



Session D

NTMs: Thematic Discussions

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Introduction

Outline

- D.1 Challenges
- D.2 NTMs scope in policy making
- D.3 NTMs and SDGs

D1. Challenges

General Considerations

- Increasing role played by NTMs on international trade \Rightarrow precise appreciation of their effects is crucial
- The distinction between “legitimate” and protectionist motivations behind NTMs’ adoption remains difficult as all types of NTMs may affect trade
- The evaluation of NTM trade effects is not only ambiguous but also politically sensitive

Challenges

- Two main questions currently at stake:
 - How to account precisely for their effects?
 - How to integrate them into international trade negotiations?
- Multiple channels of influence, multiple impacts
- NTMs can target very different objectives
- Despite the absence of trade objectives, SPS and TBTs may also affect trade costs through associated procedural requirements

Challenges: assessment

- Studies discussed in the workshop show that technical measures can have an ambiguous effect on production
- Moreover, on the consumption side, the likely effect of meeting the technical measure is an increase in demand
- As a consequence overall effect on production and welfare can be either negative or positive: contingencies are crucial

Challenges: assessment

- This ambiguity has implications for the assessment and measurement of NTMs impact and many issues need further attention
- A particular attention needs to be devoted to the computation of ad valorem equivalents which are at the core of the policy debate and trade negotiations
- It might be crucial to consider alternative metrics or base negotiations on the very contents of each measure to be negotiated

Challenges: implementation

- Challenges remain to the implementation of NTMs
 - NTM requirements should be scientifically based and defined with transparency
 - Developing countries' concerns should also be addressed: NTMs are increasingly complex instruments and the evidence reviewed in the course does indicate that NTMs are still often trade-restricting measures and they often disproportionately affect developing countries

Challenges: implementation

- Technical assistance should also be increased, better coordinated, and better targeted
- This assistance should help developing countries to fulfil NTMs' requirements
- The specificities of developing countries should be taken into account, as well as the specific needs of each of these countries

Challenges: Policy cooperation

- Increased interdependency, including the rise of global supply chains, have created a need for deeper forms of institutional integration to address distortions affecting trade and investment
- The increased prominence of public policies driven by consumer concerns has also created a need to develop rules to identify efficient and legitimate uses of NTMs
- The SPS and TBT Agreements are “post-discriminatory” agreements that go in the direction of deeper integration
- They promote harmonization through the use of international standards
- They include the need to ensure that requirements are not unnecessarily trade restrictive

Biggest Challenge: information/transparency

- Major constraint to deal with all challenges mentioned previously is the availability of information
 - Data are collected but the burden of this collection falls mostly on international organizations
 - Approaches adopted so far do not guarantee any exhaustive coverage
 - Country coverage is limited
 - Time coverage is extremely poor
 - Available Information is mostly quantitative
- Strongly limits Impact assessment scope
- Not enough for negotiations

Biggest Challenge: information/transparency

- For instance no information on Subsidies (Chap. L & P), Rules of Origin (Chap. O) or Government Procurement Restrictions (Chap M) has been collected also because no proper classification exists
- Information is crucial to qualify precisely market access conditions in the case of RoO
- Rules of origin are criteria used to determine the “nationality” of a product i.e. where the product was ‘made’.

Biggest Challenge: information/transparency

- A product's raw materials or components might come from a number of countries, but customs officials must determine the product's origin to decide how to treat it, including what tariff to charge or apply any NTMs, if applicable, as the product enters their jurisdiction.
- Issue of origin is also important in determining the anti-dumping or safeguard duties, regulate quotas and capturing trade statistics.
- Since the preferential treatment provided for in a RTA (multilateral & reciprocal) or a PTA (unilateral and non-reciprocal) is normally granted only to products originating from the members or beneficiaries, rules of origin are therefore an important part of these arrangements

D.2 NTMs scope in policy making

Domestic versus foreign NTMs

- Two ways of looking at NTMs
- NTMs applied by trade partners: *Trade partners perspective*:
 - Effects on exports and trade diversion
- NTMs applied domestically: *Domestic perspective*:
 - NTMs costs (domestic prices!) and benefits

The impact of NTMs on trade

- NTMs are very diverse and so is their impact on trade
 - Add Costs to Trade
 - Standards require Information and Compliance
 - Preclude trade
 - Prohibitions, stringent requirements
 - Divert Trade
 - Quotas, Standards
 - Create Trade
 - SPS and TBT (guarantee products and unify markets)

Reasons why NTMs are imposed

GOOD REASONS. Indeed, most of the NTMs are there for public policy responsibility or to address market failures

- Protect and inform consumers (SPS TBT)
- Protect the environment (TBT)
- Guarantee quality (TBT)
- Regulate domestic markets (Pricing, Licenses)
- Avoid unintended spillovers of PTAs (ROO)

Reasons why NTMs are imposed

Questionable Reasons

- NTMs are used with protectionist intent
 - Protect inefficient domestic industries
 - Favor some foreign exporters relative to others
- Overregulating a market
 - add unnecessary burdens to production and trade

Ultimately whether NTMs are questionable or not depends on whether the benefits are larger than the costs

Efficient NTMs frameworks maximize benefits at the lowest social costs

Effects of NTMs: Benefits and Costs

- NTMs as any (trade) policy have distributive effects
 - Winners and losers
 - Benefit can accrue to few at the expenses of many and vice-versa
- Correct approach in assessing NTMs is not only to look at trade effects but at the overall economy
 - Increasing Efficiency
 - Fostering Competition
 - Aligning with Development / Industrial Policy Strategy
 - Spillovers into Social Welfare

Costs and Benefits of Standards

Example: Foodstuff should be subject to traceability

— Costs:

- Increased costs
- Increased prices
- Higher entry costs
- Lower competition

— Benefits:

- Safer products
- Higher quality products
- Intermediates are made to specifications

Trade Effects: Increases demand/trade because product is deemed safer. Reduce/distort trade to favor some producers

Costs and Benefits of Subsidies

Example: Dairy farmers receive subsidies to help them stay in business.

- Costs:
 - Shift resources
 - Decrease overall efficiency of the economy
 - Beggar-thy-neighbor
- Benefits:
 - Help domestic producers
 - Increase availability of products
 - Lowers prices

Trade Effects: Raises overall production, distort international trade, lowers international prices.

Costs and Benefits of Standards

Example: Foodstuff should be subject to traceability

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Trade Effects: Increases demand/trade because product is deemed safer. Reduce/distort trade to favor some producers

Costs and Benefits of Quotas

Example: Sugar tariff rate quota's.

- Costs
 - Higher domestic prices
 - Possible Shortages
- Benefits
 - Domestic industry protection
 - Economic Policy Instrument (PTAs)

Trade Effects: Distort trade to favor domestic or specific foreign producers.

Policy Output: international

How to deal with NTMs in the MULTILATERAL system



TRADE ISSUES

- Measures with a evident protectionist intent
 - Removal of protectionist measures in the appropriate fora
- Non protectionist measures:
 - Harmonization of standards, custom procedures, mutual recognition principle (Negotiations in PTA, RTA, WTO)
- Other measures not negotiable within PTA
 - Technical Assistance in production and export processes

Costs associated with NTMs could be covered by:

- Aid for Trade, Technical assistance (development assist.)
- Partnership agreements (mutual interest within PTA)
- Global chains investments (profit driven)

Policy output: national

Domestic Reforms and NTMs

 NON-TRADE ISSUES

Principle of efficient regulations: policy effort is critical to ensure that NTMs serve their intended legitimate purposes

- Efficient regulations are essential for addressing domestic concerns while not decreasing competitiveness
- NTMs can have large spillovers on economic efficiencies and therefore should be precisely targeted to the market failures they are trying to correct

D.3 NTMs and SDGs