NTMs Week 2019

International standards-setting bodies: international regulatory cooperation, harmonization and transparency in standards setting

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UNCTAD
joint work with Narmin Khalilova, Christian Knebel, Seul Lee, Samuel Rosenow and ESCAP

Geneva, 14 October 2019
UNCTAD NTM Programme
unctad.org/ntm

**Transparency**
- Conception classification
- Data collection classifying NTMs
- Selection quality control

**Data Dissemination**
- Making data freely available

**Research and analysis**

**Policy**
- Support to Policy Makers and policy making processes

Guides the concept and data collection
# International Classification of NTMs: The common language

Multi Agency Support Team (FAO, ITC, OECD, UNCTAD, UNIDO, World Bank, WTO)

And experts from countries and organisations

<table>
<thead>
<tr>
<th>Technical measures</th>
<th>A</th>
<th>SANITARY AND PHYTOSANITARY MEASURES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>TECHNICAL BARRIERS TO TRADE</td>
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<tr>
<td></td>
<td>C</td>
<td>PRE-SHIPMENT INSPECTION AND OTHER FORMALITIES</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Imports Non technical measures</th>
<th>D</th>
<th>CONTINGENT TRADE-PROTECTIVE MEASURES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>E</td>
<td>NON-AUTOMATIC LICENSING, QUOTAS, PROHIBITIONS AND QUANTITY-CONTROL MEASURES OTHER THAN FOR SPS OR TBT REASONS</td>
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<tr>
<td></td>
<td>F</td>
<td>PRICE-CONTROL MEASURES, INCLUDING ADDITIONAL TAXES AND CHARGES</td>
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<td>G</td>
<td>FINANCE MEASURES</td>
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<td></td>
<td>H</td>
<td>MEASURES AFFECTING COMPETITION</td>
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<td></td>
<td>I</td>
<td>TRADE-RELATED INVESTMENT MEASURES</td>
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<tr>
<td></td>
<td>J</td>
<td>DISTRIBUTION RESTRICTIONS</td>
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<td></td>
<td>K</td>
<td>RESTRICTIONS ON POST-SALES SERVICES</td>
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<td></td>
<td>L</td>
<td>SUBSIDIES (EXCLUDING EXPORT SUBSIDIES UNDER P7)</td>
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<tr>
<td></td>
<td>M</td>
<td>GOVERNMENT PROCUREMENT RESTRICTIONS</td>
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<td>INTELLECTUAL PROPERTY</td>
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<td>O</td>
<td>RULES OF ORIGIN</td>
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<td></td>
<td>P</td>
<td>EXPORT-RELATED MEASURES</td>
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</table>
## International Classification of NTMs:

### Tree structure – Example

<table>
<thead>
<tr>
<th></th>
<th>SANITARY AND PHYTOSANITARY MEASURES</th>
<th>TECHNICAL BARRIERS TO TRADE</th>
<th>PRE-SHIPMENT INSPECTION AND OTHER FORMALITIES</th>
<th>CONTINGENT TRADE PROTECTIVE MEASURES</th>
<th>NON-AUTOMATIC LICENSING, QUOTAS, PROHIBITIONS …</th>
<th>PRICE CONTROL MEASURES INCLUDING ADDIT. TAXES …</th>
<th>FINANCE MEASURES</th>
<th>MEASURES AFFECTING COMPETITION</th>
<th>TRADE-RELATED INVESTMENT MEASURES</th>
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<tbody>
<tr>
<td>A</td>
<td>Prohibitions/restrictions of imports for SPS reasons</td>
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<tr>
<td>A1</td>
<td>Tolerance limits for residues and restricted use of substances (&lt;...&gt;)</td>
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<td>A8</td>
<td>Conformity Assessment related to SPS</td>
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<td>A81</td>
<td>Product registration requirement</td>
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<td>A82</td>
<td>Testing requirement</td>
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<td>A83</td>
<td>Certification requirement</td>
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<td>A84</td>
<td>Inspection requirement</td>
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<tr>
<td>A85</td>
<td>Traceability requirement</td>
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<td>A851</td>
<td>Origin of materials and parts</td>
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<td>A852</td>
<td>Processing history</td>
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<tr>
<td>A853</td>
<td>Distribution and location of products after delivery</td>
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<tr>
<td>A859</td>
<td>Traceability requirements n.e.s.</td>
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<tr>
<td>A86</td>
<td>Quarantine requirement</td>
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<tr>
<td>A89</td>
<td>Conformity assessments related to SPS n.e.s</td>
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<tr>
<td>A9</td>
<td>SPS Measures n.e.s.</td>
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</tbody>
</table>

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)

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 SIRI
Minister of Health
Uva Wellassa

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 nature 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
SPS measures: the most common and costly NTMs

- TBT
- Export
- SPS
- PriceControl
- Pre-Shipment
- QuantityControl
- Other
- Finance

[Share of trade] [Share of products] [Number of NTMs per product]

Price impact (in %)

Source: UNCTAD 2018

United Nations Conference on Trade and Development
International Standards

- A significant share of such costs stems from the fact that technical regulations are often very different between countries.
- Regulatory cooperation can have different forms, ranging from coordination to harmonization.
- International standards are one way of overcoming challenges related to technical regulations in international trade caused by differences in regulations and standards developed independently and separately by each country.
Impact of a possible reform scenario

% effect on c.i.f. trade unit values

Current and potential price-reducing impact of regulatory convergence in ASEAN

Source: Knebel & Peters, 2019, in Regional Integration and NTMs in ASEAN, ERIA and UNCTAD
International Standards: Example SPS

- WTO SPS Agreement
  - Members shall base their sanitary or phytosanitary measures on international standards to achieve a broad harmonization

- Three sisters mentioned:
  - Codex Alimentarius Commission
  - International Office of Epizootics (OIE)
  - Offices of the International Plant Protection Convention (IPPC)

- The General Principles of the Codex Alimentarius state:
  - "The publication of the Codex Alimentarius is intended to guide and promote the elaboration and establishment of definitions and requirements for foods to assist in their harmonization and in doing so to facilitate international trade."
Some Statistics

- Coding NTMs in Three Sisters

- International standardizing bodies ISBs
  - Mostly sanity and phytosanitary (SPS) measures
    - TBT requirements in some instances
    - 87% of all observations fall under chapter A on SPS measures
  - Affect a limited scope of tradeable products
    - animal, vegetable and foodstuff products make up 95% of all observations

Source: Asia Pacific Trade and Investment Report, ESCAP and UNCTAD
Similarity of National Regulations with ISB

- Due to the complexity of SPS measures and TBT, it is extremely difficult to assess the similarity of these measures with international standards.
- We are therefore applying two approaches here:
  - The Regulatory Similarity Index can compare at a broader scale the structure of national regulations with international standards.
  - Three case studies compare at a very detailed level national regulations with international standards for specific products.
**Example: Similarity with Codex**

<table>
<thead>
<tr>
<th>NTM types and codes for a specific product at HS-6 level: e.g. beef</th>
<th>Importer Y</th>
<th>Codex</th>
<th>Importer Z*</th>
</tr>
</thead>
<tbody>
<tr>
<td>A21: Maximum residue limit</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>A62: Animal raising processes</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>A83: SPS certificate</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>A14: Special authorization</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>
Regulatory distance plotted onto 2-dimensional space: only agriculture

Modern MDS (loss = stress; transform = identity)

Source: Asia Pacific Trade and Investment Report, ESCAP and UNCTAD
Similarity versus Stringency

• The structural regulatory similarity shows how similar NTMs of a country and an ISB are in terms of their type, based on the NTM classification.

• However, having a same type of NTMs does not mean that they have a similar level of stringency.

• Example: A31 on labelling requirement for SPS reasons on prepackaged food.
  – international standard requires an importer to label the country of origin on the product.
  – Country A’s regulation requires to label not only the country of origin, but also expiry date, ingredients and name of the importer in black color in the country’s national language.
Case Studies

- **Vietnam**: cashew nuts in shell
- **Bangladesh**: fresh apple
- **Lao PDR**: animal feeds
Results

- Regulatory stringency in Vietnam’s cashew nuts in shell, by NTM type

Source: UNCTAD and ESCAP calculations.
Conclusions

1. International Standards are intended to overcome costs related to variance of regulations
2. Potential: Int. Stand. could reduce costs significantly
3. It appears that only very few countries follow Three Sisters closely (i.e. difference in extensive margin: add or leave out measures)
4. Where they follow there can be differences in stringency and that seems to be the case in Asia
   - Less differences where in global value chains
   - Some consumer markets may be underregulated
5. Potential of Int. Standards not yet used
6. Support to countries when they design new regulations