Non-Tariff Measures and their effect in Trade

Seul Lee (Seul.Lee@un.org)

UNCTAD (https://unctad.org/ntm)

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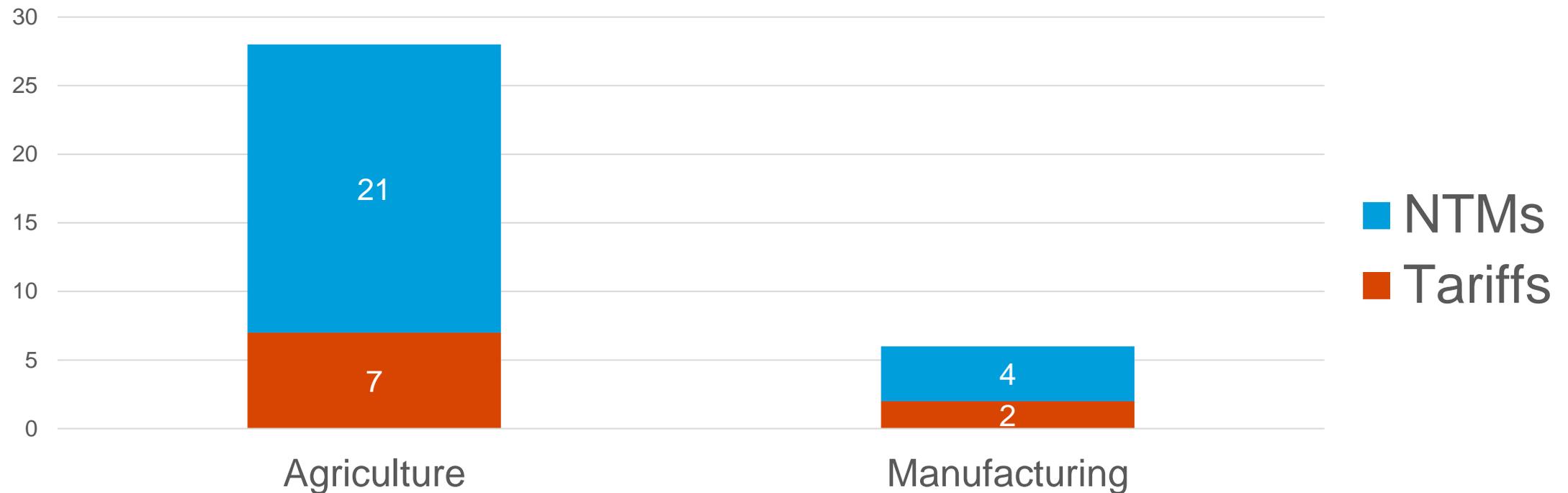UNCTAD

Challenge to comply with requirements

Bringing vanilla into the EU is duty-free for all countries. However, exporters need to comply with

- Hygienic and quality requirements
- Testing
- Packaging
- Inspection/Certification
- Labelling
- Registration/Licence
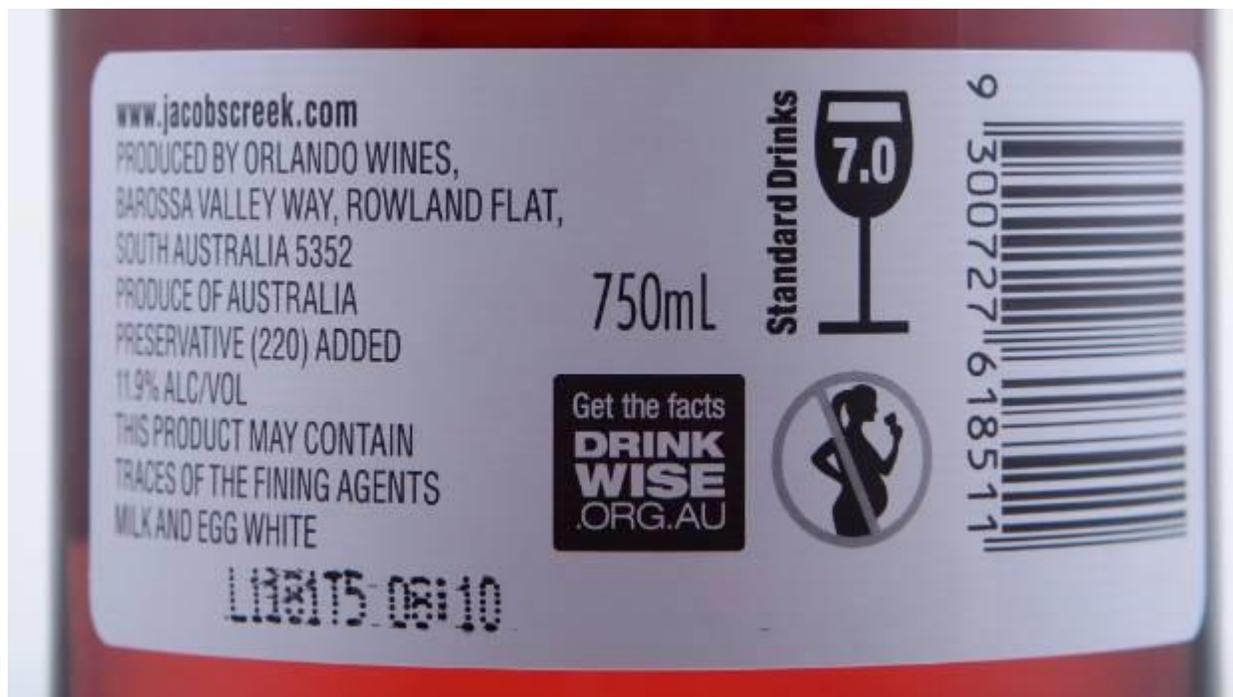- Fees
- …

Non-Tariff Measures (NTM)

- "Policy measures other than ordinary customs tariffs that … have an economic effect on international trade in goods …"

- Neutral meaning. Non-Tariff Measures ≠ Non-Tariff Barriers

- NTM has two sides

  - It raises trade cost (information cost, compliance cost)

  - It has legitimate policy objectives, Sustainable Development Goals, …

Estimated *ad-valorem* equivalents
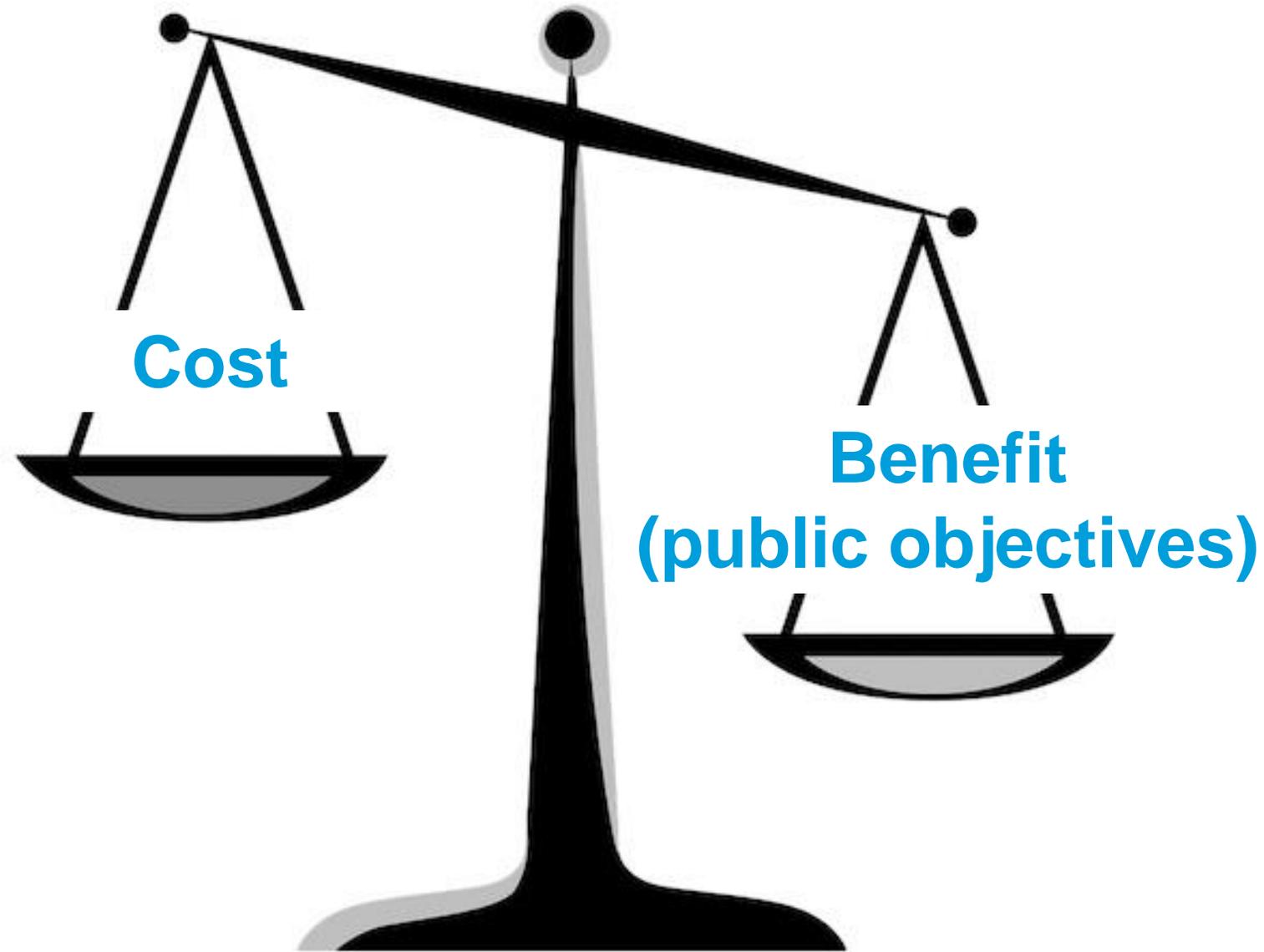
(Percentage)

Source: UNCTAD, 2013

Legitimate policy objectives

TIGER CLAW

Illegal cargo of giant clams found in container

Local | 24 Mar 2016 9:22 pm

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Cost

Benefit
(public objectives)

2 ways to meet the balance of NTM

1. **To increase <u>transparency</u> in trade-related regulations and NTMs**

   • Reduce the information and compliance cost

2. **To help the countries to make <u>good NTMs</u> that**

   • Meet policy objectives, while not being overly trade-restrictive

   • Support economic integration to the region and the world

5 NTM areas of work

1. NTM data collection

2. NTM data dissemination

3. NTM data analysis

4. NTM in free trade agreements

5. Capacity building and training

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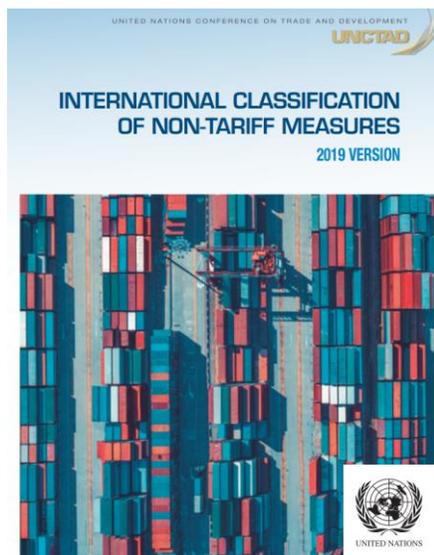
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1. NTM data collection

- *In the <u>Food Safety Act 2022</u>, <u>sanitary certificate (A83)</u> on <u>poultry meat (HS 0207)</u> imported from <u>New Zealand</u>*

- NTM code is based on the **International Classification of Non-tariff Measures (so called NTM Classification)**

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NTM Classification

- FAO, ITC, OECD, UNCTAD, UNIDO, World Bank, WTO
- Initiated by UNCTAD
- Updated NTM classification

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INTERNATIONAL CLASSIFICATION OF NON-TARIFF MEASURES

2019 VERSION

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unctad.org/ntm

Imports	Technical measures	A	SANITARY AND PHYTOSANITARY MEASURES
		B	TECHNICAL BARRIERS TO TRADE
		C	PRE-SHIPMENT INSPECTION AND OTHER FORMALITIES
	Non technical measures	D	CONTINGENT TRADE-PROTECTIVE MEASURES
		E	NON-AUTOMATIC LICENSING, QUOTAS, PROHIBITIONS AND QUANTITY-CONTROL MEASURES OTHER THAN FOR SPS OR TBT REASONS
		F	PRICE-CONTROL MEASURES, INCLUDING ADDITIONAL TAXES AND CHARGES
		G	FINANCE MEASURES
		H	MEASURES AFFECTING COMPETITION
		I	TRADE-RELATED INVESTMENT MEASURES
		J	DISTRIBUTION RESTRICTIONS
		K	RESTRICTIONS ON POST-SALES SERVICES
		L	SUBSIDIES (EXCLUDING EXPORT SUBSIDIES UNDER P7)
		M	GOVERNMENT PROCUREMENT RESTRICTIONS
		N	INTELLECTUAL PROPERTY
		O	RULES OF ORIGIN
Exports		P	EXPORT-RELATED MEASURES

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NTM Classification - Tree structure

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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 Proces sing 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    ADDIT . TAXES   …
G  FINANCE ME  ASURES
H  MEASURES    AFFECTING COMPETITION
I   TRADE -RELATED INVESTMENT MEASURES
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NTM classification has about 500 measure types

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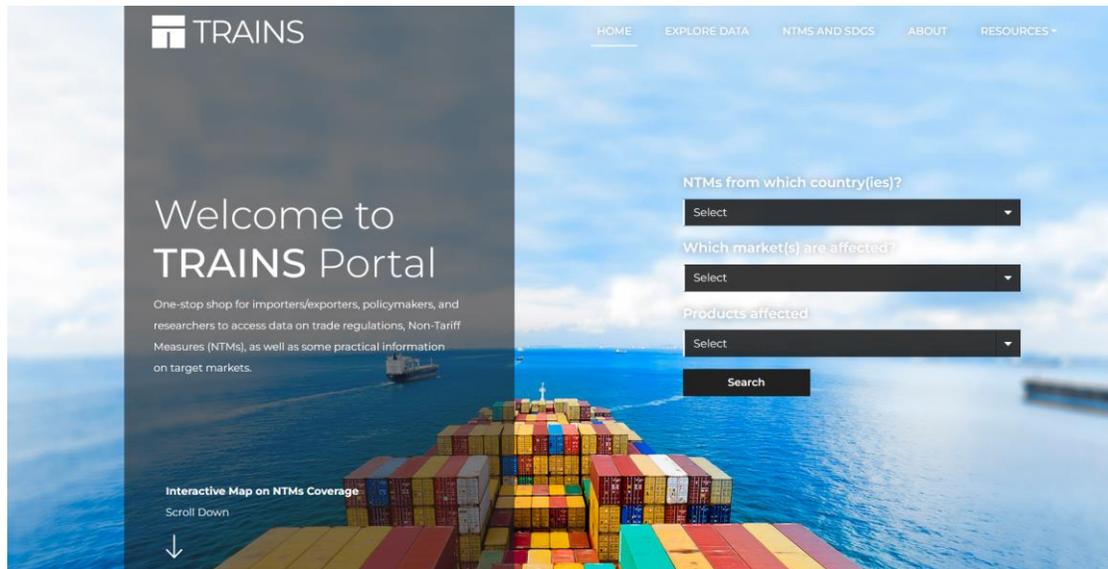
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1. NTM data collection

1. Collect **official national legislation** (Acts, Regulations, Orders, etc.)

2. Read the text and identify information

3. Classify NTM type according to the **NTM Classification**

4. Classify HS according to the **HS Classification**
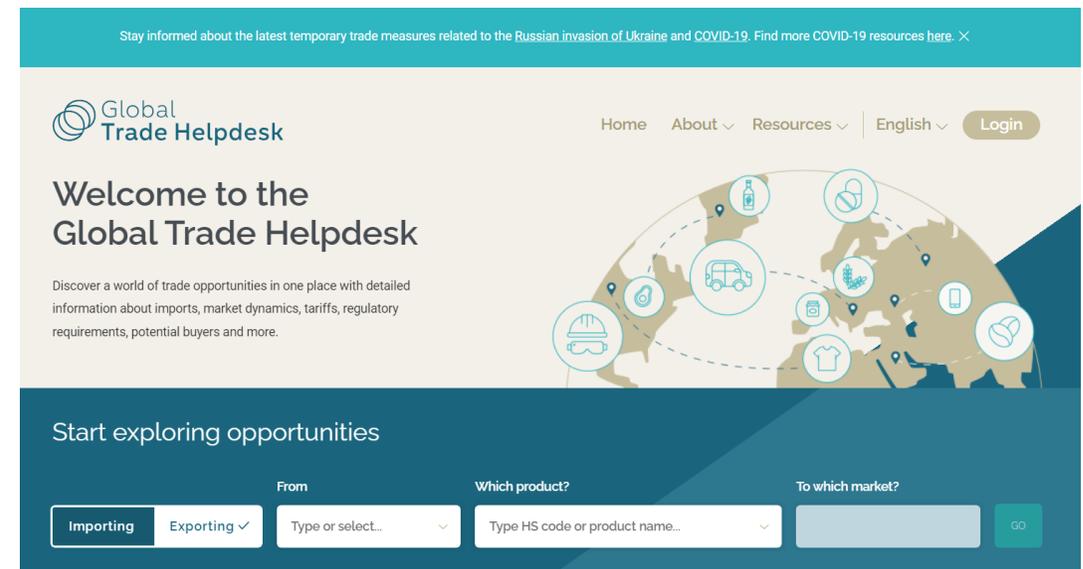
5. Review internally

6. Validate with the government

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2. NTM data dissemination

https://trainsonline.unctad.org/home

https://globaltradehelpdesk.org/en

- TRAINS for researchers / Global Trade Helpdesk for private sector

- 100+ countries covering approximately 90% of international trade, including EU, US, New Zealand, South Korea, Japan, and China
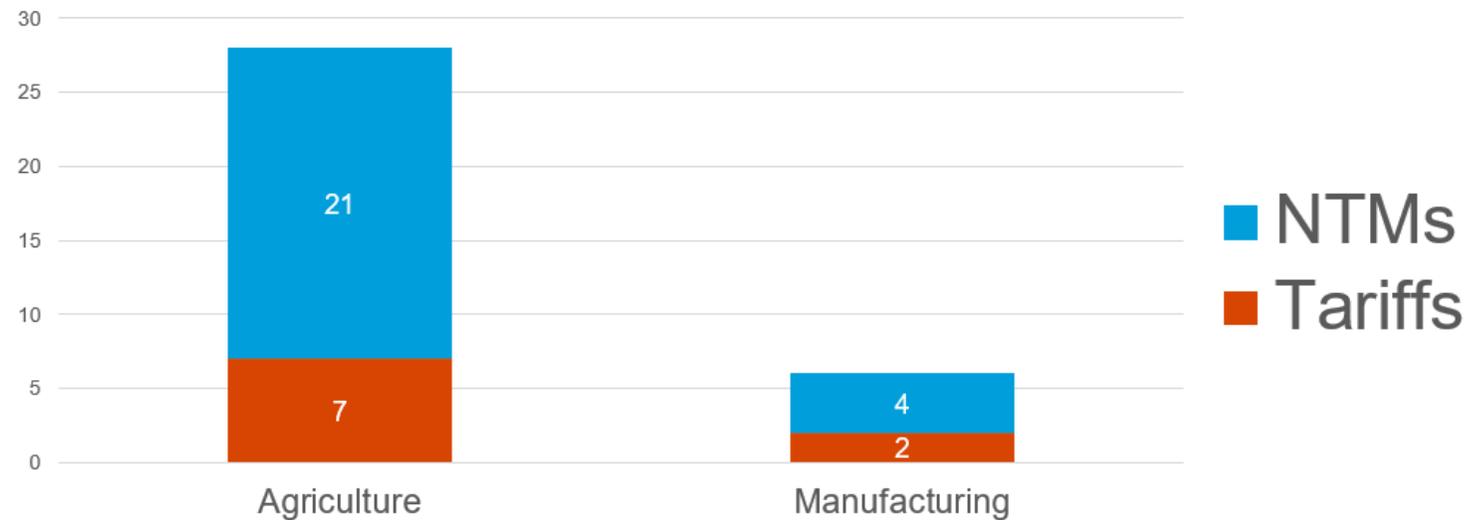
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3. NTM data analysis
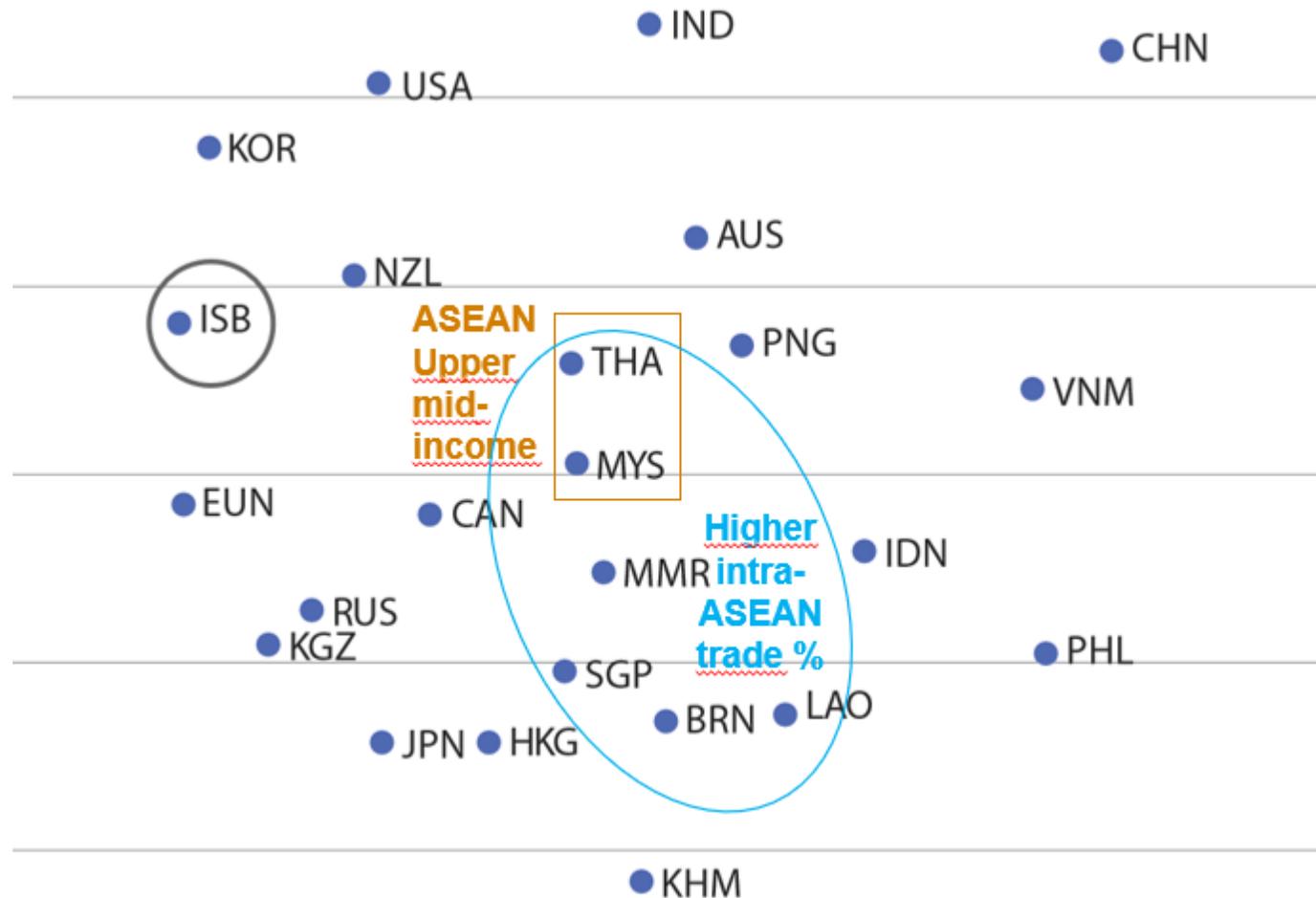
- How costly are NTMs?

Estimated *ad-valorem* equivalents
(Percentage)

Source: UNCTAD, 2013

3. NTM data analysis

- How different/similar are NTMs?

Source: UNCTAD

3. NTM data analysis

- How to improve NTMs along the value chain?

- Kenyan cotton, textiles and apparel (CTA) value chain
  - Importing cotton lint -> Exporting textiles and apparel

- Reviewed the design, implementation and compliance of NTMs on cotton lint through stakeholder surveys, interviews, cost-assessment spreadsheets, etc.

- Simplifying procedures for obtaining a VAT exemption on imported cotton lint

Source: UNCTAD

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4. Transparency provisions under FTAs

Article 7
Transparency

WTO SPS Agreement

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Members shall notify changes in their sanitary or phytosanitary measures and shall provide information on their sanitary or phytosanitary measures in accordance with the provisions of Annex B.

iEPA

Article 40

Transparency and exchange of information

1. The Parties confirm their commitments to implement the transparency provisions set out in the SPS Agreement and the TBT Agreement to facilitate access to relevant information on TBT or SPS measures.

2. The EC Party agrees to cooperate with initiatives of the Pacific States to establish a mechanism to permit efficient notifications of TBT and SPS measures at a regional level.

3. The Parties shall endeavour to inform each other at an early stage of proposals to modify or introduce TBT or SPS measures that may affect trade between the Parties, where appropriate making use of existing systems.

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4. Good NTMs provisions under FTAs

African Continental Free Trade Area (AfCFTA) Framework Agreement

Article 12
Mechanism for Identifying, Reporting, Resolving, Monitoring and Elimination of Non-Tariff Barriers

1. The mechanism for identifying, reporting and monitoring NTBs will be put in place to facilitate the elimination of NTBs within the AfCFTA.

2. Any State Party or Economic Operator may register a complaint or trade concern through the mechanism provided for in Appendix 2 of this Annex.

3. State Parties are encouraged to resolve NTBs raised at intra-REC level using the resolution mechanisms in place in each REC.

* REC: Regional Economic Communities

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5. Capacity building and training

- Offline training: today's workshop!

- Online courses:

  - Introduction to NTM (2 hours, for any stakeholders to sensitize the issue)

  - Economic analysis of NTMs (20 hours, for researchers)

  - NTMs and data collection (20 hours, to continue NTM data collection)

Thank you.

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