


Key points

- Trade leads to economic development; trade policy can ensure sustainability
- Many non-tariff measures are much more than trade policy instruments – they are sustainable development policies
- To successfully pursue the sustainable development goals, synergies and trade-offs between means of implementation must be exploited
- Some costs of non-tariff measures can be reduced without compromising policy objectives
- Regulatory convergence is paramount



NON-TARIFF MEASURES AND SUSTAINABLE DEVELOPMENT GOALS: DIRECT AND INDIRECT LINKAGES

Setting a new agenda for sustainable development

The year 2015 has witnessed a significant directional shift in the development paradigm. Member States of the United Nations negotiated a new development agenda for 2015–2030 applicable to all countries, not only to those of the developing world. The primary focus is to achieve development that is sustainable in the social, economic and environmental spheres.

Many compelling success stories of economic development in recent decades are based on trade-led growth. Much of the growth in least developed countries relies on rising revenues from commodities. The post-2015 development agenda and sustainable development goals suggest that the world should transform its natural-resource-dependent growth pattern into one that is “sustained, inclusive and sustainable”.¹

Trade leads to economic development; trade policy can ensure sustainability

Trade creates employment opportunities, generates income, reduces costs for industries and consumers, motivates entrepreneurs and attracts investment in essential infrastructure. Trade and economic development can generate substantial private and public financial means to

pursue the social and environmental dimensions of sustainable development. Table 1 provides an illustration of the potential linkages between trade and sustainable development goals.

Certainly, the development impact of trade is not unconditional. Firstly, economic development requires an appropriate sequencing of trade openness as well as an enabling environment of other policy and non-policy factors.

Secondly, for economic development to become inclusive, sustained and sustainable, another layer of conditions applies. For example, a positive effect on poverty reduction relies on favourable sectorial growth patterns and inclusive employment and social policies. The latter are important to address potential inequalities within economies as a result of trade.

In this context, and with falling tariffs, non-tariff measures have moved to the forefront of trade policymaking. This policy brief argues that the proliferation of non-tariff measures plays a crucial role in shaping global trade patterns and their sustainability.

Not all non-tariff measures are non-tariff barriers

Non-tariff measures are defined as policy measures other than ordinary customs tariffs

Table 1. Potential linkages between trade and sustainable development goals

Goals	Linkages
1. End poverty in all its forms everywhere.	Trade is an engine of economic growth and poverty reduction.
2. End hunger, achieve food security and improved nutrition, and promote sustainable agriculture.	Trade is an engine of economic growth, income and agricultural production. Trade affects access, availability and stability of food security.
5. Achieve gender equality and empower all women and girls.	Trade can provide opportunities for the economic empowerment of women.
7. Ensure access to affordable, reliable, sustainable and modern energy for all	Trade and global value chains are drivers of technological innovation and the production of renewable energy sources.
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	Trade can be an engine of economic growth and employment.
9. Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.	Trade can be an engine of economic growth and industrialization.
10. Reduce inequality within and among countries.	Trade-led growth has often contributed to reducing inequality between countries.
17. Strengthen the means of implementation and revitalize the global partnership for sustainable development.	Trade is a key means of implementation for sustainable development.

¹ United Nations, 2015, Transforming our world: The 2030 agenda for sustainable development, available at <https://sustainabledevelopment.un.org/post2015/transformingourworld>, accessed 14 September 2015.

that can have an economic effect on international trade.² They thus include a wide array of policies. Some are traditional instruments of trade policy, such as quotas or trade defence measures. These measures are often termed non-tariff barriers because of their unequivocally discriminatory and protective nature.

However, the distinctly neutral definition of non-tariff measures does not imply a direction of impact or a judgement about the legitimacy of a measure. It notably comprises sanitary and phytosanitary measures and technical barriers to trade, which may equally apply to domestic producers and stem from non-trade objectives related to health and environmental protection.

Many linkages between non-tariff measures and sustainable development

The diversity of types, mechanisms and objectives of non-tariff measures are also reflected in the sheer number of linkages to dimensions of sustainability. To understand how non-tariff measures interact with sustainable development, it is helpful to distinguish between indirect and direct linkages.

Indirect linkage means that non-tariff measures influence trade. In turn, trade can foster economic development and spill over to sustainable development.

Direct linkages refer to policies that have an immediate effect on sustainability. While many policies primarily aim at protecting health or the environment, they also have an impact on trade and are therefore considered non-tariff measures.

While voluntary private standards are not within the scope of mandatory non-tariff policies, they can also influence sustainable development directly and indirectly. And although positive effects on economic, social and environmental aspects of development are possible, the fragmentation of standards is cause for concern.

Indirect linkages: Trade costs slow down trade

Based on the premise that trade is a driver of economic growth and development, non-tariff measures may be viewed as trade costs, or non-tariff barriers. Nevertheless, even legitimate non-tariff measures with non-trade objectives can have significantly restrictive and distorting effects on international trade. UNCTAD research shows that the contribution of non-tariff measures to

restricting market access is more than twice that of tariffs. The impact is particularly striking in sectors of high relevance for developing countries.³

The development potential of trade can be significantly impaired by trade costs stemming from non-tariff measures. However, the elimination of such measures is rarely an option, as the direct linkages to sustainable development will show.

Reducing the cost of non-tariff measures without compromising policy objectives

There are two principal means of bringing down trade costs related to non-tariff measures without even touching policy levels: by increasing transparency and reducing procedural obstacles.

Despite the widespread use of non-tariff measures, there is a broad transparency gap. This poses a major challenge to developing countries with limited recourses as they assess the implications of non-tariff measures. UNCTAD and several of its partners are spearheading an international initiative to collect comprehensive data of mandatory regulations currently in force in many countries. Detailed information for each non-tariff measure includes information sources, measures, and products and countries affected. Coverage of over 90 per cent of world trade is envisaged for 2015 (<http://unctad.org/ntm>). Data collection of non-tariff measures is essential for UNCTAD research and technical cooperation.

Every non-tariff measure comes with an implementation procedure. As a rule, associated procedures become more burdensome as the underlying non-tariff measure becomes more complex or discretionary. This incurs additional costs and in many cases, long delays. The World Trade Organization's Agreement on Trade Facilitation has the potential to drastically reduce procedural obstacles and delays at the border.

Direct linkages: Many non-tariff measures are much more than trade policy instruments

Increasingly, non-tariff measures are sanitary, phytosanitary measures and technical barriers to trade designed to protect the environment and human, animal and plant life. Mostly applied in a non-discriminatory way to domestic and foreign firms, they directly regulate issues related to sustainable development goals: food, nutrition and health, sustainable energy, sustainable production and consumption, climate change

² UNCTAD, 2010, *Non-tariff Measures: Evidence from Selected Developing Countries and Future Research Agenda* (New York and Geneva, United Nations publication).

³ UNCTAD, 2013, *Non-tariff Measures to Trade: Economic and Policy Issues* (New York and Geneva, United Nations publication).

Table 2. Direct linkages between non-tariff measures and sustainable development goals

Goals	Measures
Goal 2. End hunger, achieve food security and improved nutrition, and promote sustainable agriculture.	Non-tariff measures in the shape of sanitary and phytosanitary measures and technical barriers to trade are directly linked to several pillars of food security. Sanitary and phytosanitary measures protect the health of human beings, animals and plants; they also offer crop protection against pests and diseases.
Goal 3. Ensure healthy lives and promote well-being for all.	Non-tariff measures or sanitary and phytosanitary measures are employed to protect human health from risks arising from additives, contaminants, toxins or disease-causing organisms in food and drink. Codex Alimentarius provides recommendations for science-based sanitary and phytosanitary regulations. Technical barriers to trade allow countries to regulate food for consumer protection, e.g. labelling of fat or sugar contents. Non-tariff measures or technical barriers to trade regulate the safety of imported pharmaceutical products and hazardous substances that may have adverse effects on human health.
Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all.	Non-tariff measures apply to clean energy products in different ways. Some countries use subsidies, often “feed-in tariffs”, to promote imports and the use of clean energy technologies. Some apply local content requirements for these benefits, which may slow down the proliferation of clean energy sources. Photovoltaic products have been subject to non-tariff measures or antidumping duties.
Goal 12. Ensure sustainable consumption and production patterns.	Non-tariff measures or technical barriers to trade enable countries to regulate production and imports of products that cause environmental damage.
Goal 13. Take urgent action to combat climate change and its impacts.	Non-tariff measures or technical barriers to trade are employed to regulate production and trade with respect to carbon footprints, in accordance with the United Nations Framework Convention on Climate Change and the Kyoto Protocol. Trade restrictions of ozone-depleting substances and products under the Montreal Protocol have reduced global warming.
Goal 14. Conserve and sustainably use oceans, seas and marine resources for sustainable development.	The primary objective of non-tariff measures or technical barriers to trade is to protect the environment. Measures include restrictions on trade with hazardous substances or pollutants harming aquatic or terrestrial ecosystems. These restrictions are often related to multilateral agreements such as the Basel Convention and the London Convention.
Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.	Countries restrict trade of endangered flora and fauna through technical barriers to trade, often in alignment with the Convention on International Trade in Endangered Species Wild Fauna and Flora. Non-tariff measures/sanitary and phytosanitary and technical barriers to trade protect ecosystems and biodiversity from pests and invasive species.
Goal 17. Strengthen the means of implementation and revitalize global partnership for sustainable development.	All of the above direct linkages between non-tariff measures and sustainable development show a strong need for global partnership and coordination.

and the environment (table 2). Clearly, these measures are necessary, if only to ensure the protection of the planet.

It is also clear that most of these non-tariff measures restrict trade and indirectly, economic development. Direct and indirect linkages between non-tariff measures and sustainable development are not mutually exclusive: most non-tariff measures with direct linkages also create an indirect impact through trade. Take the example of sanitary and phytosanitary regulations to restrict pesticide residues on food products. This non-tariff measure directly contributes to human health and nutrition; however, it also restricts trade, causing reduced income in exporting countries and higher consumer prices in importing countries.

There are indeed tough trade-offs between trade restrictions and direct sustainability to be considered.

Regulatory convergence is paramount

Striking a balance between excessive trade restrictions and serving crucial non-trade objectives is a key challenge.

World Trade Organization agreements on sanitary, phytosanitary and technical barriers to trade contain valuable principles calling for a science-based approach, and adherence and harmonization to international standards.

Since such barriers to trade vary across countries, harmonization is a complex policy priority. Studies on their harmonization find that divergence from international standards leads to significant trade losses. Furthermore, even measures applied in a non-discriminatory manner implicitly discriminate against developing countries, especially least developed countries, which dispose of limited resources and infrastructure to deal with complex technical regulations that differ across markets.⁴

4 W Czubala, B Shepherd and JS Wilson, 2009, Help or hindrance? The impact of harmonised standards on African Exports, *Journal of African Economies*, 18(5):711–744, November; UNCTAD, 2014, *Trading with Conditions: The Effect of Sanitary and Phytosanitary Measures on Lower Income Countries' Agricultural Exports* (New York and Geneva, United Nations publication); UNCTAD, 2015, *Deep Regional Integration and Non-tariff Measures: A Methodology for Data Analysis* (New York and Geneva, United Nations publication).

While sanitary and phytosanitary regulations are necessary (e.g. for food safety), commonly agreed science-based international standards should facilitate trade by harmonizing the production process across countries. In practice, the harmonization of standards should reduce many fixed and variable costs of trade.

Multilateral harmonization creates trade; bilateral and regional harmonization diverts it

The multilateral system is confronted with a growing “spaghetti bowl” of bilateral and regional agreements that also increasingly aim at recognizing or harmonizing requirements relating to sanitary, phytosanitary and technical barriers to trade. The question is, how to harmonize non-tariff measures to generate sustainable development?

Studies show that adopting science-based international standard guidelines is generally good for developing countries. However, their participation in international standard-setting bodies needs to be strengthened. Regional and bilateral harmonization also creates trade, but with potential trade diversion effects. Unilaterally adopting more stringent standards from developed markets and imposing them as domestic production requirements may increase exports to the North, but this also carries risks. For example, rising product prices can have a negative impact on domestic consumers and South–South trade.⁵

Multilateral conventions, such as the Montreal Protocol, play a significant role in ensuring sustainability while minimizing trade impacts. Examples of effective multilateral collaboration and coherence are provided in table 2.

International standard guidelines are not binding, however. Some countries observe them, whereas others are more or less strict about food safety. Similarly, many international conventions are legally binding plurilateral agreements for signatories, while non-signatories tend to lag behind in their contribution to global environmental sustainability. Therefore, strengthening multilateral cooperation in the harmonization of non-tariff measures is paramount.

Synergies and trade-offs between means of implementation must be exploited

Given the multidimensionality of issues related to non-tariff measures, they are indeed relevant to the post-2015 development agenda and the

implementation of sustainable development goals.

Non-tariff measures are powerful policy tools that can directly influence sustainable development. It is conceivable that a further proliferation of such measures will occur as a reaction to the direct linkages between them and sustainable development goals.

Crucially, however, the direct impacts of non-tariff measures on sustainability must not be considered in isolation. Indirect linkages, which may restrict trade and slow down economic development, should not be ignored. These two sides of the same coin create trade-offs as well as synergies.

Coordination across areas of expertise is indispensable

Linkages between non-tariff measures and sustainable development goals put another emphasis on the integrated nature and ambition of the post-2015 development agenda. Non-tariff-measure-related linkages between economic, social and environmental development need to be acknowledged and addressed. Coordination is key.

National policymakers should look beyond their own areas of expertise and ministerial mandates. In fact, ministries of agriculture and health tend to regulate more non-tariff measures than ministries of trade. It is recommended that countries set up national coordinating committees to ensure regulatory coherence.

Equally, United Nations funds, programmes and specialized agencies should not focus solely on the implementation of a goal that relates to their core competency. Strong inter-agency cooperation is required to achieve sustainable development. The United Nations must indeed “Deliver as one”.⁶

Nations need to work together in the multilateral system and the United Nations to achieve regulatory convergence. Most sustainable development challenges cannot be achieved alone. In the case of non-tariff measures, a fragmentation of country-specific requirements can severely handicap countries’ trade-driven development prospects. The streamlining and harmonization of non-tariff measures can strongly mitigate trade-restrictive effects, while directly and positively influencing sustainability of development.

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5 AC Disdier, L Fontagné and O Cadot, 2014, North–South standards harmonization and international trade, *World Bank Economic Review*, 29(2):327–352.

6 <http://www.un.org/en/ga/deliveringasone>, accessed 14 September 2015.