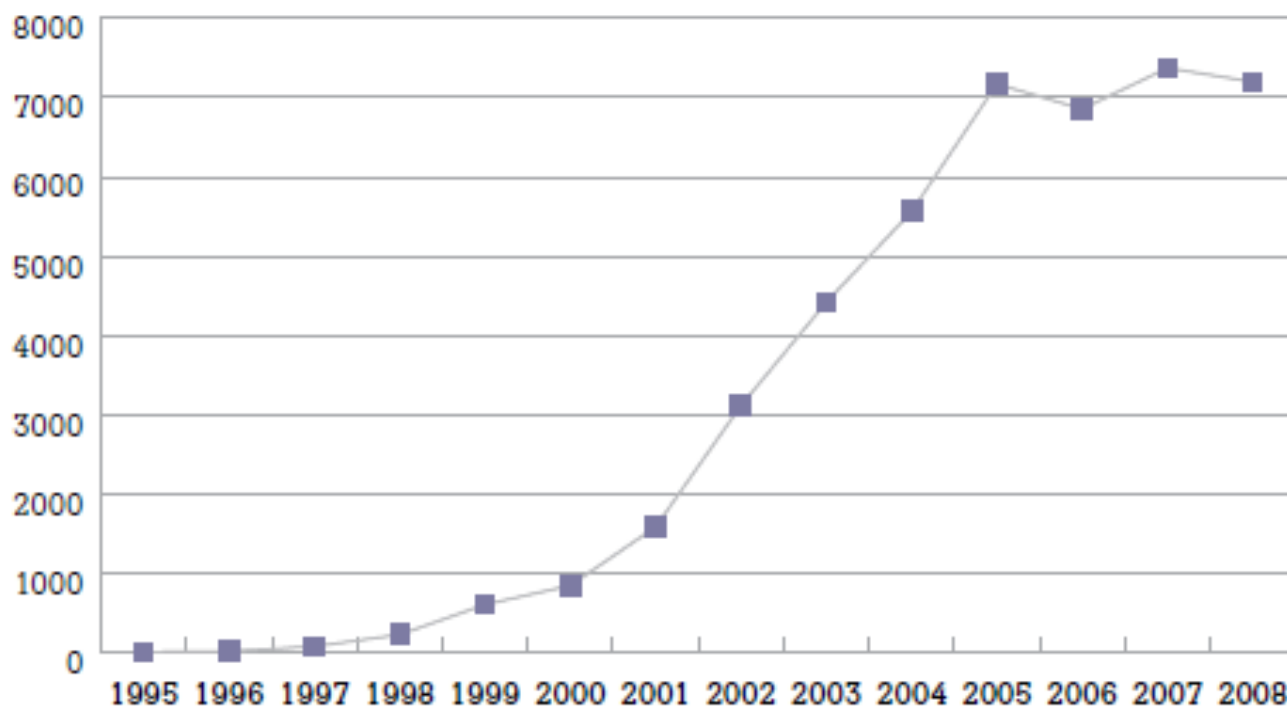
Inspections & Food/feed alerts

- Inspections
 - Check compliance of products with standards
- Data available for the **US and EU**
- **EU Rapid Alert System for Food and Feed (RASFF)**
 - Large set of European countries (EU Members but also Switzerland, etc.)
 - Started in 1979. Annual alerts available online:
http://ec.europa.eu/food/safety/rasff/index_en.htm
 - Database provided information on unsafe product, country of origin, issue, action taken (product destroyed, banned, re-dispatched,...)



EU food and feed alerts over time

Number of notifications (1995-2008)



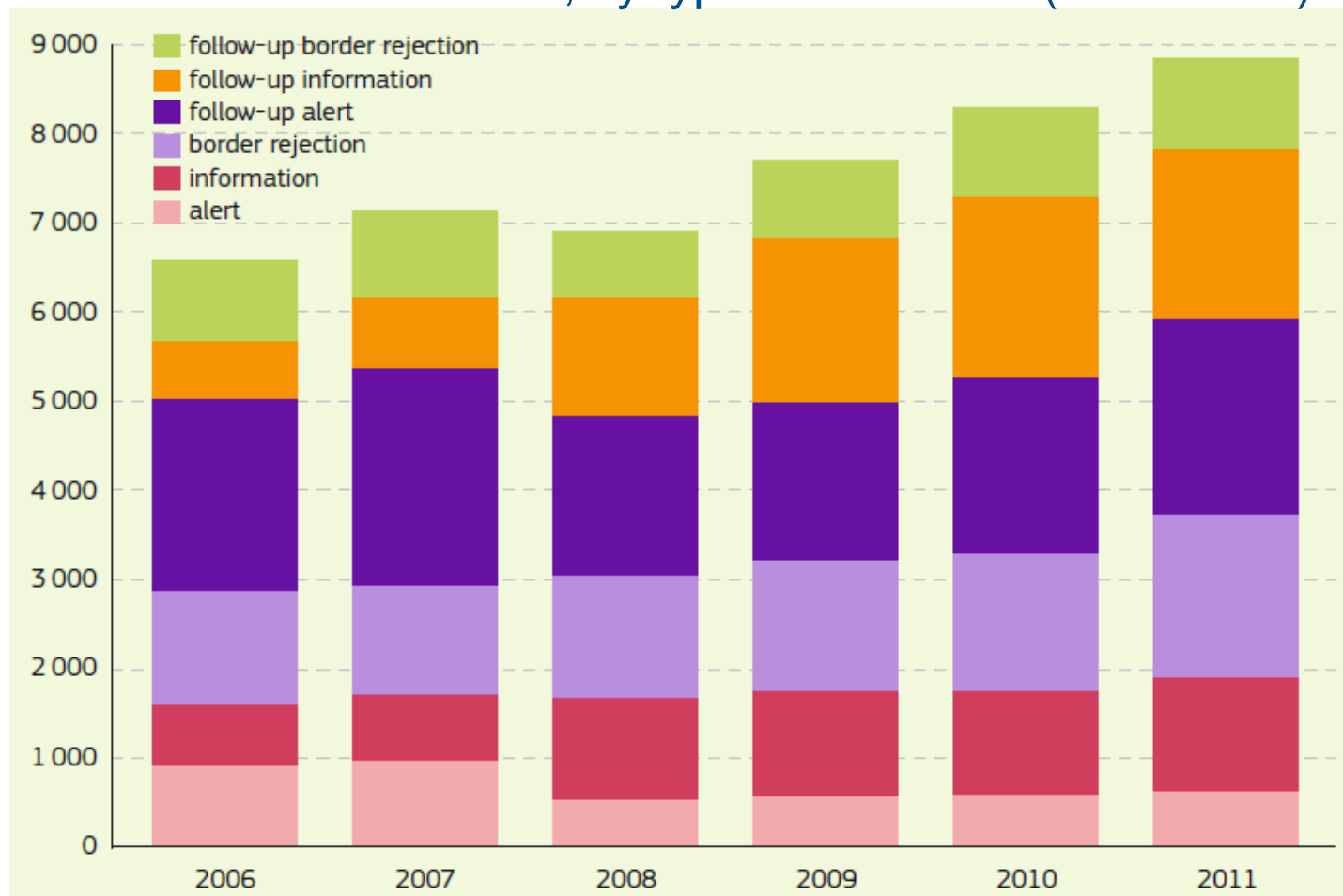
Note: includes originals and follow-up notifications

Source: European Commission (2009)



EU food and feed alerts: action taken

Number of notifications, by type of decisions (2006-2011)



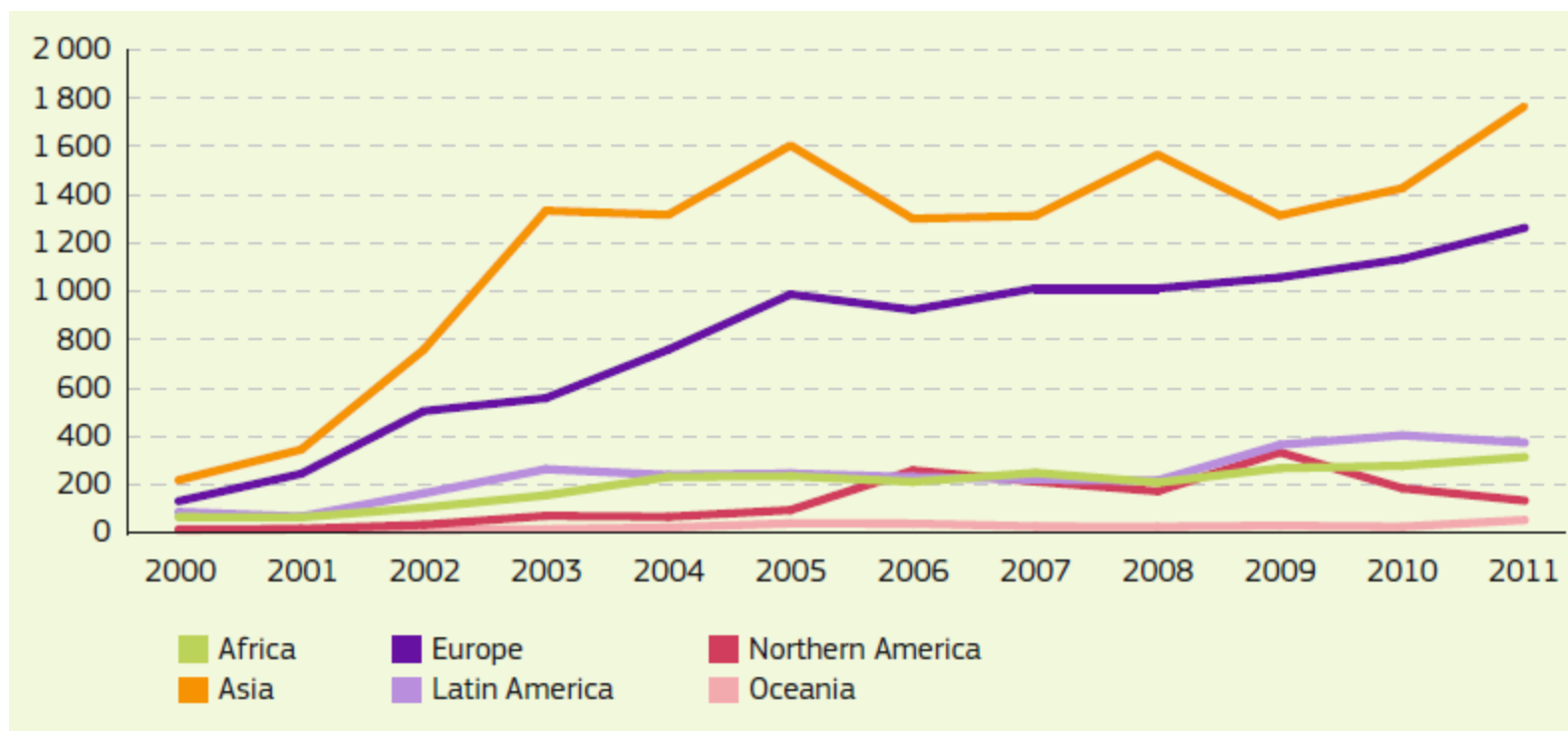
Note: includes originals and follow-up notifications

Source: European Commission (2011)



EU food & feed alerts, by region of origin

2000-2011 notifications, by world region



Note: includes only originals notifications. Source: European Commission (2011)

Info from surveys (private sector) - a note

- The information provided by companies directly, may not be what we need to know
 - What has been problematic just recently
 - Especially new regulations
 - Businesses tend to 'adapt' to bureaucracies and do not consider this a barrier
 - It also depends who has the information, and it may be that it is scattered across departments
 - If it is a big or a small company
 - If it has recently start to export, or has long experience



Info from surveys (private sector) - a note

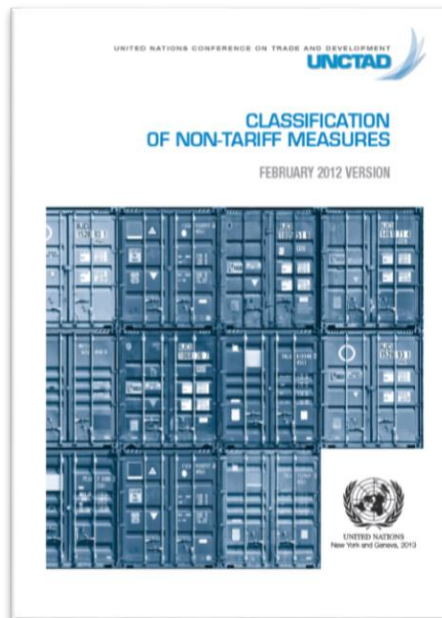
- The information one can expect is on Procedural Obstacles.
- And asking the Private Sector is the only way on knowing
 - High fees
 - Delays
 - Many documents,
 - Problems with laboratories and other testing facilities,
 - Non recognition of certificates



GUIDELINES TO COLLECT DATA ON OFFICIAL NON-TARIFF MEASURES

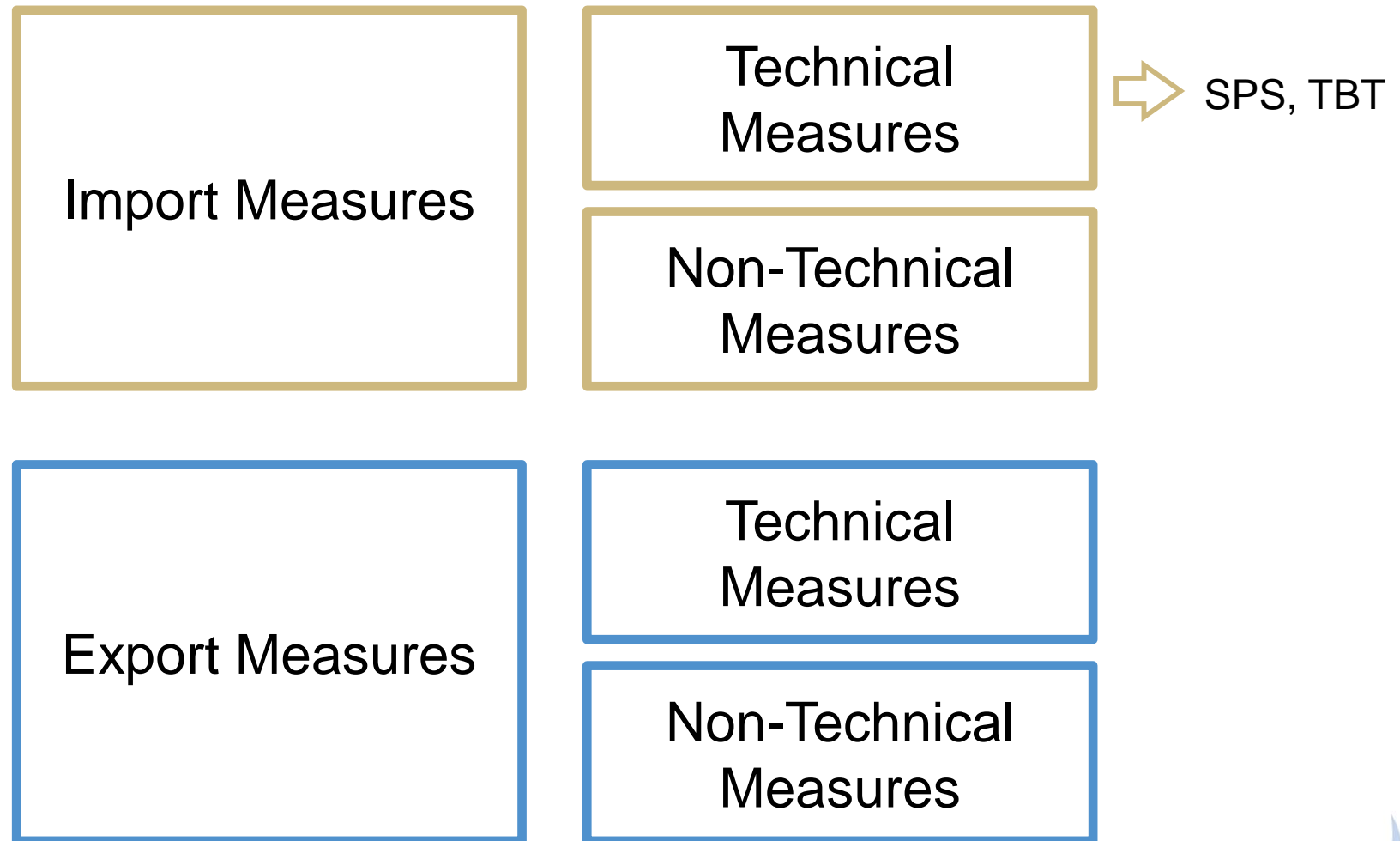
SEPTEMBER 2014 VERSION

The classification booklet



http://unctad.org/en/PublicationsLibrary/ditctab2014d4_en.pdf

Big classification groups



The chapters

Reminder

Import measures	Technical Measures	A SPS B TBT C Pre-shipment inspection and other formalities
	Non-Technical Measures	D Contingent trade-protective measures E Non-automatic licenses, quotas, prohibitions, Quantity-control m F Price-control measures, taxes and charges G Financial measures H Measures affecting competition I Trade-related Investment measures
		J Distribution Restrictions K Restrictions on Post-Sales Services L Subsidies M Government Procurement restrictions N Intellectual Property O Rules Of Origin
Export measures		P Export-related Measures

What impact on trade?

- Do we know?



Trade may increase or decrease

NTMs are very diverse and so is their impact on trade

- **Add Costs to Trade**

- Standards require Information

Exclusion of those not able to comply: small companies.
Decrease trade

- **Preclude trade**

- Prohibitions, stringent requirements

- **Divert Trade**

- Quotas, Standards

Erode preferences granted

- **Create Trade**

- SPS and TBT (guarantee quality, single those safe, and unify markets) increase demand for foreign prod



Cost benefit analysis

- Protect consumers, quality , safety (food or other), protect environment
 - Address market failures
- Overregulate, unnecessary burden, protectionist
 - Unintended bureaucracy
 - Protection of national industries
- Affect competition, efficiency, welfare
- Coordination mechanism among several ministries
- Particularly important for SME



Multiple impacts

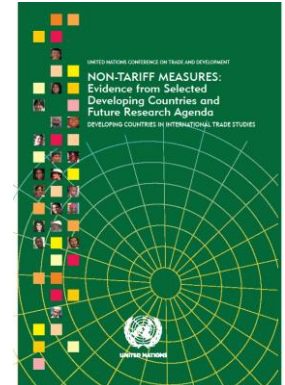
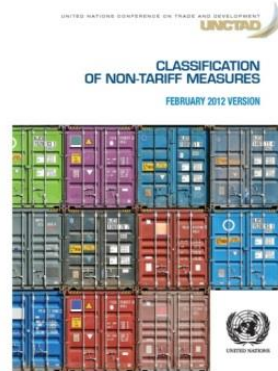
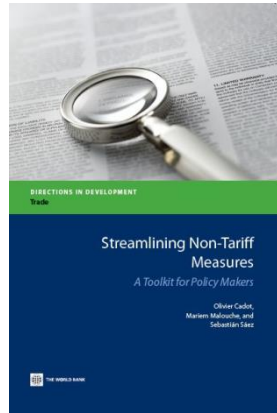
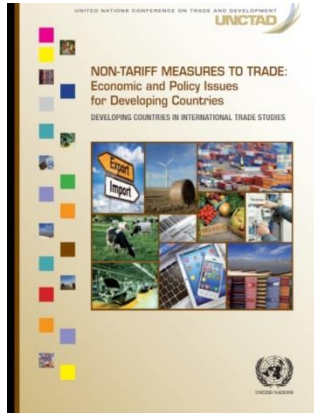
- Impact on trade, welfare and even income distribution
- Possible Impact on market structure
 - *On the imposing country.*
 - NTM can segment market and generate market power
 - *On the exporting country.*
 - If only big companies succeed to export



-
- If Liberalization reduces trading costs, then:
 - What is “Liberalization” for NMT?
 - Harmonization
 - Mutual recognition. Cooperation in Conformity Assessment Procedures (CAP)

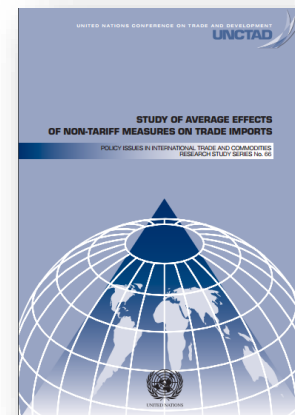


Publications



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