# In-Country Training for Non-tariff Measures in ASEAN

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## ERIA – UNCTAD

# In-Country Training for Non-tariff Measures in ASEAN

Introduction: what are NTMs and why are they important?

Ralf Peters, UNCTAD

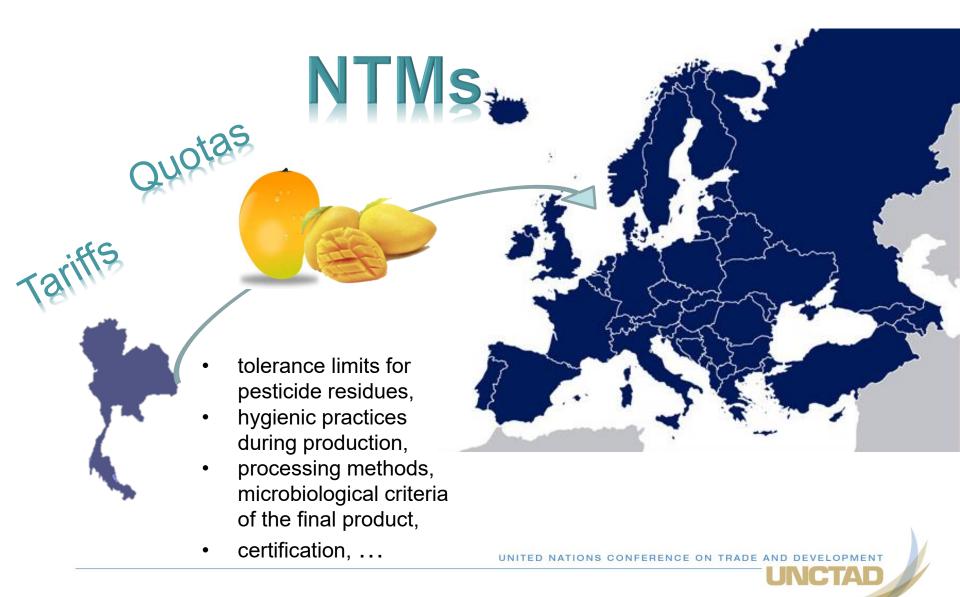




## Non-Tariff Measures everywhere ...



## Market Access and Border Measures



What are NTMs and why are they important?

2 UNCTAD's work on NTMs

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3 UNCTAD's classification and database on NTMs

- 4 Overview of NTMs in ASEAN
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# What are NTMs and why are they important?



## **Trade and Development**

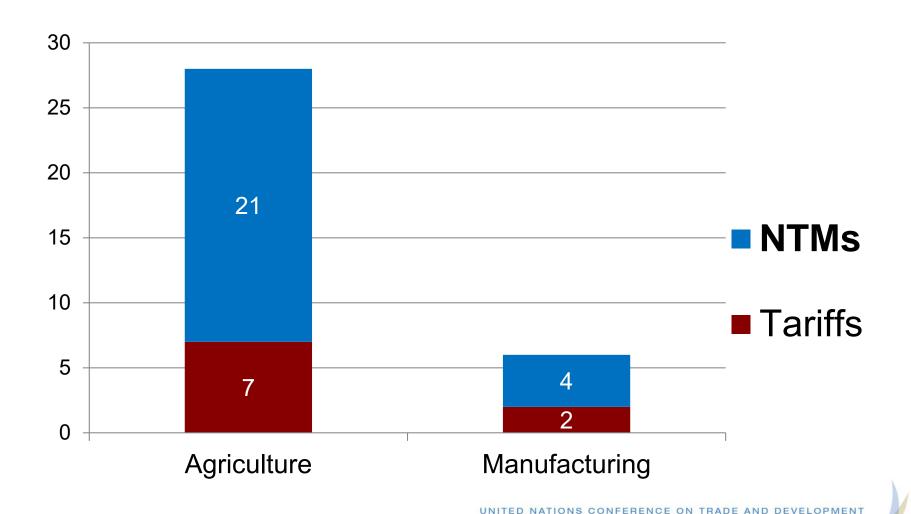
## Trade is an enabler for development

- Trade can contribute to economic development and poverty reduction
- 2. Trade increases access to products such as medicine

#### Trade costs matter

- 1. External factors: distance, language, transport costs, ...
- 2. Political factors:
  - 1. Tariffs
  - 2. Regulations (NTMs) such as requirement to register
  - 3. Procedural obstacles (e.g. waiting time at the border)

## Estimated *average* ad-valorem equivalents



**Source: UNCTAD 2012** 

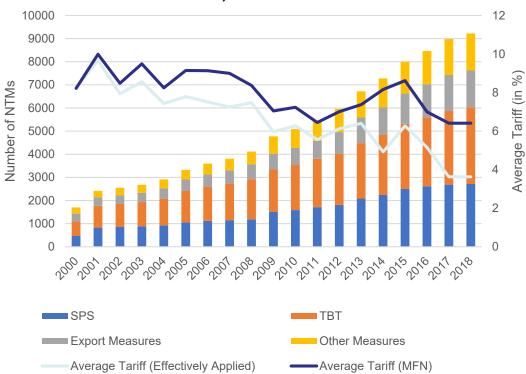
#### Trend: NTMs on the rise

Successive round of multilateral trade negotiations – integration of the global economy.

 Tariffs have significantly lowered over the past decades: GATT/WTO rounds

As the long-term trend for tariff rates has been downwards, Non-Tariff Measures (NTMs) have risen in their place.

Figure 1: Trends of Tariffs and NTMs in ASEAN, 2000-2018



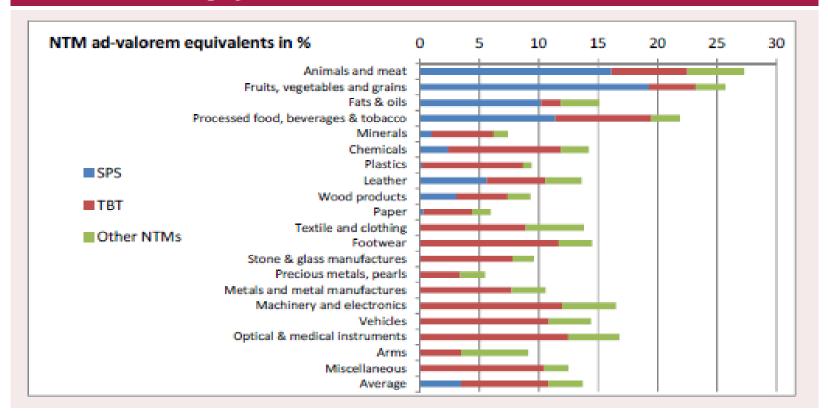
NTM=non-tariff measure; SPS=sanitary and phytosanitary; TBT=technical barriers to trade

Source: ERIA/UNCTAD calculations based on 2018 raw UNCTAD-ERIA database

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

## NTMs' impact on world trade

Figure 3. Ad-valorem equivalents of sanitary and phytosanitary measures, technical barriers to trade and other nontariff measures: World average by sector



Source: Cadot et al., 2015.

Sanitary and phytosanitary (SPS) and Technical Barriers to Trade (TBT) measures making up the majority of the impact.

### NTMs vs NTBs vs Tariff Measures

## Tariff Measures

Non-Tariff Measures (NTMs)

### Non-Tariff Barriers (NTBs)

NTMs that have a

Tax on trade



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.

'protectionist or discriminatory intent' (e.g. excessively stringent regulations, SPS without a scientific basis, licenses used to restrict imports)

**Neutral concept!** 

## Two Categories of Non-Tariff Measures

- NTMs include a broad range of policy instruments including
  - traditional trade policy instruments, such as quotas and price controls, and rules of origin as well as
  - 2. regulatory and technical measures that stem from important non-trade objectives related to health and environmental protection
    - Sanitary and Phytosanitary (SPS) measures and
    - Technical Barriers to Trade (TBT)

## **Examples of NTMs**

## NTMs

- Minimum import price
- Import prohibitions
- Product specific quotas
- Antidumping measures
- Safeguard
- Technical barriers to trade
- Sanitary and phytosanitary requirements
- Import licenses
- Foreign exchange
- Market control
- Export subsidies
- Export restrictions

## **Not NTMs**

#### **Procedural obstacles**

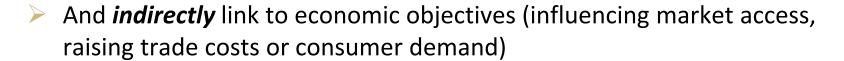
(difficulties to comply with the regulation, rather than the strictness of the regulation itself)

Voluntary/
private/international
standards that are NOT
adopted as mandatory
requirement of the country



## NTMs for Sustainable Development

- NTMs are strongly related to the Sustainable Development Goals.
- ➤ SPS measures and TBT are policies to protect human, animal and plant health, or to protect the environment → elimination not an option
- They directly impact on sustainability
  - $\rightarrow$  food security (SDG 2),
  - → nutrition and health (SDG 3),
  - → protect endangered species and the environment (SDGs 14&15),
  - → ensure sustainable production, consumption (SDG 12) and energy (SDG 7),
  - → combat climate change (SDG 13)













## NTMs for Sustainable Development (cont.)

### <u>Indirect link via trade – growth – development nexus</u>

- Effect on market access.
  - 1. Exports
  - 2. Imports (intermediate goods)
- 2. Increase trade cost, weighing most heavily on developing countries and small and medium sized enterprises (SMEs).
  - Lack of information
  - Many different regulations in export markets
  - Fixed costs of compliance
  - **...**
- Can increase consumer's demand due to higher confidence but increases prices

## Summary and Consequence

- NTMs needed for health ... and cannot be eliminated
- NTMs increase trade costs

#### What can be done?

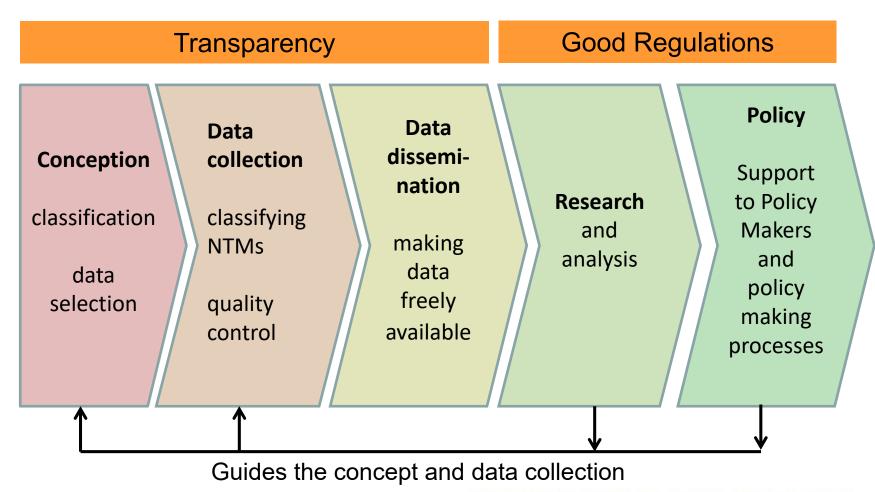
- Transparency
- "Good regulations"
   (Trade-off: what is the appropriate level of regulation?)
- Support to comply with NTMs

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# Overview: UNCTAD's work on NTMs



## UNCTAD NTM Programme unctad.org/ntm



# 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.

Notifications to WTO in this category

2. Survey data

- Complaints from private sector
- Often procedural obstacles to trade (i.e. implementation)

- 3. Voluntary standards
- Private or international standards
  - ISO standards, IEC standards, Codex Alimentarius and etc.
  - Other standards such as Rainforest Alliance, Alliance for Water Stewardship and etc.



## Why should we collect NTMs from official legal text?

## Notifications to WTO: WTO members must notify new or changed regulations

- no consistent dataset
- no inventory of all measures

#### **Differences:**

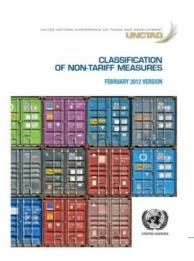
- WTO compiles "passively" measures that:
  - 1. may have a significant effect on other members' trade and
  - 2. are not based on relevant international standards
- Different understandings and disciplines of notifications
- ERIA/UNCTAD "active" collection: full inventory of all measures with standardized approach

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Bridging the information gap: UNCTAD's classification and database on NTMs

# UNCTAD-MAST Classification: The common language

Multi Agency Support Team (FAO, IMF, ITC, OECD, UNCTAD, UNIDO, World Bank, WTO) initiated by UNCTAD updated NTM classification



				_
		Α	SANITARY AND PHYTOSANITARY MEASURES	
	Technical measures	В	TECHNICAL BARRIERS TO TRADE	
	mododi oo	С	PRE-SHIPMENT INSPECTION AND OTHER FORMALITIES	
		D	CONTINGENT TRADE-PROTECTIVE MEASURES	
		E	NON-AUTOMATIC LICENSING, QUOTAS, PROHIBITIONS AND QUANTITY-CONTROL MEASURES OTHER THAN FOR SPS OR TBT REASONS	
Imports	Non technical	F	PRICE-CONTROL MEASURES, INCLUDING ADDITIONAL TAXES AND CHARGES	
ш	measures	G	FINANCE MEASURES	
		н	MEASURES AFFECTING COMPETITION	
		ı	TRADE-RELATED INVESTMENT MEASURES	
		J	DISTRIBUTION RESTRICTIONS	
		κ	RESTRICTIONS ON POST-SALES SERVICES	
		L	SUBSIDIES (EXCLUDING EXPORT SUBSIDIES UNDER P7)	
		м	GOVERNMENT PROCUREMENT RESTRICTIONS	
		N	INTELLECTUAL PROPERTY	
		0	RULES OF ORIGIN	
	Exports	Р	EXPORT-RELATED MEASURES	

## **UNCTAD-MAST NTM Classification**

## Tree structure – Example

unctad.org/ntm Classification

#### A SANITARY AND PHYTOSANITARY MEASURES

A1 Prohibitions/restrictions of imports for SPS reasons

A2 Tolerance limits for residues and restricted use of substances

(...)

A8 Conformity Assessment related to SPS

A81 Product registration requirement

A82 Testing requirement

A83 Certification requirement

A84 Inspection requirement

A85 Traceability requirement

A851 Origin of materials and parts

A852 Processing history

A853 Distribution and location of products after delivery

A859 Traceability requirements n.e.s.

A86 Quarantine requirement

A89 Conformity assessments related to SPS n.e.s

A9 SPS Measures n.e.s.

B TECHNICAL BARRIERS TO TRADE

C PRE-SHIPMENT INSPECTION AND OTHER FORMALITIES

D CONTINGENT TRADE PROTECTIVE MEASURES

E NON-AUTOMATIC LICENSING, QUOTAS, PROHIBITIONS ...

F PRICECONTROL MEASURES INCLUDING ADDIT. TAXES ...

**G FINANCE MEASURES** 

H MEASURES AFFECTING COMPETITION

TRADE-RELATED INVESTMENT MEASURES

At this level of coding: 177 measures in the classification

### Official NTM data collection

From here...

#### ...to here

## The Gazette of the Democratic Socialist Republic of !

අත **1376/9 – 2005** ජනවාරි **19** වැනි බදාදා – **2005**.0**1.19** No. 1376/9 – WEDNESDAY, JANUARY 19, 2005

(Published by Authority)

#### PART I: SECTION (I) — GENERAL

**Government Notifications** 

L.D. - B. 11/80 II

FOOD ACT, No. 26 OF 1980

REGULATIONS made by the Minister of Health in consultation with the Food Advisory Committee under No. 26 of 1980.

NIMAL SIR Minister of Hea Uva Wellas

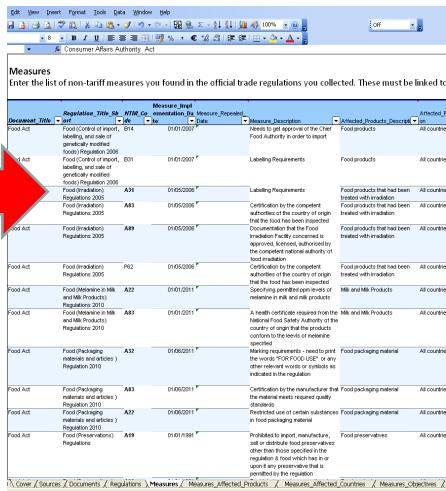
Colombo.

17th January, 2005.

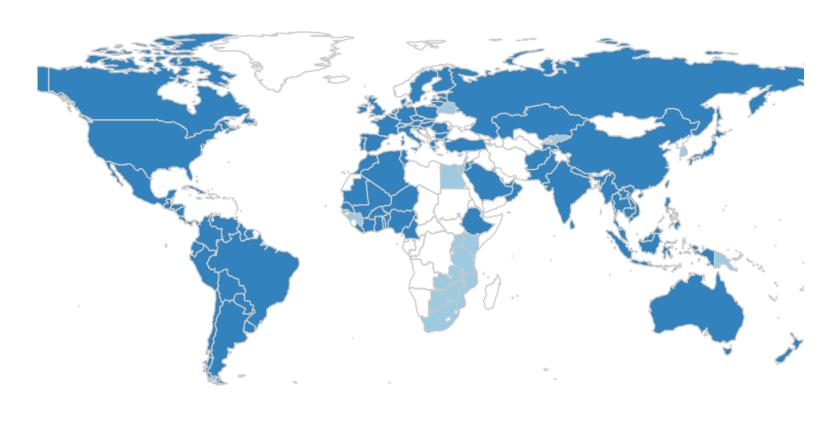
#### Regulations

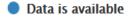
- 01. These Regulations may be cited as "Food (Labelling and Advertising) Regulations 2005."
- 02. No person shall sell, offer for sale, expose or keep for sale, transport or advertise for sale, any for container unless such package or container is labelled in accordance with trees regulations.

Provided however that, these regulations shall not apply to any package of food if the food is of the nat or brand requested by the purchaser and is weighed counted or measured in the presence of the purchaser.



## Map of Data Availability – A global initiative



































### **Data Dissemination Tools**

## UNCTAD TRAINS

Via https://trains.unctad.org/

For policy makers and negotiators

Same data on NTMs

Different presentation for different users

## World Bank WITS

Via wits.worldbank.org

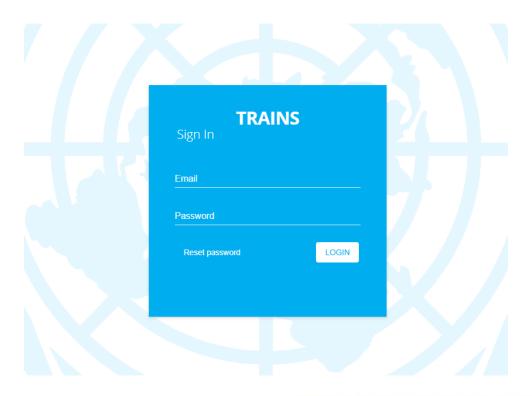
For analysts and researchers



### **New tool: TRAINS Online**

TRAINS Online tool is a new application that UNCTAD is developing that seeks to integrate real-time and collaborative NTM data entry, validation and dissemination into a single online data system.

Key feature: user-friendly and sustainable



### **ERIA and UNCTAD Objectives**

#### NTMs are used without judging on legitimacy

- NTMs have a neutral meaning, they are used without judging on legitimacy, adequacy, necessity or discrimination of any form of policy intervention used in international trade
- NTMs does not have a negative connotation

#### Dedicated to improving transparency of NTMs and good regulations

#### Transparency in NTM

- collecting and disseminating well structured, comprehensive, comparable and publicly accessible data
- reduces trade and administrative costs, which particularly affect developing countries and SMEs

#### Good regulations

- National level: coherent and streamlined regulations
- Regional/international level: regulatory cooperation (countries cooperate on NTMs, e.g. mutual recognition or harmonization)
  - ASEAN

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# Overview of NTMs in ASEAN



## **ASEAN's policy agenda supported by ERIA**

- ASEAN Economic Community Blueprint 2025
- ASEAN Economic Community 2025 Consolidated Strategic Action Plan
- Third EAS Economic Ministers' Meeting
- ASEAN Trade Repository,
- ASEAN Framework Agreement on Mutual Recognition Arrangements
- ASEAN NTM Guidelines (Aug. 2018)

#### **ASEAN NTM database**

- 1st database launched in 2015
- Updated in early 2019 to capture the dynamics of regulatory reform in ASEAN

## ASEAN's policy agenda

ASEAN Economic Community Blueprint 2025

Minimise trade protection and compliance costs in dealing with Non-Tariff Measures (NTMs). Most NTMs address regulatory objectives such as environmental, health and safety, security or cultural considerations, but they can also significantly impede trade inadvertently or by design. Addressing NTMs involves the following: (i) accelerating work towards full elimination of nontariff barriers; (ii) standards and conformance measures, e.g. equivalence in technical regulations, standards harmonisation, alignment with international standards and mutual recognition arrangements (MRAs); and (iii) streamlining procedures and reducing requirements for certificates, permits and licenses to import or export

- 1. Explore imposing stringent criteria and sunset clause on trade-protective NTMs such as quotas and other quantity restrictions in imports and exports;
- 2. Embed good regulatory practice (GRP) in implementing domestic regulations and practices and thereby minimize compliance cost of meeting NTM requirements;
- 3. Strengthen coordination with private sector in determining, prioritising and minimising the unnecessary regulatory burden of NTMs on the private sector; and
- 4. Explore alternative ways to addressing NTMs such as sectoral or value chain approaches to deal with NTMs.



## **Key NTM statistics – in ASEAN**

Table 1: NTMs by Type, 2015 and 2018

NTM Type	Description of NTM	Number of NTMs in 2015	%	Number of NTMs in 2018	%
	· · · · · · · · · · · · · · · · · · ·				
Α	Sanitary and phytosanitary measures	2577	31.3	2795	29.4
В	Technical barriers to trade	2924	35.5	3443	36.2
С	Pre-shipment inspection and other formalities	266	3.2	325	3.4
E F	Non-automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions other than SPS or TBT measures  Price control measures including additional taxes and charges	708 389	8.6	819 438	8.6
G	Finance measures	13	0.2	18	0.2
Н	Measures affecting competition	18	0.2	27	0.3
1	Trade-related investment measures	2	0	7	0.1
J	Distribution restrictions	5	0.1	8	0.1
L	Subsidies and other forms of support	0	0	1	0
M	Government procurement restrictions	1	0	1	0
N	Intellectual property	1	0	1	0
Р	Export related measures	1333	16.2	1619	17
Total		8237	100	9502	100

NTM=non-tariff measure; sector as defined by HS 2-digit levels

Source: ERIA-UNCTAD Raw NTMs in ASEAN Database, version 2019



## **Key NTM statistics – in ASEAN**

Table 2: NTMs by Country and Type, 2015 and 2018

Country	Total (ni	umber)	SPS (in %	<b>%)</b>	TBT (in	%)		control uantity n %)	Export measure	es (in %)	Others (in %)	
	2015	2018	2015	2018	2015	2018	2015	2018	2015	2018	2015	2018
Brunei Darussalam	555	562	32.1	31.7	43.4	43.6	13.8	14.1	10.5	10.5	0.2	0.1
Cambodia	276	367	12.3	13.4	34.8	35.7	21.3	18.5	31.2	31.9	0.4	0.5
Indonesia	767	977	19.8	24.5	48.2	44.7	10.9	10.9	13.4	12.7	7.7	7.2
Laos	342	520	14.3	10.8	19.3	27.1	32.8	25.3	29.2	33.1	4.4	3.7
Malaysia	876	920	36.2	35.2	40.6	40.4	7.9	8.5	14.6	15.2	0.7	0.7
Myanmar	193	267	40.4	30.0	17.1	19.1	18.2	21.0	21.8	24.0	2.5	5.9
Philippines	1075	1220	29.4	29.8	27.7	29.3	20.8	20.4	18.6	17.0	3.5	3.5
Singapore	587	610	22.3	22.3	51.4	49.3	17.1	17.5	9.2	10.7	0	0.2
Thailand	3039	3295	39.6	38.1	33.4	33.3	8.7	8.7	13.0	13.7	5.3	6.2
Viet Nam	527	764	22.4	14.9	27.9	40.6	14.4	12.7	31.7	28.7	3.6	3.1
Total/average	8237	9502	26.9	25.1	34.4	36.3	16.6	15.8	19.3	19.7	2.81	3.14

Source: ERIA-UNCTAD Raw NTMs in ASEAN Database, version 2019

## **Key NTM statistics – in ASEAN**

Table 3: NTMs by sector, 2015 and 2018

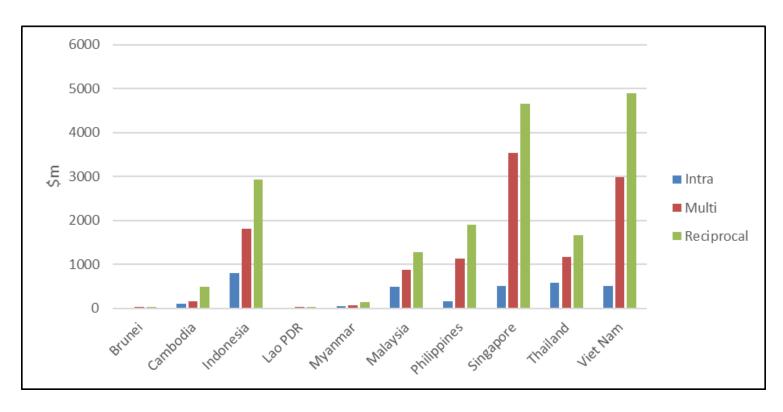
Sector	2015		2018		
	Total (number)	Share (in %)	Total (number)	Share (in %)	
Animal & Animal Products	1762	21.4	2069	21.8	
Chemicals & Allied Industries	936	11.4	1089	11.5	
Foodstuffs	1148	13.9	1226	12.9	
Footwear / Headgear	20	0.2	23	0.2	
Machinery / Electrical	520	6.3	636	6.7	
Metals	202	2.5	223	2.3	
Mineral Products	483	5.9	685	7.2	
Miscellaneous	202	2.5	225	2.4	
Plastics/Rubbers	213	2.6	239	2.5	
Raw Hides, Skins, Leather, & Furs	9	0.1	7	0.1	
Stone / Glass	178	2.2	194	2	
Textiles	43	0.5	45	0.5	
Transportation	164	2	214	2.3	
Vegetable Products	2242	27.2	2488	26.2	
Wood & Wood Products	115	1.4	139	1.5	
Total	8237	100	9502	100	

NTM=non-tariff measure; sector as defined by HS (2017) 2-digit sections Source: Author's (unweighted) calculations based on 2019 raw UNCTAD-ERIA database

## How do the data help us to better understand the impact of NTMs

- For example assessing regional integration in ASEAN
- General Equilibrium Model can be used to assess the effect of regional integration on GDP, employment, ...
- Different scenarios with differing degrees of regulatory cooperation

## UNCTAD analysis for *ASEAN*: Welfare increases in three scenarios



- «Intra»: intra-regional elimination of barriers and NTM cooperation
- «Multi»": intra-regional regulatory convergence and import convergence
- «Reciprocal»": multi and export convergence

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## **Conclusion**



#### Conclusions

- NTMs cover a vast array of policies; in fact the most WTO agreements deal with NTMs (and FTAs, too)
- 2. On average, NTMs are 3 times more costly than tariffs
- SPS and TBT measures nowadays account for the majority of incidence and effect
- Regulatory measures are highly relevant for sustainable development and affect everyday life (behind the border)
- NTM abroad and at home matter for well-being and competitiveness

## **Policy Recommendations**

#### Reducing the cost of NTMs and increase benefits:

- More transparency is needed. Visit: <u>trains.unctad.org</u>
  - Enhancing transparency of trade related regulations is necessary
  - Gathering this information constitutes a hidden cost to trade, in addition to the cost of compliance with these requirements
- Good regulatory practice, regulatory coherence
  - Regulatory reassessment at the national level is important to ensure coherent policy measures
  - Countries that improve their regulatory systems should not simply add new measures but
  - should develop a comprehensive and coherent national strategy that includes streamlining of existing measures and observing good regulatory practices in the design of NTMs
- Regulatory cooperation (harmonization, mutual recognition)
  - The multiplicity of incompatible regulatory systems adds cost by itself
  - Regulatory cooperation can be pursued at multiple levels.



## Thank you!

PROSPERITY FOR ALL

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#### PACER Plus Transparency Programme – why?

- Pacific Agreement on Closer Economic Relations (PACER)
   Plus
  - Regional agreement covering trade, investment, development, etc.
  - Signed by AUS, NZ and 9 Pacific Islands Countries (ongoing ratification)
  - Transparency as key component
- PACER Plus Readiness Package funded by AUS/NZ
  - UNCTAD: To help Pacific islands countries to fulfill transparency commitments before and after the Agreement's entry into force
- Beneficiaries
  - National authorities, institutions
  - SMEs
  - Women entrepreneurs, etc.



#### PACER Plus Transparency Programme - how?

- Development of National Trade Portal per country & Regional Trade Portal
  - Publish
    - Step-by-step overview of procedures
    - Regulations with legal text and additional information
  - Notify Contact Points of other PACER Plus countries
  - Provide an opportunity to comment to Contact Points and the Public
  - Provide useful knowledge on trade
- For example,
  - Vanuatu Trade Portal

http://vanuatu.tradeportal.org

Regional Trade Portal



#### PACER Plus Transparency Programme – so what?

- Sustainability of Trade Portal
  - National ownership and full control (tailor design, logos, colors, pictures, navigation and content to your needs)
  - Easy administration of users' rights and user-friendly interface
  - Installation on local server or in the cloud
- Not just implementing the PACER Plus, the increased transparency also...
  - Promotes public awareness of trade rules and procedures
  - Lowers information costs of trade and ultimately, consumer prices
  - Facilitates regulatory cooperation across ministries / countries / public and private sectors -> NTM data collection and analysis
  - Facilitates simplification of procedures
  - Attracts foreign direct investment

