



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**
Nakorn Pathom, 4-5 April 2012

Sudip Ranjan Basu, Ph.D.

Macroeconomic Policy and Development Division
United Nations, Bangkok-Thailand



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)
- **Second generation:** Deardorff and Stern (1985, 1998), Feenstra (1988)
- **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

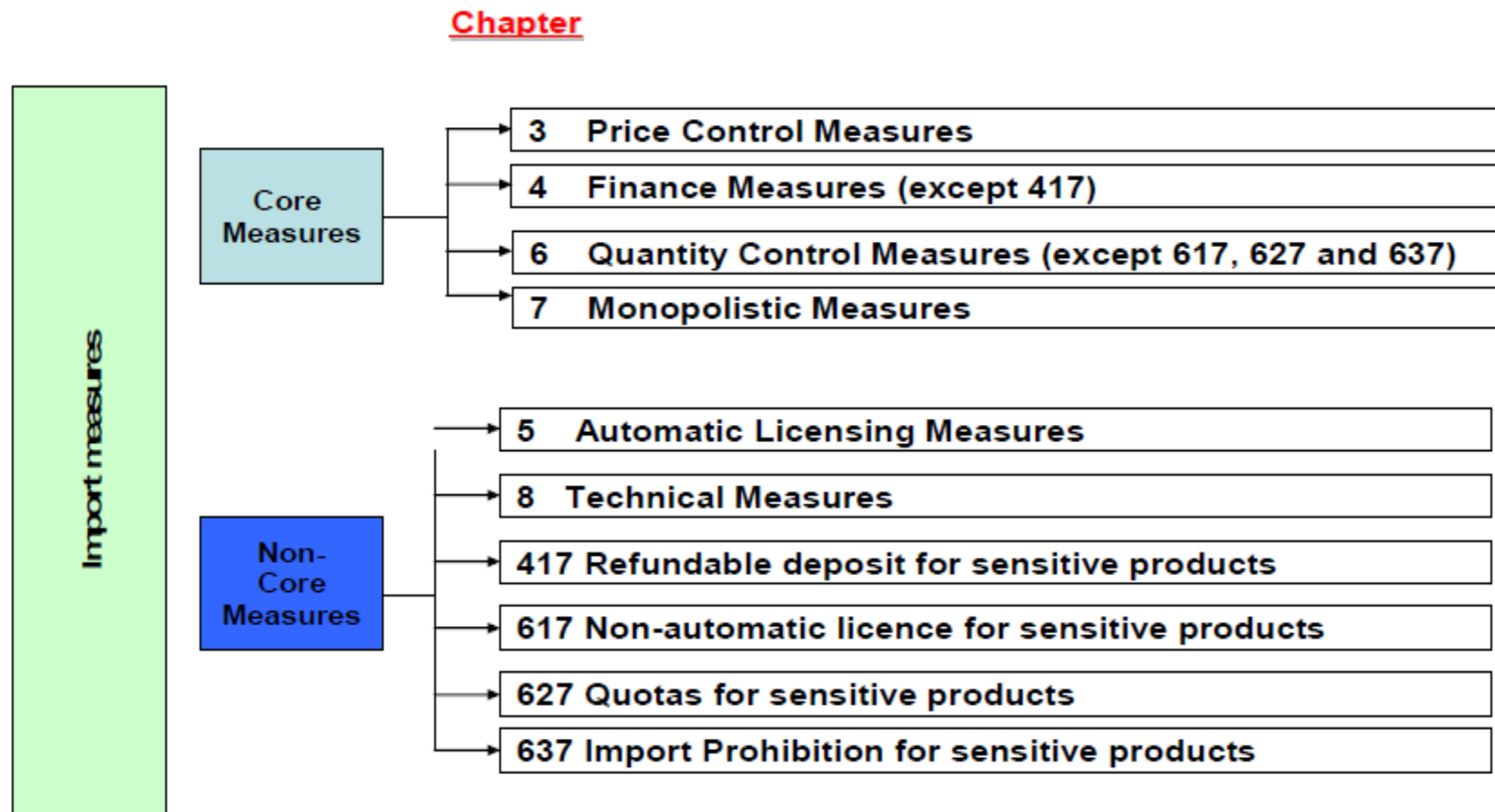


Old classification and evidence



UNCTAD-TCMCS Overview

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





Changing Nature of NTMs Trend

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

	1994 (%)	2005 (%)
Core Measures	45	15
Non-core Measures	55	85

Core Measures: Measures intended to protect local producers.

Non-Core Measures: Measures intended to protect local consumers



Evolution of NTMs Use by Broad Category

TCM description		1994 (%)	2005 (%)
Non-core measures	AUTOMATIC LICENSING MEASURES	2.8	1.7
	MONOPOLISTIC MEASURES	1.3	1.5
	TECHNICAL MEASURES	31.9	58.5
Core measures	PRICE CONTROL MEASURES	7.1	1.8
	FINANCE MEASURES	2.0	1.5
	QUANTITY CONTROL MEASURES	49.2	34.8





Types of NTMs Applied in ASEAN Region

TCM description (UNCTAD code)	1994	2005
AUTOMATIC LICENSING MEASURES (5000)	2.0	2.4
MONOPOLISTIC MEASURES (7000)	1.5	2.7
TECHNICAL MEASURES (8000)	39.2	49.0
PRICE CONTROL MEASURES (3000)		2.8
FINANCE MEASURES (4000)		0.1
QUANTITY CONTROL MEASURES (6000)	57.3	43.1
Total number of observations (Number of Tariff lines)	6620	136504

	1994 (%)	2005 (%)
Core Measures	24.5	25.5
Non-core Measures	75.5	74.5



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
- Disseminated through TRAINS CD-ROM between 1994 and 2001.
- 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

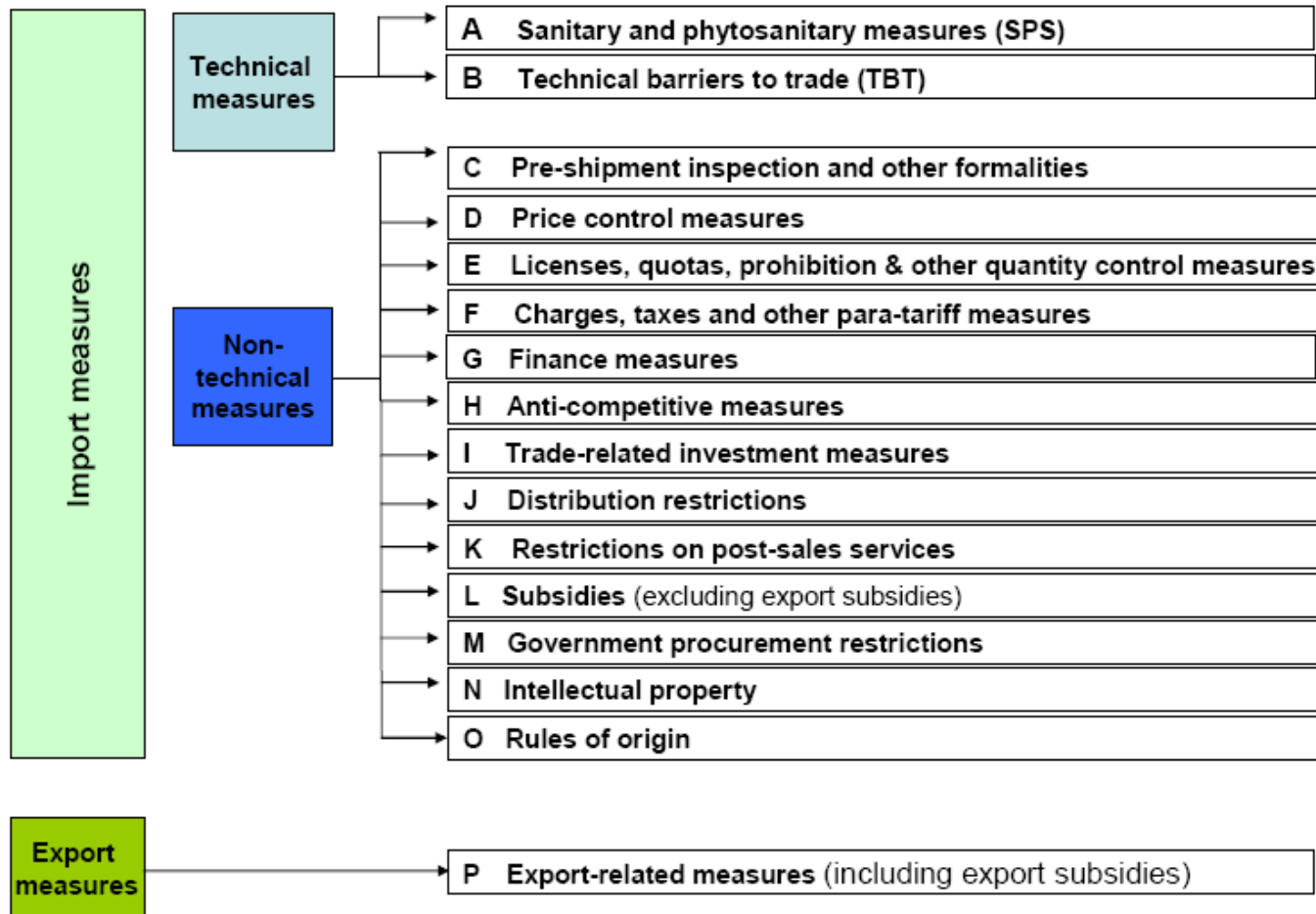
The group recommends the use of following definition as proposed by UNCTAD (GNTB-MAST):

- **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



UNCTAD-MAST NTMs Classification (2009)

Chapter



Chapters	Headings	Sub-headings
1 A	9	30
2 B	9	18
3 C	5	0
4 D	8	11
5 E	6	25
6 F	6	14
7 G	5	9
8 H	3	8
9 I	3	0
10 J	2	0
11 K	0	0
12 L	0	0
13 M	0	0
14 N	0	0
15 O	0	0
16 P	8	8
Total	64	123



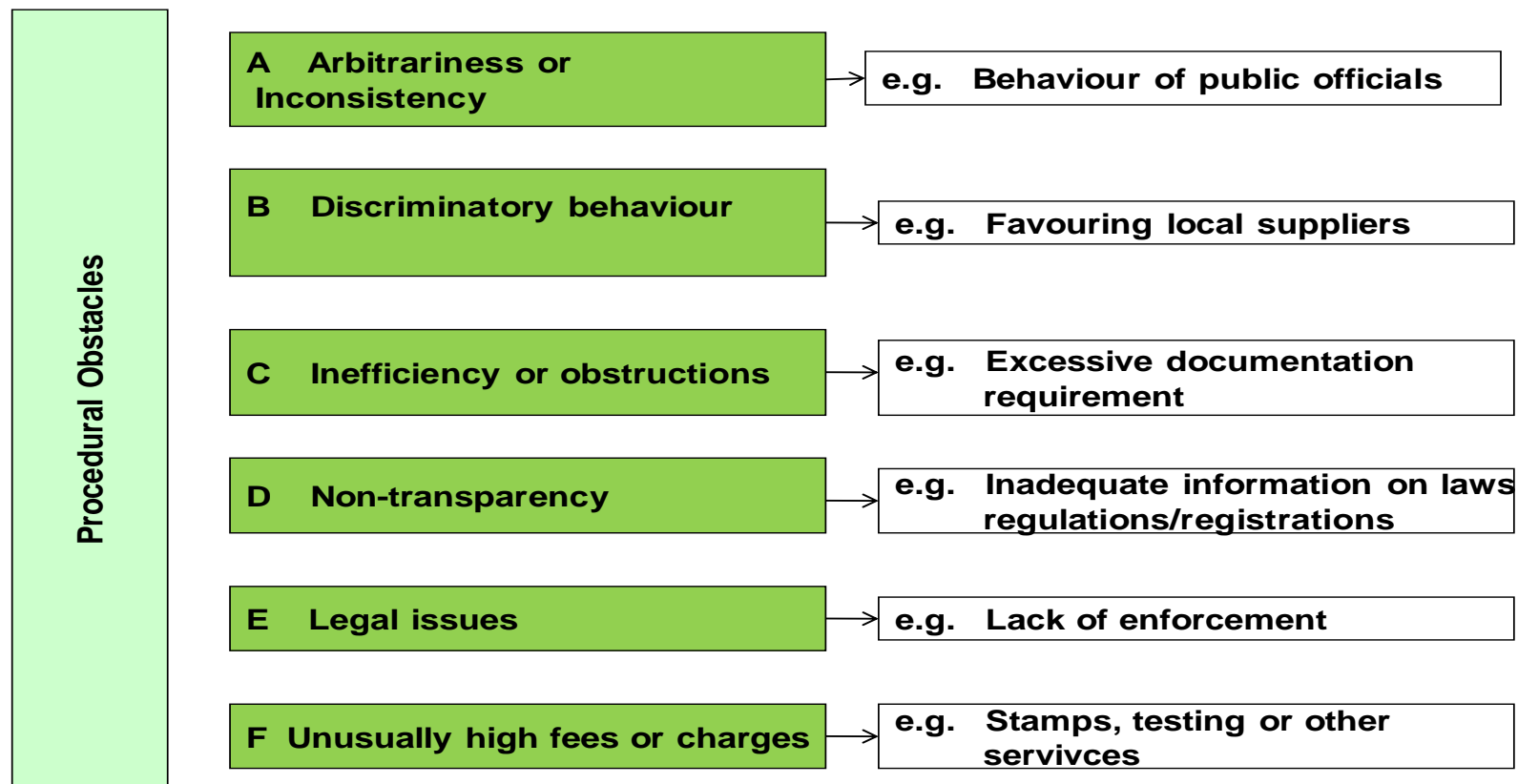
Procedural Obstacles Classification

- 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” 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





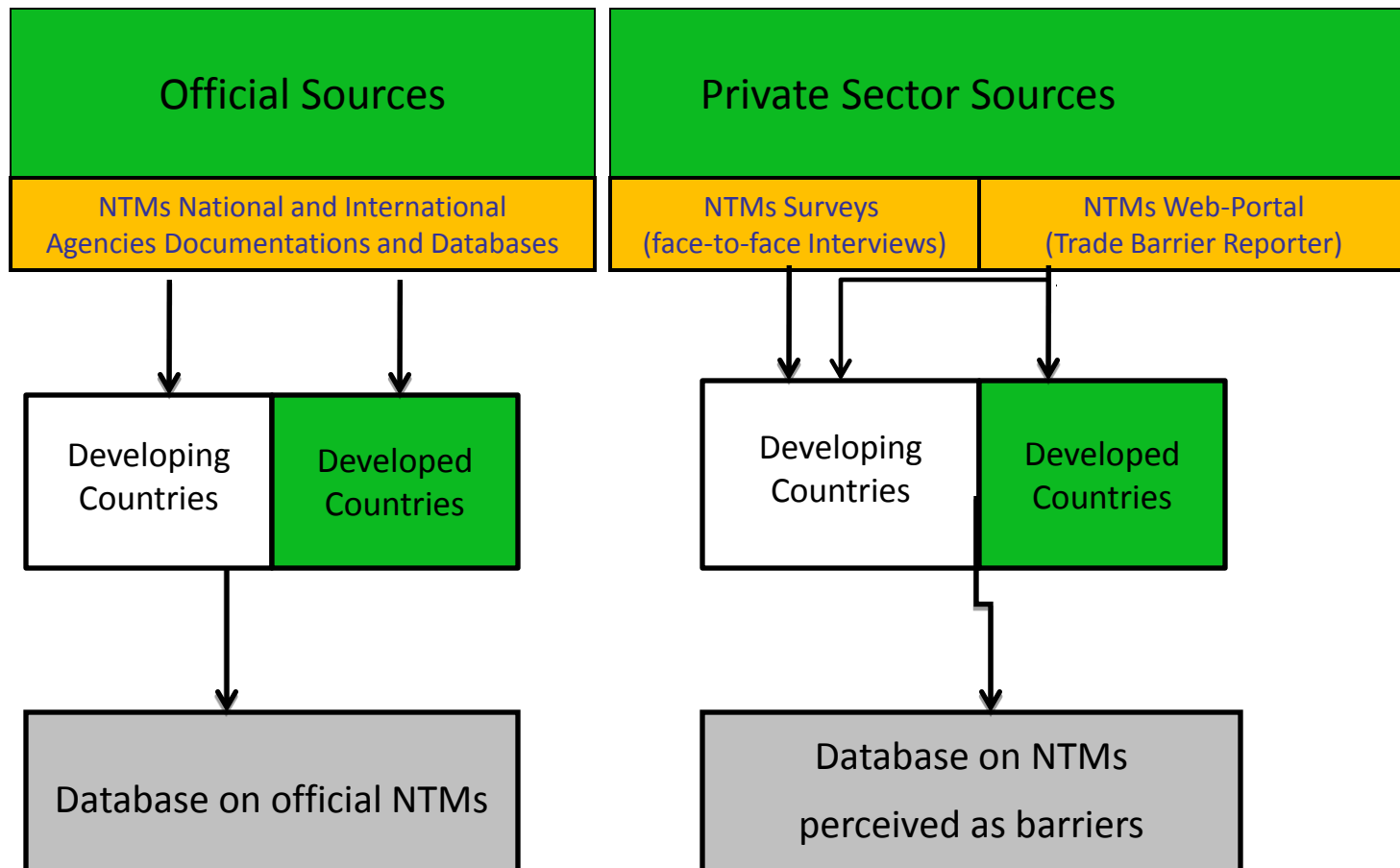
Emerging trade challenges are reflected in NTMs

Researchers

- 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





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

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



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

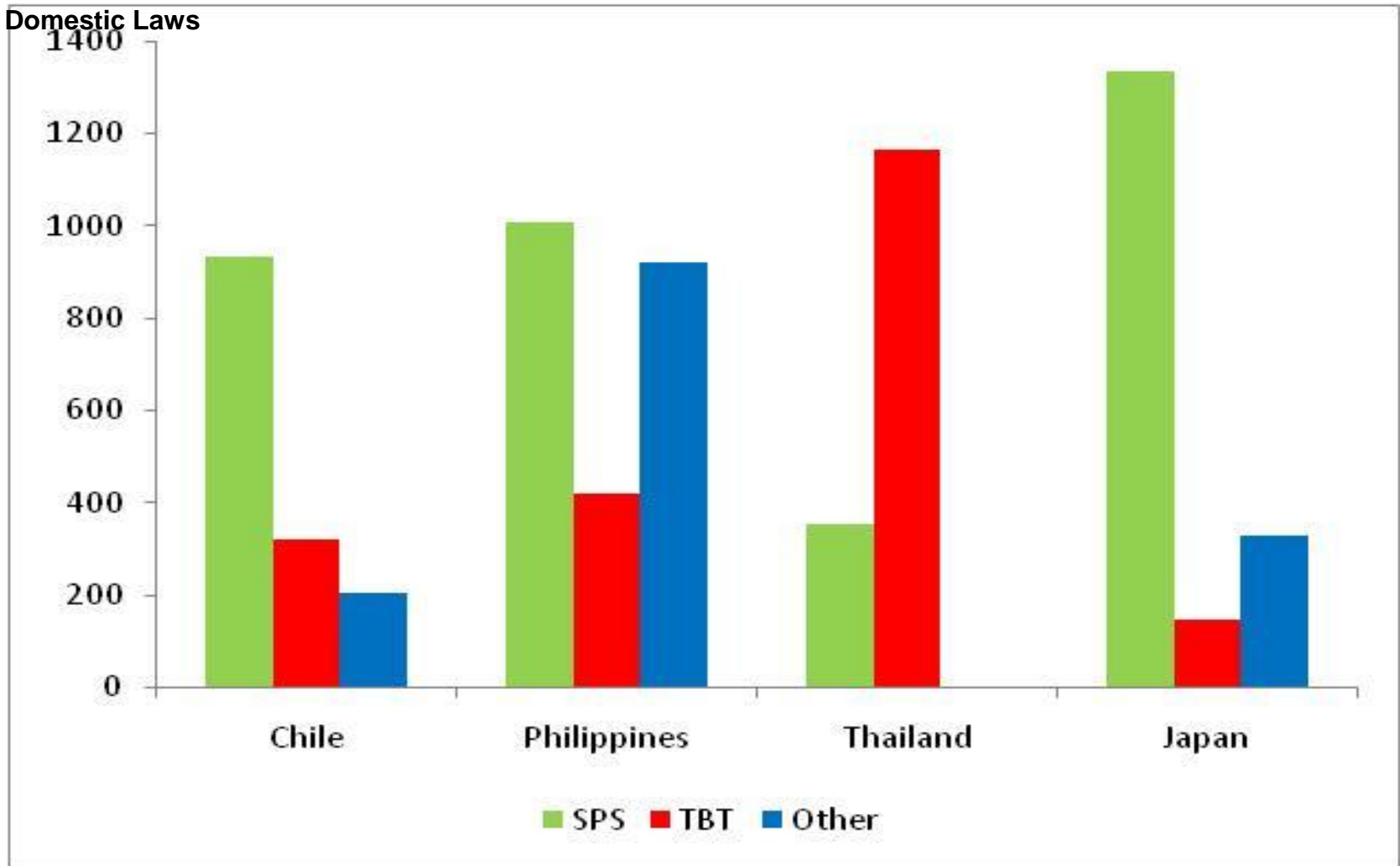
The challenges of official data collection

- 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



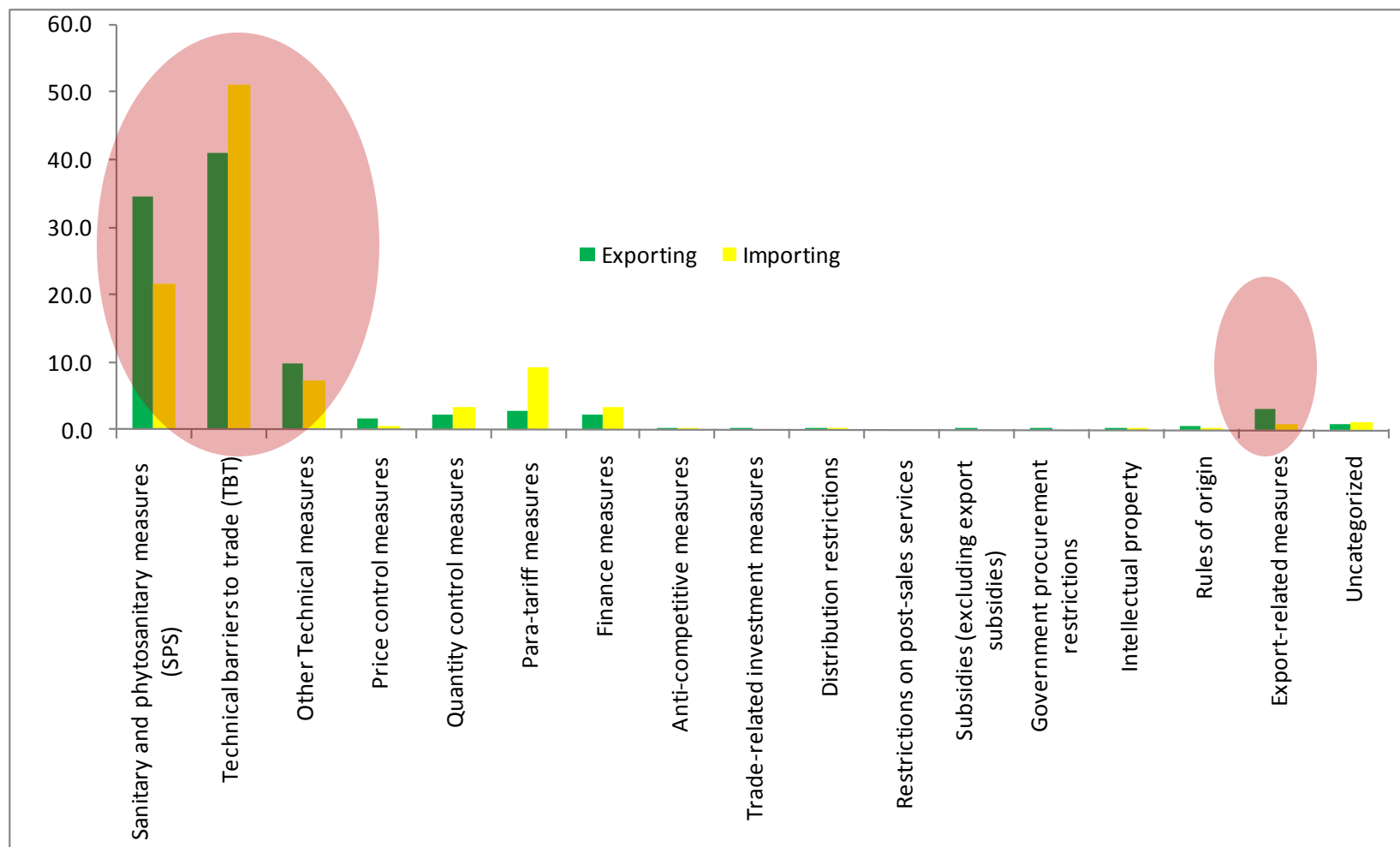
Official NTM information

Domestic Laws





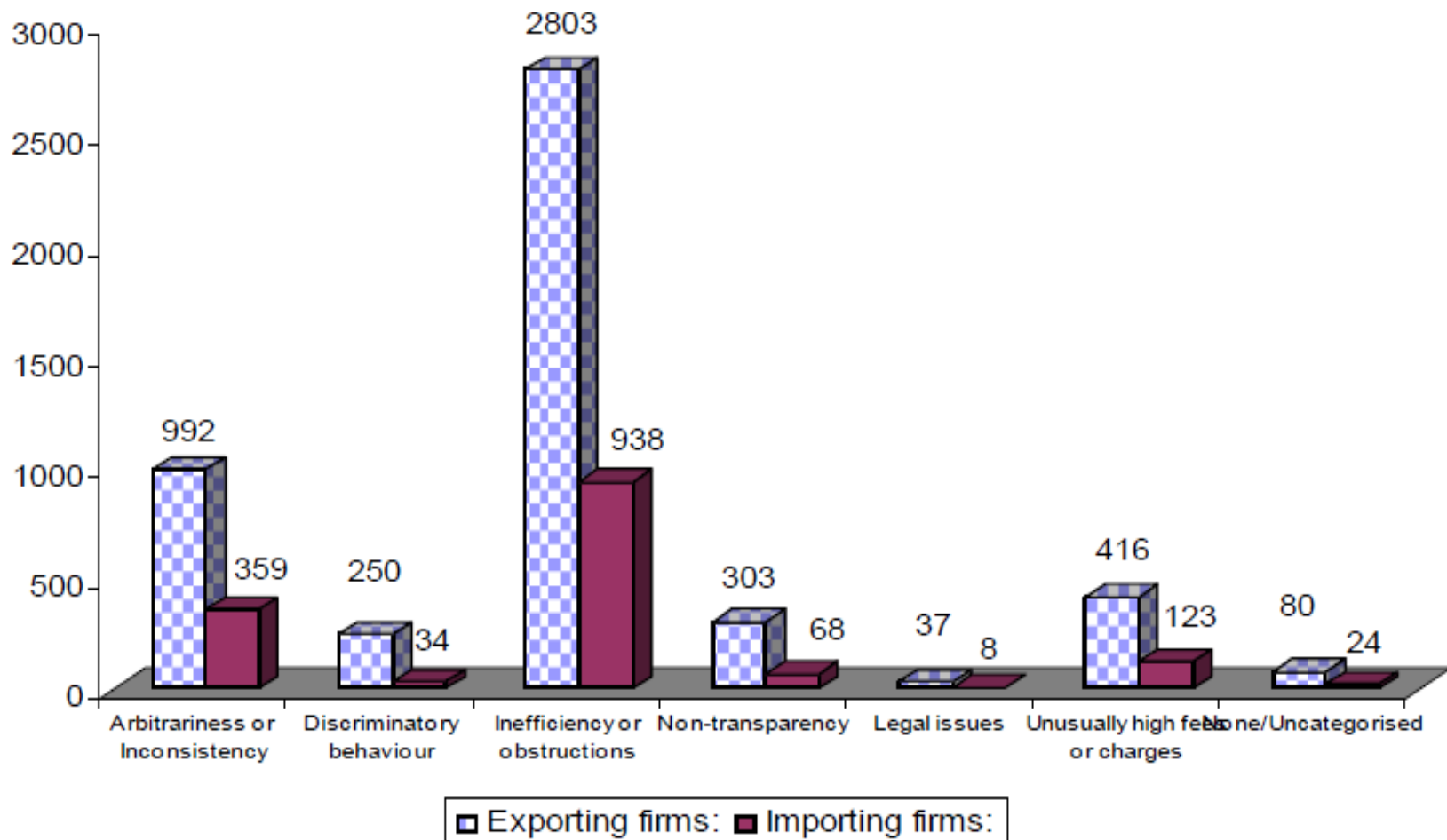
Global picture: NTMs cases (%)



Source: Basu et. al (2011)



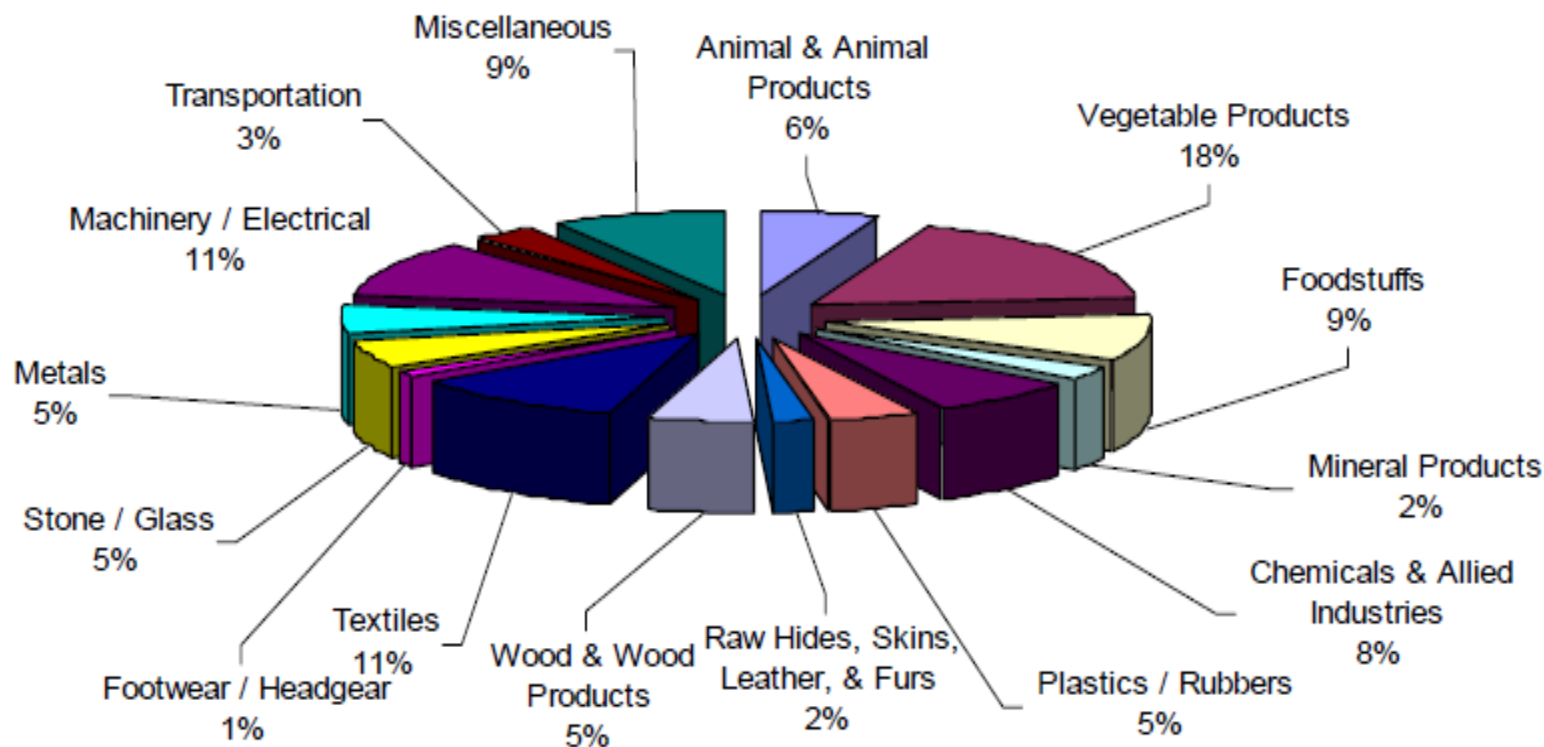
Global picture: Procedural Obstacles



Source: Basu et.al (2011)



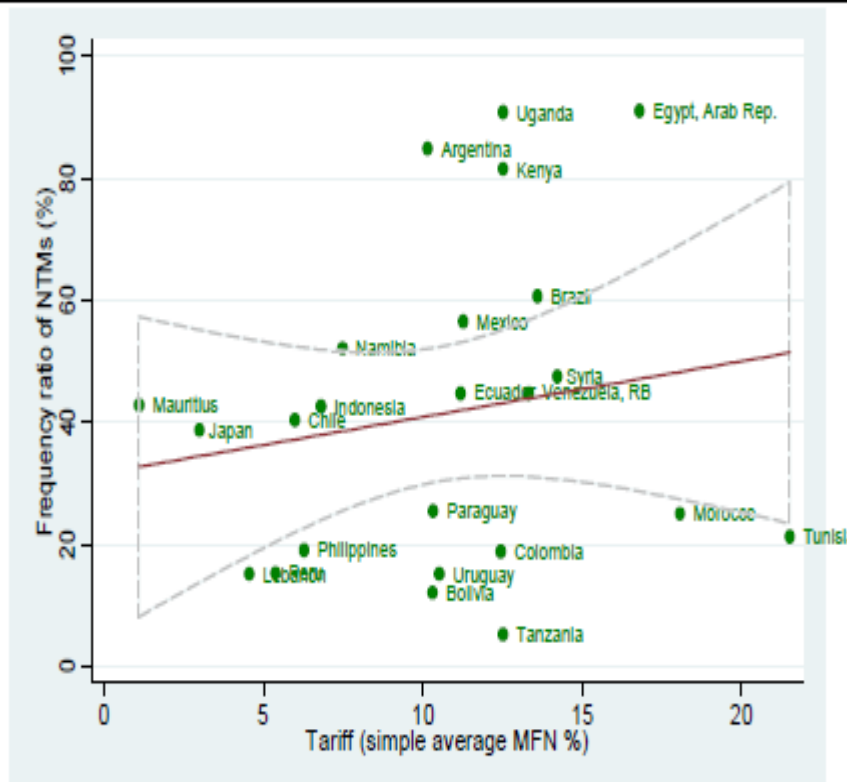
Global picture: Products affected



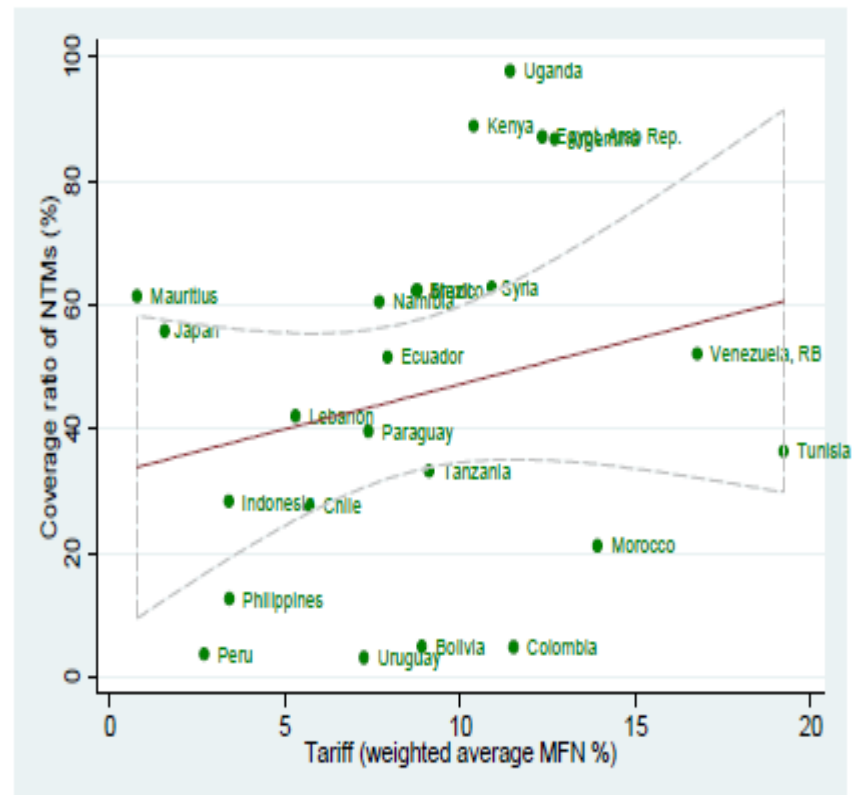


NTMs and tariffs

Frequency index (number of products)



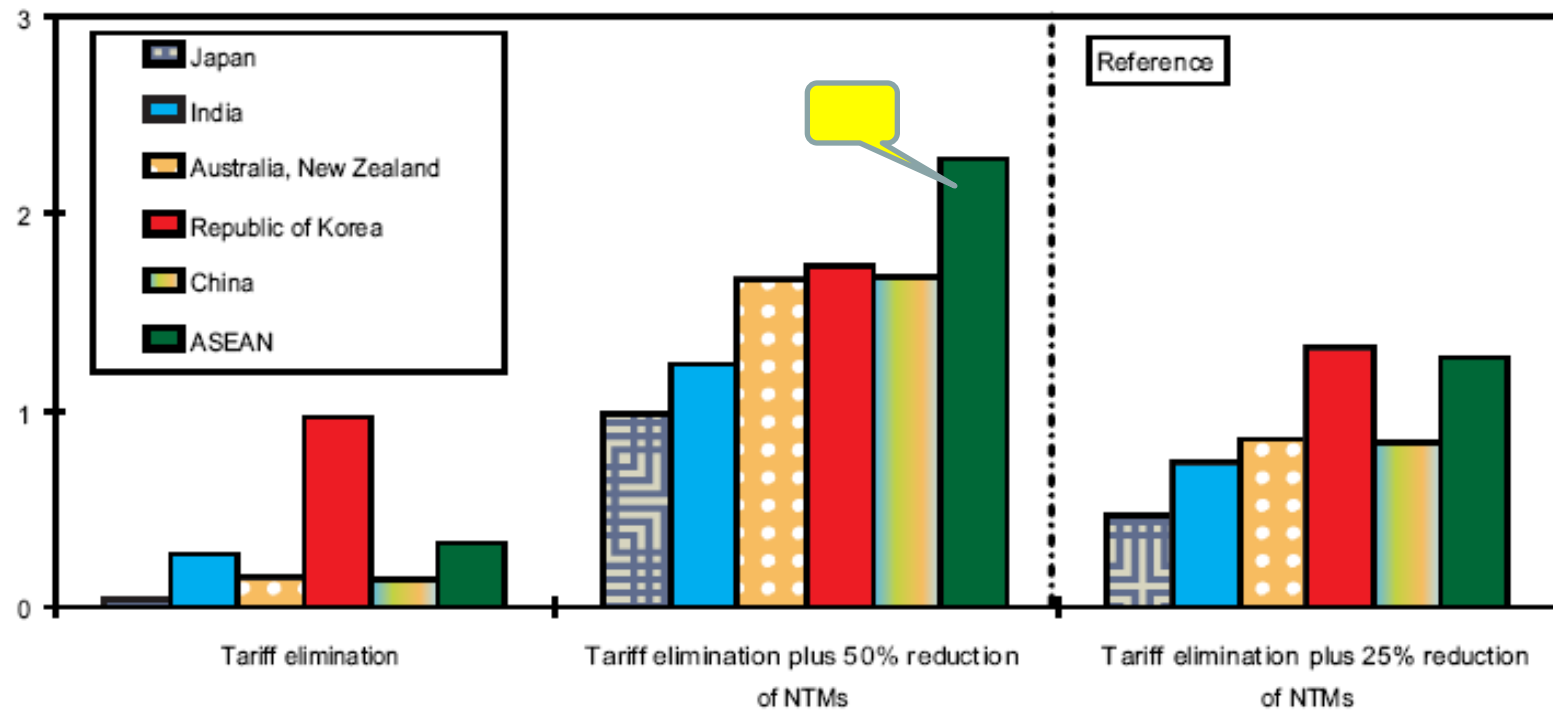
Coverage ratio (value of imports)



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



AFTA Council:
A good starting point

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



Email: basu@un.org
Phone: +66 2288 1524

Thank you

Recent UN Resources

