



**MANDATORY
TRADE
REGULATIONS**



**NTMs
WEEK**

Geneva
Palais des Nations
25-27 September 2017

**VOLUNTARY
SUSTAINABILITY
STANDARDS**



NTMs WEEK

Quantifying the benefits of "deep" regional integration, regulatory convergence and international standards



Christian Knebel, UNCTAD
Geneva, 25 September 2017

MAST members



International
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Centre

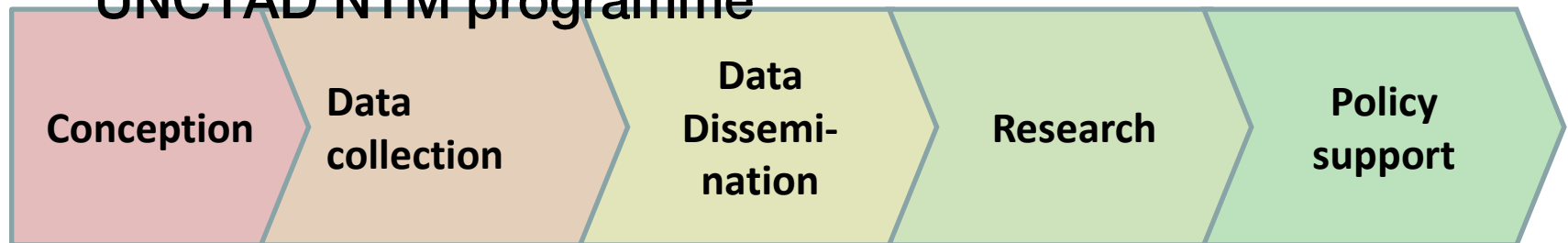


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Regional NTM Integration Review

- Objective: quantify the potential and benefits for regulatory convergence to allow policy prioritization; provide policy recommendations through institutional assessment
- The product builds on the entire ‘value chain’ of the UNCTAD NTM programme



- Reviews: SADC (2012), Mercosur (2017), ASEAN (forthcoming 2017), ECOWAS (forthcoming 2017)

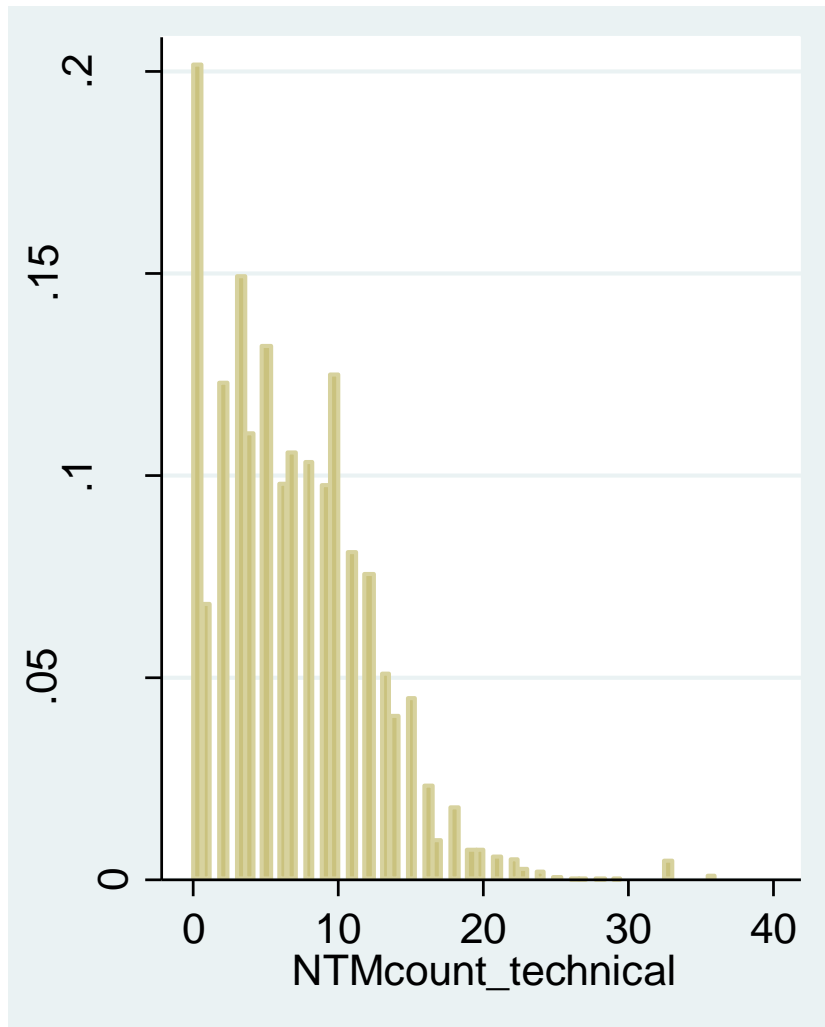


Intuition

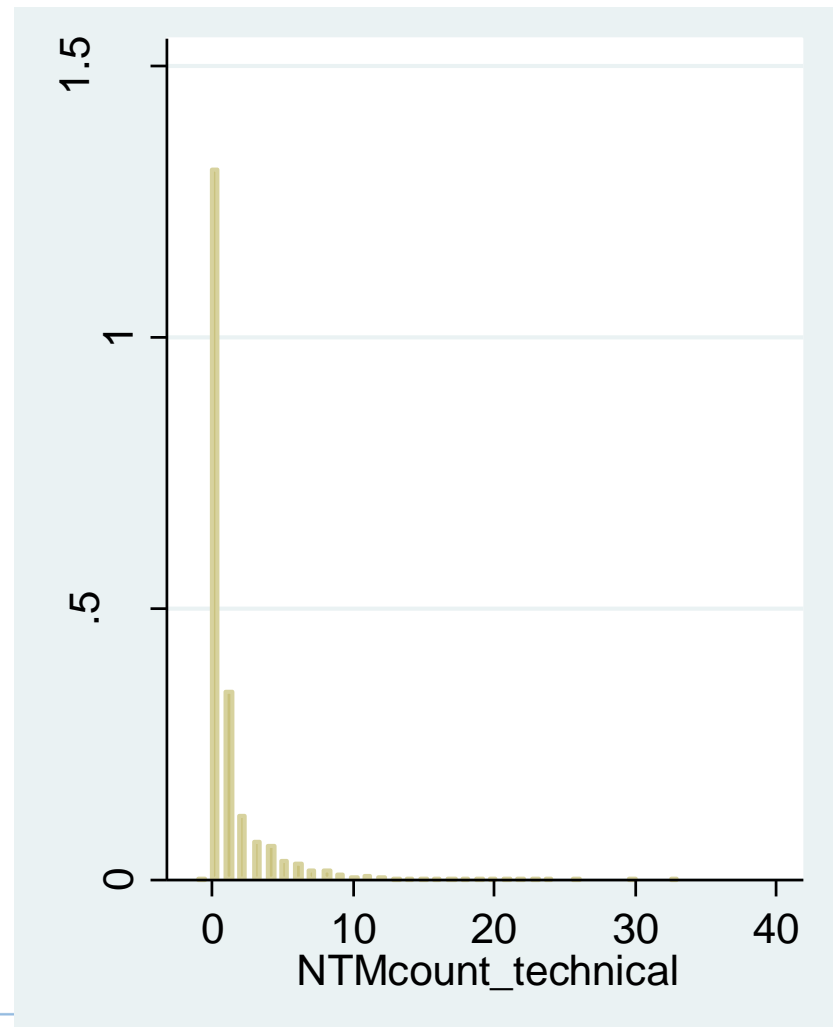
- We may be able to eliminate non-tariff *barriers*, but sanitary, phytosanitary and technical measures are here to stay for good reasons → regulatory convergence
- Make better use of the *depth* our NTM data to measure regulatory convergence and its impact
- Exports / trade unit prices...
 - ...from France to [Germany vs US]
→ regulatory heterogeneity matters
- What we try to do:
Measure impact of NTMs on trade unit values and...
- ...account for regulatory overlap between domestic and foreign regulation

Number of distinct SPS/TBT types by sector

a) agriculture



b) manufacturing



Not every NTM is created equal..

Further differentiating NTMs: *counting*

NTMs for beef (e.g.)	Importer Y	Exporter Z
A21: Maximum residue limit	1 ←	1
A62: Animal raising processes	1 ←/	0
A83: SPS certificate	1 ←/	0
A14: Special authorization	0	1
...total of 58 rows		
Total number of NTMs	3	2
Number of overlapping NTMs	1	



Not every NTM is created equal..

Further differentiating NTMs: *impact*

NTMs for beef (e.g.)	Importer Y	Exporter Z	ESTIMATED PRICE INCREASE
A21: Maximum residue limit	1 ←	1	+1% + 1%
A62: Animal raising processes	1 ←/	0	+2%
A83: SPS certificate	1 ←/	0	+2%
A14: Special authorization	0	1	+2%
...total of 58 rows			= +8%
Total number of NTMs	3	2	
Number of overlapping NTMs	1		



Not every NTM is created equal..

Further differentiating NTMs: *reform potential*

NTMs for beef (e.g.)	Importer Y	Exporter Z	ESTIMATED PRICE INCREASE
A21: Maximum residue limit	1 ←	1	+1% + 1%
A62: Animal raising processes	1 ←/	0	+2%
A83: SPS certificate	1 ←	0 1	+2% 1% + 1%
A14: Special authorization	0 ←---	1 0	0% +2%
...total of 58 rows			= +8% + 6%
Total number of NTMs	3	2	
Number of overlapping NTMs	1 2		



Conclusion from estimations

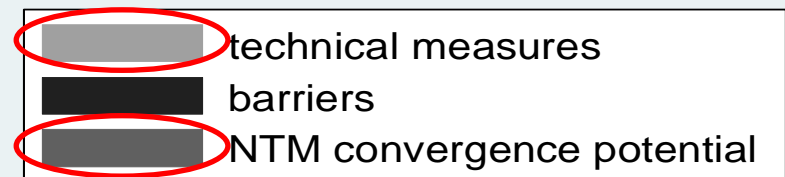
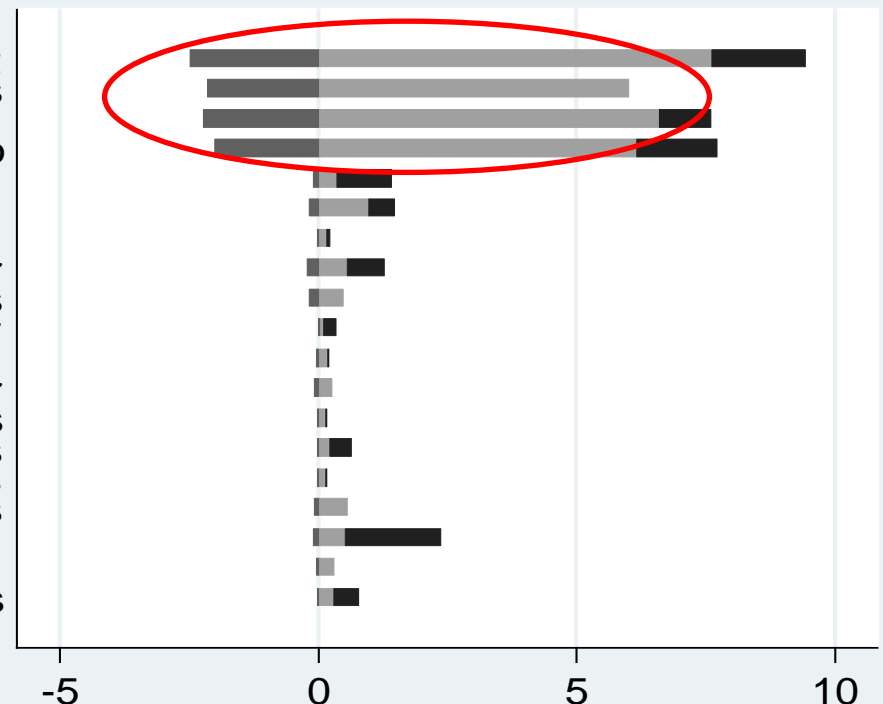
- *Foreign measures matter*
 - ...of course
- *Domestic regulation matters, too!*
 - ...for export product prices
- *Regulatory convergence matters*
 - ...and can improve price-based *competitiveness*
- Overlapping measures are **half** as costly as non-overlapping measures



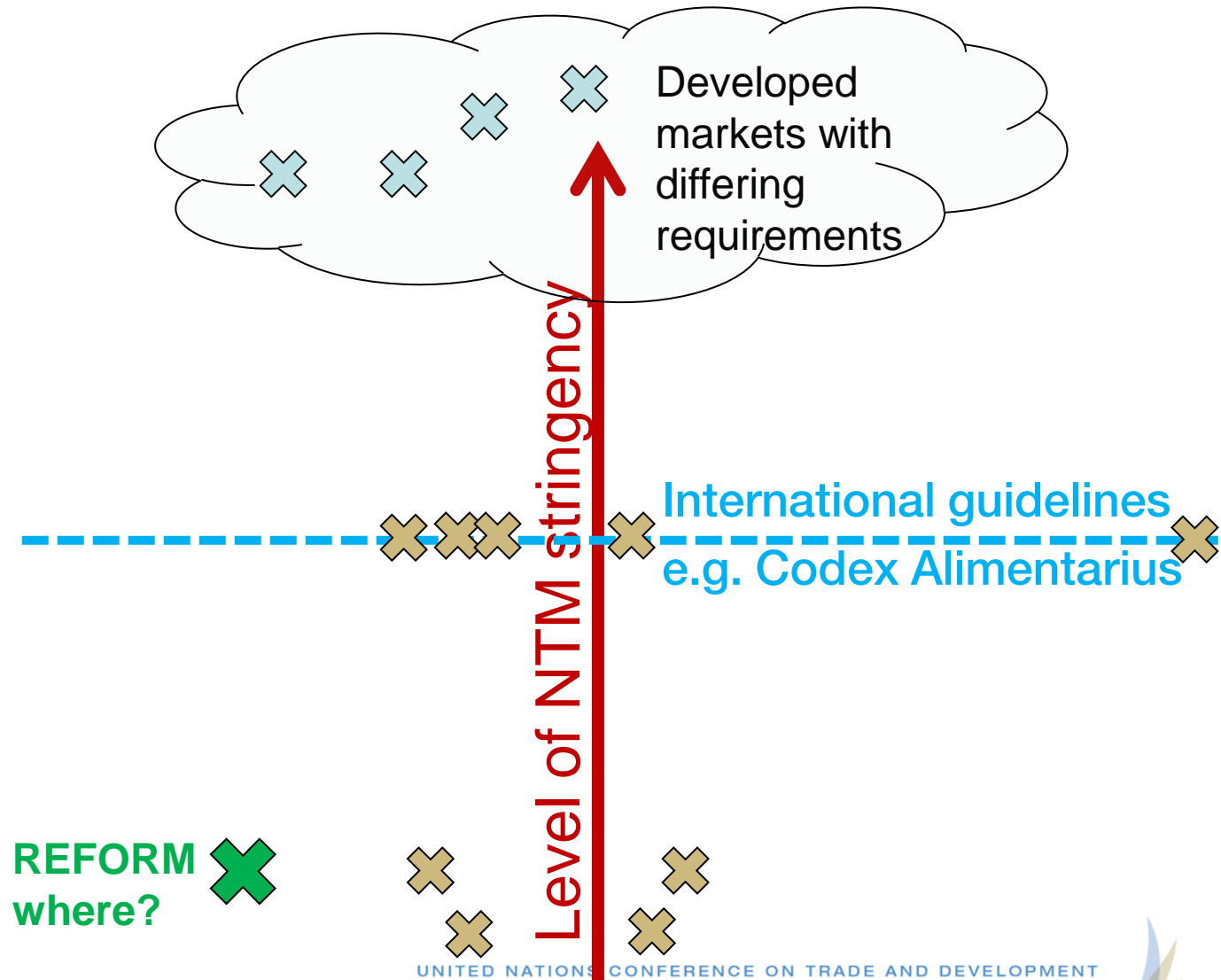
Example ECOWAS: Regulatory convergence can reduce impact of technical NTMs by 30-40%

Price increasing impact of non-tariff measures and barriers in ECOWAS

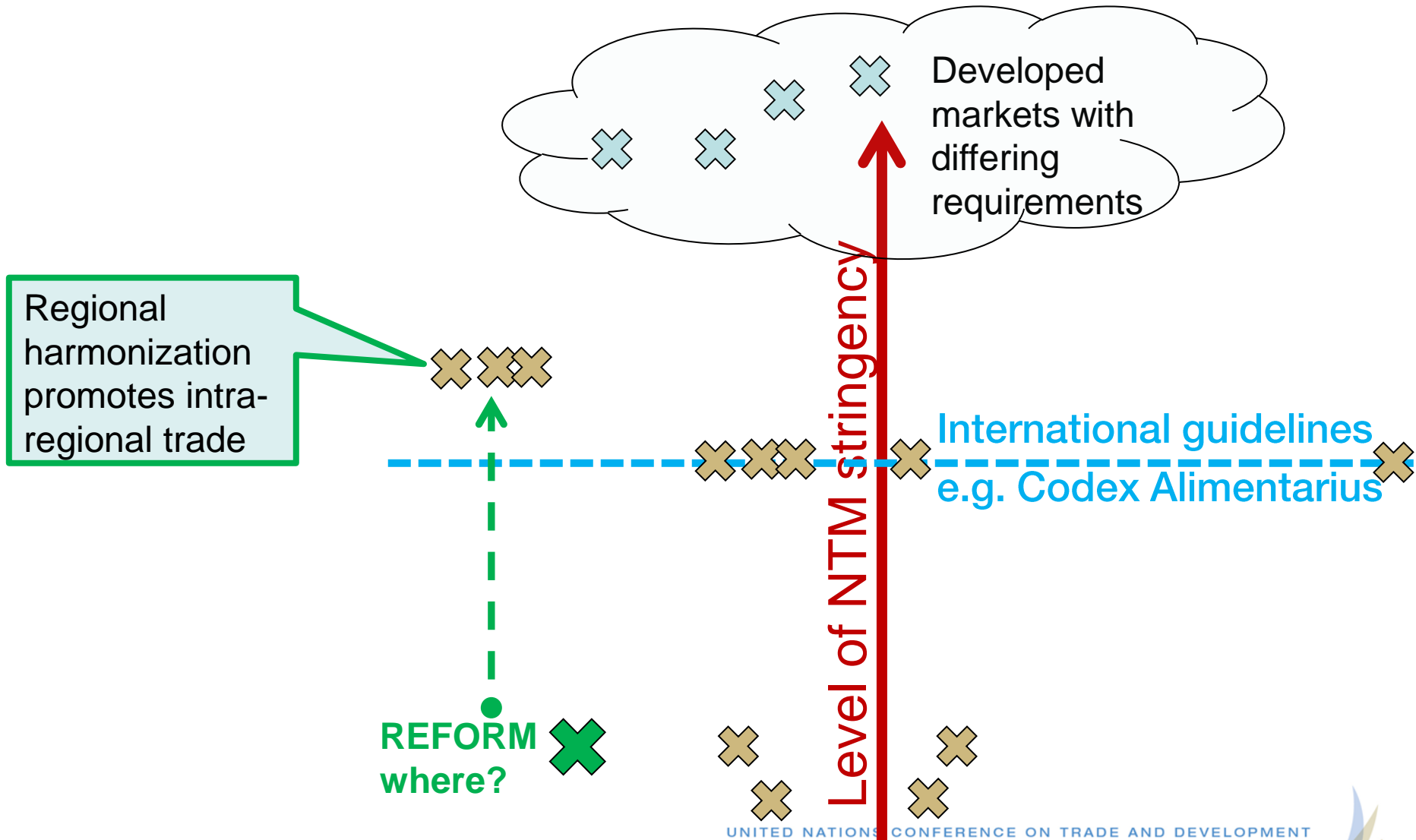
Animals and meat
 Fruits, vegetables and grains
 Fats & oils
 Processed food, beverages & tobacco
 Minerals
 Chemicals
 Plastics
 Leather
 Wood products
 Paper
 Textile and clothing
 Footwear
 Stone & glass manufactures
 Precious metals, pearls
 Metals and metal manufactures
 Machinery and electronics
 Vehicles
 Optical & medical instruments
 Miscellaneous manufactures



Convergence: how? towards where?



Convergence: how? towards where?



Convergence: how? towards where?

adopting Northern standard as domestic requirement can harm South-South trade

Regional harmonization promotes intra-regional trade

REFORM
where?

Developed markets with differing requirements

International guidelines
e.g. Codex Alimentarius

Level of NTM stringency



Convergence: how? towards where?

adopting Northern standard as domestic requirement can harm South-South trade

Regional harmonization promotes intra-regional trade

adopt international standard to enhance intra- and extra regional trade + sustainability

REFORM where?

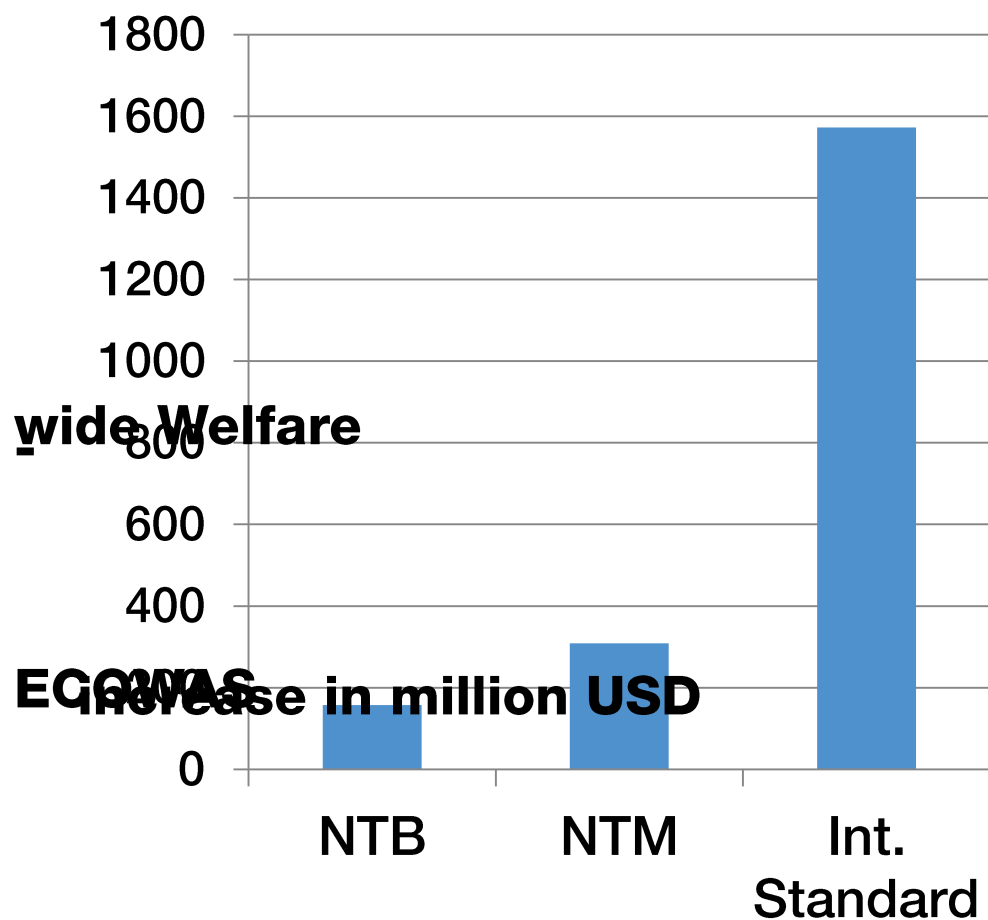
Developed markets with differing requirements

International guidelines e.g. Codex Alimentarius

Level of NTM stringency



UNCTAD analysis for *ECOWAS*: Welfare increases in three scenarios



- **"NTB"**: intra-regional (only) elimination of barriers
- **"NTM"**: **"NTB"** + intra-regional regulatory convergence
- **"Int.Standards"**: **"NTB"** + **"NTM"** + adoption of international standards with impact beyond intra-regional trade



Conclusions

- [Foreign and domestic regulation matters]
- [Regulatory convergence matters: Overlapping measures are *half* as costly as non-overlapping measures]
- A simple reform of alignment (without increasing or decreasing measures) could reduce the cost of SPS/TBT in agriculture by 30%
- To expand this effect of regulatory convergence, international standards can reduce domestic prices and increase international competitiveness (intra- and extra-regional) → overall economic effect much larger



NTMs WEEK

■ Thank you!



unctad.org/ntm

ntm@unctad.org

christian.knebel@unctad.org

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