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

- Tolerance limits for pesticide residues,
- Hygienic practices during production,
- Processing methods, microbiological criteria of the final product,
- Certification, ...
What are NTMs and why are they important?

1. UNCTAD’s work on NTMs

2. UNCTAD’s classification and database on NTMs

3. Overview of NTMs in ASEAN

4. Conclusion

CONTENTS
What are NTMs and why are they important?
Trade is an enabler for development

1. 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

- **Agriculture**
  - NTMs: 21
  - Tariffs: 7

- **Manufacturing**
  - NTMs: 4
  - Tariffs: 2

Source: UNCTAD 2012
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.

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

Source: ERIA/UNCTAD calculations based on 2018 raw UNCTAD-ERIA database
NTMs' impact on world trade

➢ 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
- Tax on trade

Non-Tariff Measures (NTMs)
- 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.

Non-Tariff Barriers (NTBs)
- NTMs that have a ‘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
  1. 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

- 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
  → 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)

➢ And *indirectly* link to economic objectives (influencing market access, raising trade costs or consumer demand)
Indirect link via trade – growth – development nexus

1. 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
   ❖ ...

3. 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
Overview: UNCTAD’s work on NTMs
UNCTAD NTM Programme
unctad.org/ntm

Transparency

- Conception
  - classification
  - data selection

- Data collection
  - classifying NTMs
  - quality control

- Data dissemination
  - making data freely available

Good Regulations

- Research and analysis
- Policy
  - Support to Policy Makers and policy making processes

Guides the concept and data collection
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
Bridging the information gap: UNCTAD’s classification and database on NTMs
Multi Agency Support Team (FAO, IMF, ITC, OECD, UNCTAD, UNIDO, World Bank, WTO) initiated by UNCTAD updated NTM classification.
UNCTAD-MAST NTM Classification

Tree structure – Example

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  PRICE CONTROL MEASURES INCLUDING ADDITIONAL TAXES …
G  FINANCE MEASURES
H  MEASURES AFFECTING COMPETITION
I  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 Sri Lanka
EXTRAORDINARY

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 Health
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 food container unless such package or container is labelled in accordance with these regulations.

Provided however that, these regulations shall not apply to any package of food if the food is of the natural 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 is available
- In progress
For policy makers and negotiators

Via https://trains.unctad.org/

For analysts and researchers

Via wits.worldbank.org

Same data on NTMs

Different presentation for different users
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
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
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 database

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

<table>
<thead>
<tr>
<th>NTM Type</th>
<th>Description of NTM</th>
<th>Number of NTMs in 2015</th>
<th>%</th>
<th>Number of NTMs in 2018</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Sanitary and phytosanitary measures</td>
<td>2577</td>
<td>31.3</td>
<td>2795</td>
<td>29.4</td>
</tr>
<tr>
<td>B</td>
<td>Technical barriers to trade</td>
<td>2924</td>
<td>35.5</td>
<td>3443</td>
<td>36.2</td>
</tr>
<tr>
<td>C</td>
<td>Pre-shipment inspection and other formalities</td>
<td>266</td>
<td>3.2</td>
<td>325</td>
<td>3.4</td>
</tr>
<tr>
<td>E</td>
<td>Non-automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions other than SPS or TBT measures</td>
<td>708</td>
<td>8.6</td>
<td>819</td>
<td>8.6</td>
</tr>
<tr>
<td>F</td>
<td>Price control measures including additional taxes and charges</td>
<td>389</td>
<td>4.7</td>
<td>438</td>
<td>4.6</td>
</tr>
<tr>
<td>G</td>
<td>Finance measures</td>
<td>13</td>
<td>0.2</td>
<td>18</td>
<td>0.2</td>
</tr>
<tr>
<td>H</td>
<td>Measures affecting competition</td>
<td>18</td>
<td>0.2</td>
<td>27</td>
<td>0.3</td>
</tr>
<tr>
<td>I</td>
<td>Trade-related investment measures</td>
<td>2</td>
<td>0</td>
<td>7</td>
<td>0.1</td>
</tr>
<tr>
<td>J</td>
<td>Distribution restrictions</td>
<td>5</td>
<td>0.1</td>
<td>8</td>
<td>0.1</td>
</tr>
<tr>
<td>L</td>
<td>Subsidies and other forms of support</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>M</td>
<td>Government procurement restrictions</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>N</td>
<td>Intellectual property</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>P</td>
<td>Export related measures</td>
<td>1333</td>
<td>16.2</td>
<td>1619</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>8237</td>
<td>100</td>
<td>9502</td>
<td>100</td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th>Country</th>
<th>Total (number)</th>
<th>SPS (in %)</th>
<th>TBT (in %)</th>
<th>Price and control</th>
<th>Export measures (in %)</th>
<th>Others (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunei Darussalam</td>
<td>555</td>
<td>562</td>
<td>32.1</td>
<td>31.7</td>
<td>43.4</td>
<td>43.6</td>
</tr>
<tr>
<td>Cambodia</td>
<td>276</td>
<td>367</td>
<td>12.3</td>
<td>13.4</td>
<td>34.8</td>
<td>35.7</td>
</tr>
<tr>
<td>Indonesia</td>
<td>767</td>
<td>977</td>
<td>19.8</td>
<td>24.5</td>
<td>48.2</td>
<td>44.7</td>
</tr>
<tr>
<td>Laos</td>
<td>342</td>
<td>520</td>
<td>14.3</td>
<td>10.8</td>
<td>19.3</td>
<td>27.1</td>
</tr>
<tr>
<td>Malaysia</td>
<td>876</td>
<td>920</td>
<td>36.2</td>
<td>35.2</td>
<td>40.6</td>
<td>40.4</td>
</tr>
<tr>
<td>Myanmar</td>
<td>193</td>
<td>267</td>
<td>40.4</td>
<td>30.0</td>
<td>17.1</td>
<td>19.1</td>
</tr>
<tr>
<td>Philippines</td>
<td>1075</td>
<td>1220</td>
<td>29.4</td>
<td>29.8</td>
<td>27.7</td>
<td>29.3</td>
</tr>
<tr>
<td>Singapore</td>
<td>587</td>
<td>610</td>
<td>22.3</td>
<td>22.3</td>
<td>51.4</td>
<td>49.3</td>
</tr>
<tr>
<td>Thailand</td>
<td>3039</td>
<td>3295</td>
<td>39.6</td>
<td>38.1</td>
<td>33.4</td>
<td>33.3</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>527</td>
<td>764</td>
<td>22.4</td>
<td>14.9</td>
<td>27.9</td>
<td>40.6</td>
</tr>
<tr>
<td>Total/average</td>
<td>8237</td>
<td>9502</td>
<td>26.9</td>
<td>25.1</td>
<td>34.4</td>
<td>36.3</td>
</tr>
</tbody>
</table>

Source: ERIA–UNCTAD Raw NTMs in ASEAN Database, version 2019
### Key NTM statistics – in ASEAN

#### Table 3: NTMs by sector, 2015 and 2018

<table>
<thead>
<tr>
<th>Sector</th>
<th>2015</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total (number)</td>
<td>Share (in %)</td>
</tr>
<tr>
<td>Animal &amp; Animal Products</td>
<td>1762</td>
<td>21.4</td>
</tr>
<tr>
<td>Chemicals &amp; Allied Industries</td>
<td>936</td>
<td>11.4</td>
</tr>
<tr>
<td>Foodstuffs</td>
<td>1148</td>
<td>13.9</td>
</tr>
<tr>
<td>Footwear / Headgear</td>
<td>20</td>
<td>0.2</td>
</tr>
<tr>
<td>Machinery / Electrical</td>
<td>520</td>
<td>6.3</td>
</tr>
<tr>
<td>Metals</td>
<td>202</td>
<td>2.5</td>
</tr>
<tr>
<td>Mineral Products</td>
<td>483</td>
<td>5.9</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>202</td>
<td>2.5</td>
</tr>
<tr>
<td>Plastics/Rubbers</td>
<td>213</td>
<td>2.6</td>
</tr>
<tr>
<td>Raw Hides, Skins, Leather, &amp; Furs</td>
<td>9</td>
<td>0.1</td>
</tr>
<tr>
<td>Stone / Glass</td>
<td>178</td>
<td>2.2</td>
</tr>
<tr>
<td>Textiles</td>
<td>43</td>
<td>0.5</td>
</tr>
<tr>
<td>Transportation</td>
<td>164</td>
<td>2</td>
</tr>
<tr>
<td>Vegetable Products</td>
<td>2242</td>
<td>27.2</td>
</tr>
<tr>
<td>Wood &amp; Wood Products</td>
<td>115</td>
<td>1.4</td>
</tr>
<tr>
<td>Total</td>
<td>8237</td>
<td>100</td>
</tr>
</tbody>
</table>

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

Source: Vanzetti, Knebel, Peters, GTAP paper 2018
Conclusion
Conclusions

1. 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.
3. SPS and TBT measures nowadays account for the majority of incidence and effect.
4. Regulatory measures are highly relevant for sustainable development and affect everyday life (behind the border).
5. 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: trains.unctad.org
  - 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!

www.unctad.org
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
    http://pacific.tradeportal.org
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*