

NTMs and Economic Integration: recent evidence

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Overview

- Changing policy data landscape: data integration
 - New data, consistency checks, and project sustainability means revisiting questions with new evidence.
- Value chains, NTMs, and competitiveness: VC integration
 - We see evidence of cost and productivity evidence from NTMs
 - There is an open question, given new data of the impact or regulatory barriers on value chain integration
- Regulatory divergence: regulatory integration
 - One area where we have earlier evidence from services rather than goods
- Some policy takeaways: including political sustainability.

The Policy Data Landscape

Down the Rabbit Hole

Lewis Carroll

There and Back Again

J.R.R. Tolkien

Down the Phillips curve with gun and camera

Robert Solow



Public portal opens early 2018 – integrated source data, classification concordances, HS mappings, common summary indexes from multiple source data. Also hats, t-shirts, coffee mugs.

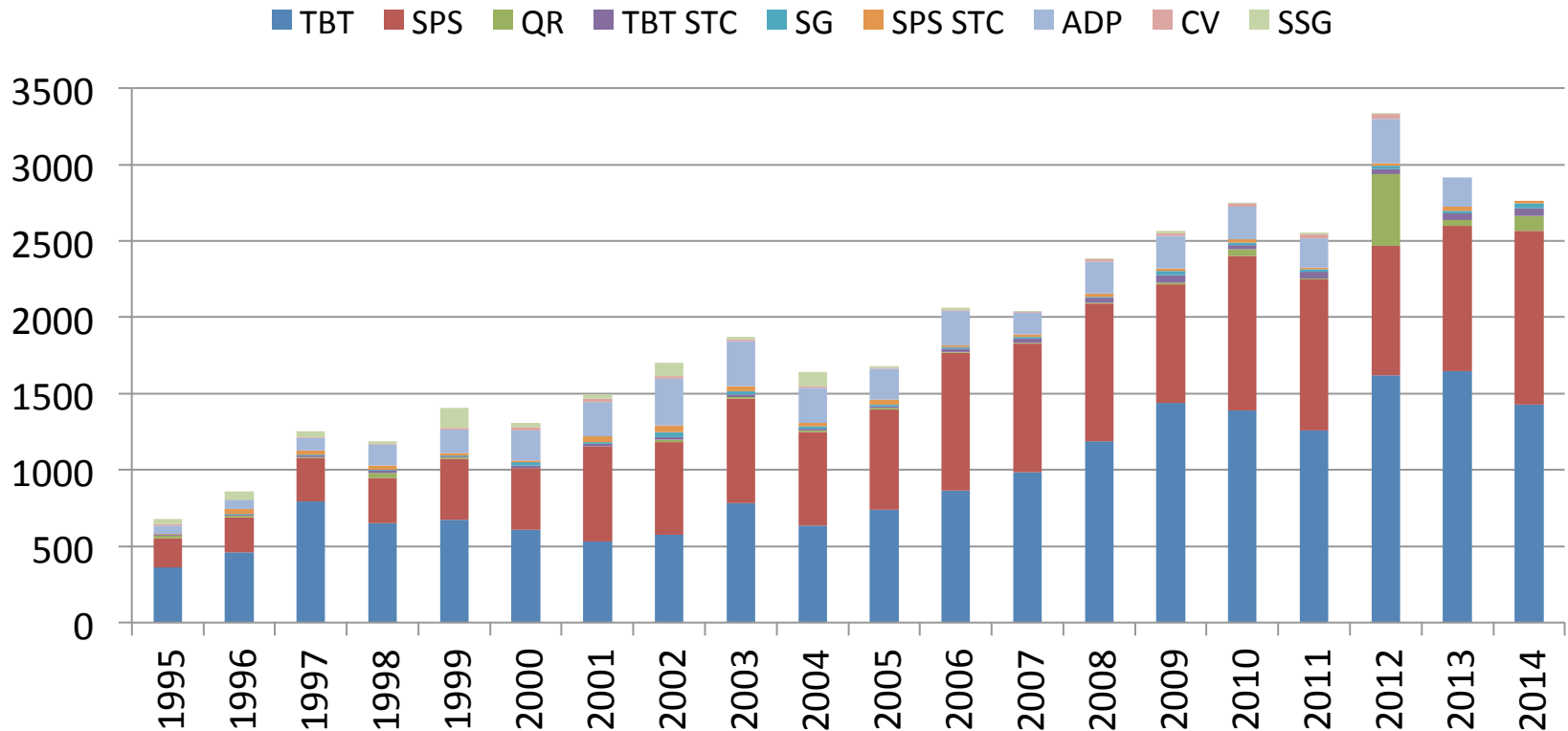
Integration of Data Sources

Table 2: Overview NTM Data Sources

Collection Framework	Goods	Services
Inventories of legislation	<ul style="list-style-type: none"> - NTM TRAINS - OECD PMR Database - WB Investing Across Borders - World Bank TTBD - OECD Export Restrictions - Global Trade Alert 	<ul style="list-style-type: none"> - World Bank STRI Database - OECD STRI Database - OECD PMR Database - WB Investing Across Borders - Global Trade Alert
International agreements	<ul style="list-style-type: none"> - DESTA - UNCTAD BIT Database 	<ul style="list-style-type: none"> - DESTA - GATS commitment schedule - WTO Services RTA Database - UNCTAD BIT Database
Review of legislation	<ul style="list-style-type: none"> - WTO Trade Policy Review - WTO DG Monitoring Reports - UNCTAD Investment Policy 	<ul style="list-style-type: none"> - WTO Trade Policy Review - WTO DG Monitoring Reports - UNCTAD Investment Policy
Notifications	<ul style="list-style-type: none"> - WTO Notifications 	<ul style="list-style-type: none"> - GATS Notifications
Surveys and complaint portals	<ul style="list-style-type: none"> - ITC NTM Surveys - ITC Trade Obstacle Alert - WTO STC - EU Market Access Database - tradebarriers.org 	<p>And More...</p> <ul style="list-style-type: none"> -BOWN trade remedies notifications -Data consolidation projects (WTO, ITC, etc) -environmental taxes (CEPII)
Import refusals	<ul style="list-style-type: none"> - EU RASFF - US FDA OASIS 	<ul style="list-style-type: none"> -OECD PSE
Other sources	<ul style="list-style-type: none"> - USITC CoRe NTM Database 	<p>Source: Rau and Vogt, 2017, "NTMs: Data concepts and sources," PRONTO working paper.</p>

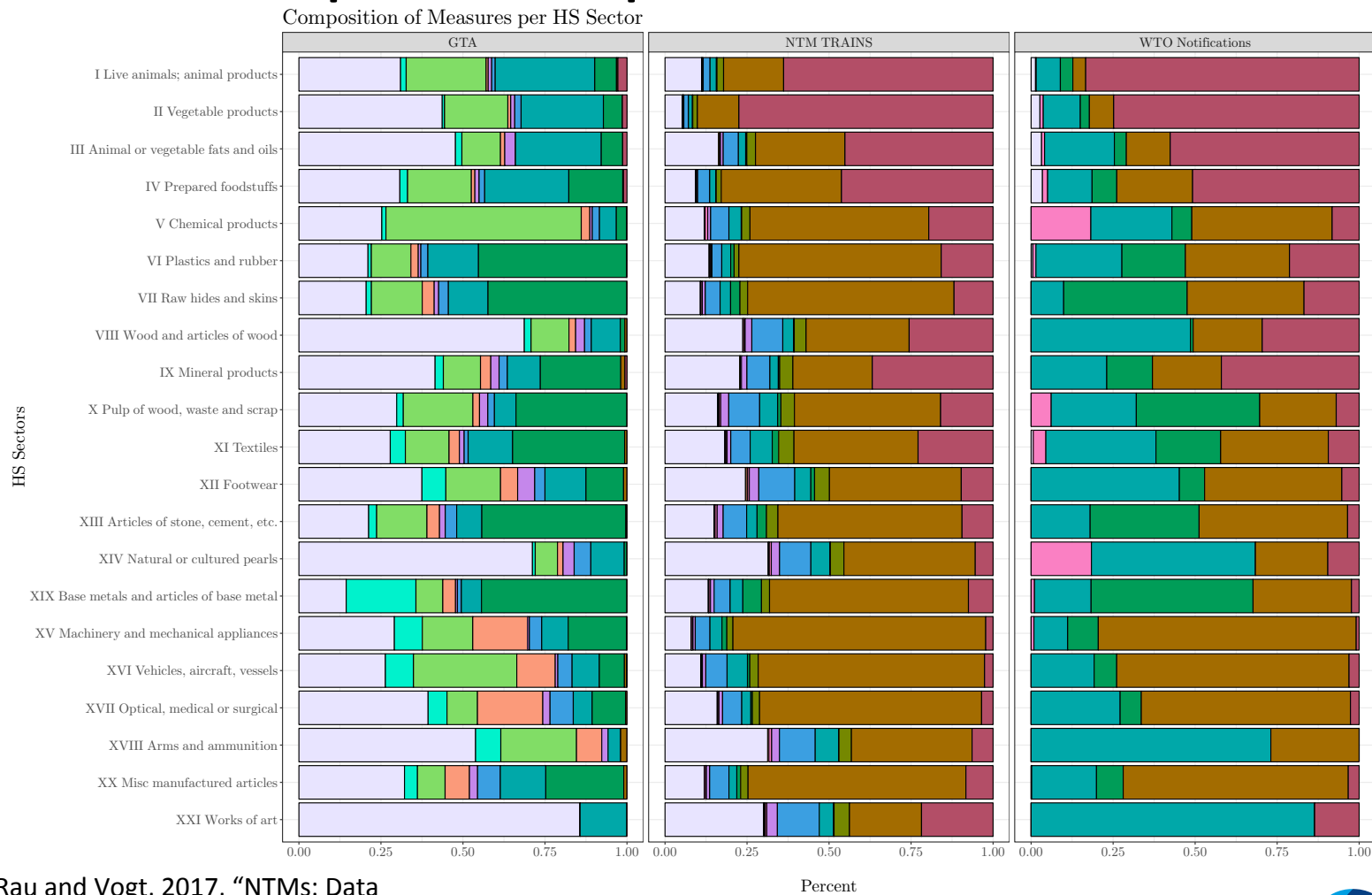
Example: WTO I-TIP database

- 38,881 measures notified 1979-2014
- For 60%, no HS code provided. We have reduced this dramatically with computational linguistic methods (trying to squeeze it further).
- SPS & TBT are dominant in the data.



Source: WTO I-TIP; Ghodsi, Reiter and Stehrer, PRONTO working paper 2015. NOTE these data has since been updated for Jan 2018 release.

NTM composition per sector and database

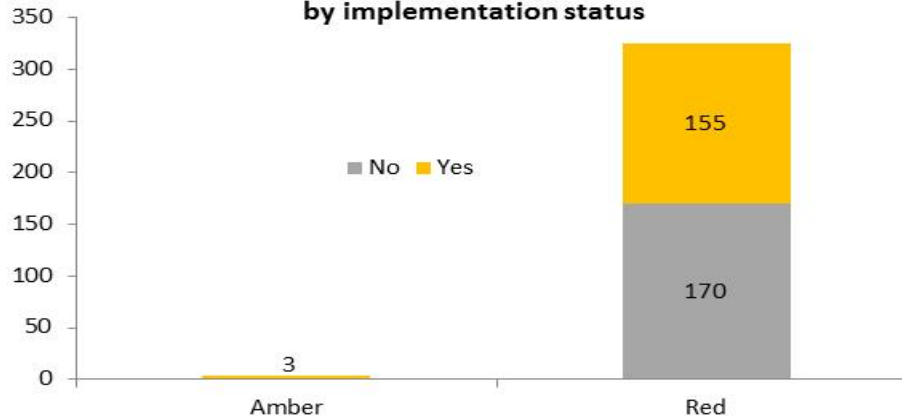


Source: Rau and Vogt, 2017, "NTMs: Data concepts and sources," PRONTO working paper.

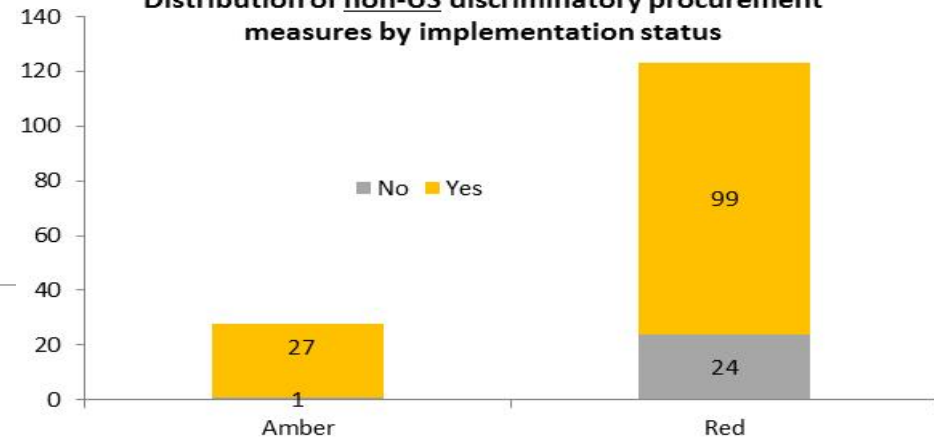
Example: Procurement NTMs

- Procurement measures usually take the form of localization requirements rather than preferences per se
- All G8 countries have relied on this, but not all measures are actually implemented.

Distribution of US discriminatory procurement measures by implementation status



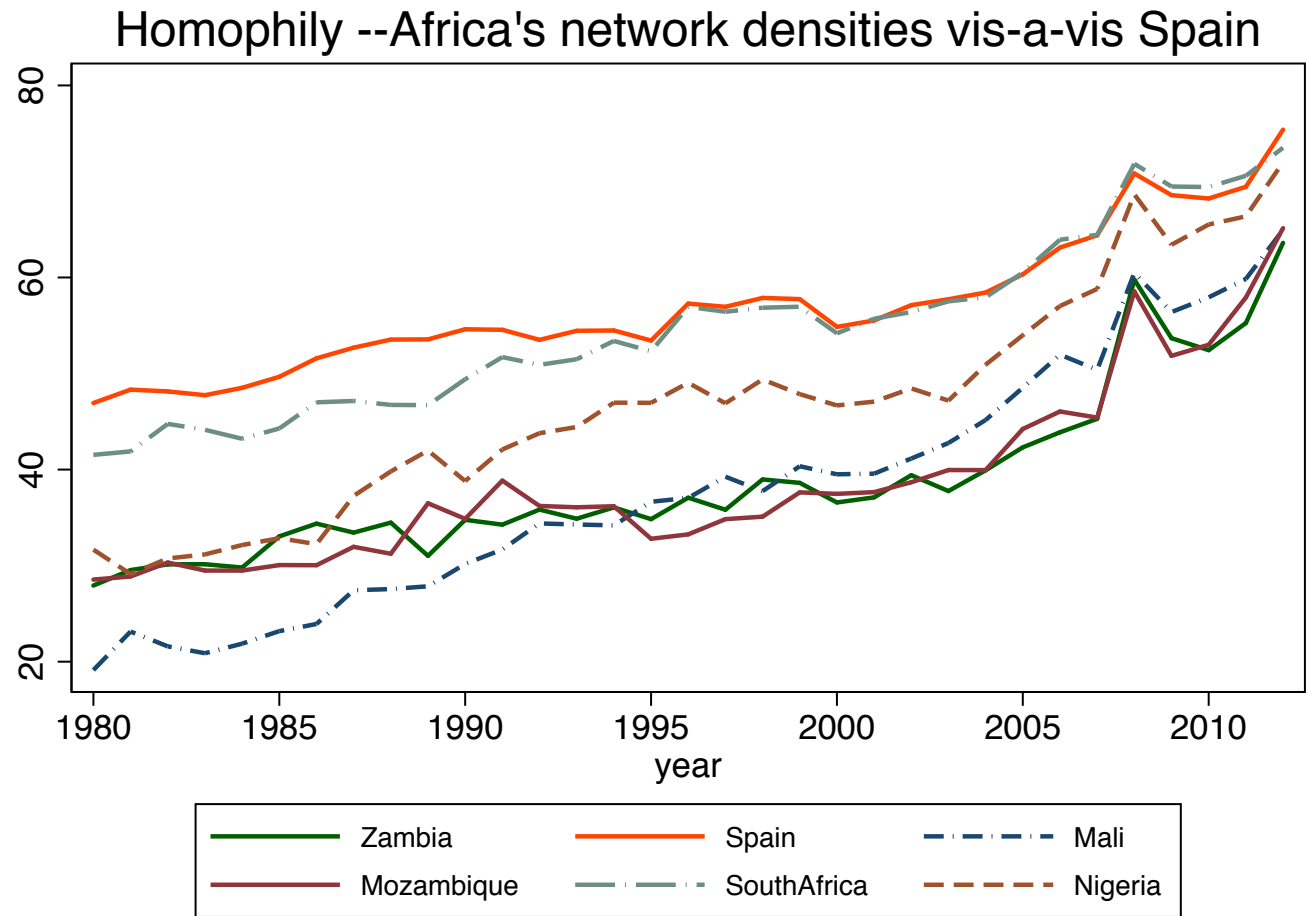
Distribution of non-US discriminatory procurement measures by implementation status



Source: Evenett and Shingal, PRONTO working paper, (2016).

Value chain participation and NTMs

Complexity of Production and Trade: value chains and the impact of NTMs

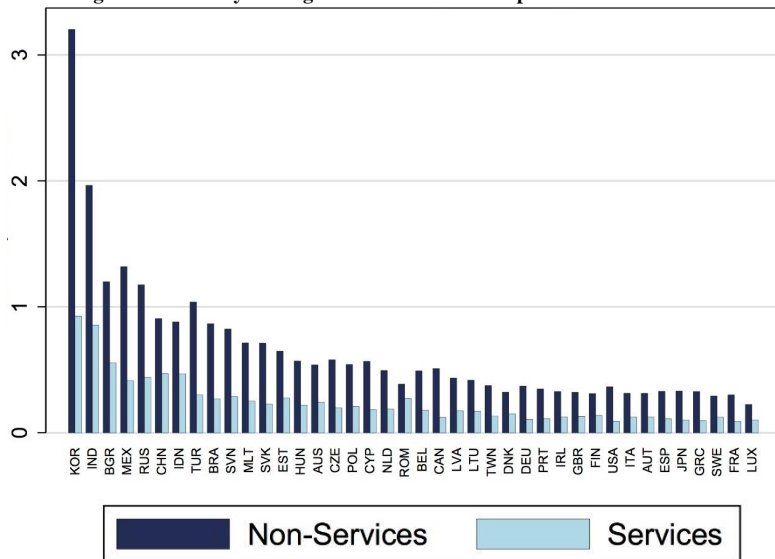


Source: data are from UNCTAD COMTRADE database (2015). See Egger et al (2015)

AVEs of indirect trade costs on inputs

SPS, TBT each have comparable impacts as those of tariffs on costs, when traced over supply chains. Adding in other types will only compound this observation.

Figure 2 – Country Average Indirect Tariffs on Inputs - third channel



They also impact on estimated productivity, and participation in globally sourced production.

Source: Ghodsi & Stehrer, 2016 PRONTO Working paper, "NTMs in the Presence of Global Value Chains and their Impact on Productivity"

Figure 3 – Country Average indirect AVE for TBT on Inputs - third channel

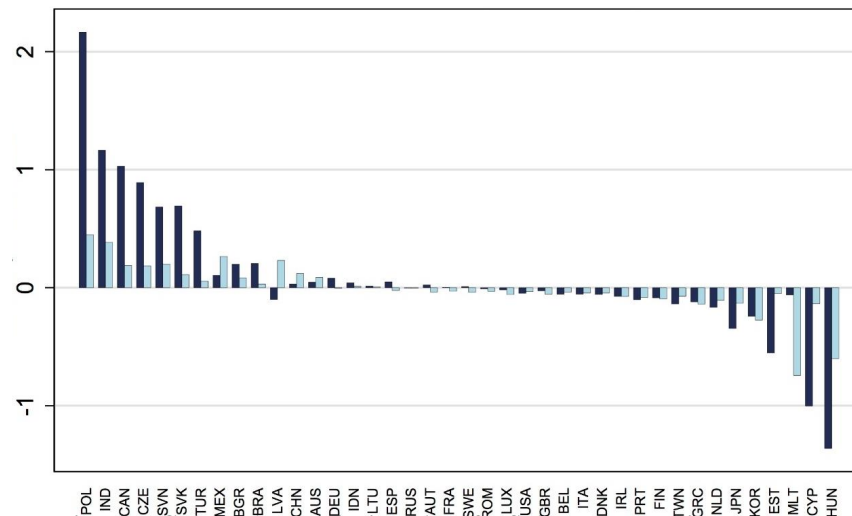
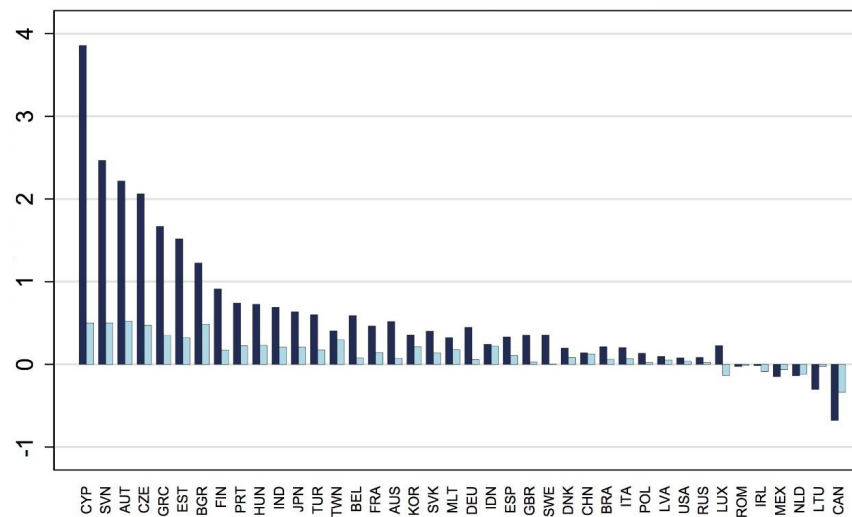


Figure 4 – Country Average indirect AVE for SPS on Inputs - third channel



Regulatory Divergence and Integration

Patterns of Regulatory Restrictions & Regulatory Divergence

Cross-correlation in STRI indicators, Financial Services (UK partners) 2014

	ln(diverge)	ln(GDP)	EUN	EEA	ln(STRI)
ln(diverge)	1.0000				
ln(GDP)	0.3868	1.0000			
EUN	-0.6621	-0.3269	1.0000		
EEA	0.0966	-0.1537	-0.2676	1.0000	
ln(STRI)	0.8067	0.2391	-0.5043	0.2648	1.0000

Source: Nordås, H. (2016), "Services Trade Restrictiveness Index (STRI): The Trade Effect of Regulatory Differences", *OECD Trade Policy Papers*, No. 189, OECD Publishing, Paris. <http://dx.doi.org/10.1787/5jlz9z022plp-en>

Patterns of Regulatory Restrictions & Regulatory Divergence

UK Financial Services Exports, 2014

	lnX	lnX	lnX
ln(diverge1)	-0.874 (0.96)	-0.810 (0.47)	
lnGDP	0.932** (7.36)	0.945** (8.00)	0.945** (8.00)
EEA		0.180 (0.51)	0.349 (64.20)**
lnSTRI		0.109 (0.28)	-0.353 (0.60)
ln(diverge2)			-0.810 (0.47)
R^2	0.51	0.52	0.52
n	43	43	43

* $p < 0.05$; ** $p < 0.01$

Source: Nordås, H. (2016), "Services Trade Restrictiveness Index (STRI): The Trade Effect of Regulatory Differences", *OECD Trade Policy Papers*, No. 189, OECD Publishing, Paris. <http://dx.doi.org/10.1787/5jlz9z022plp-en>

Takeaway Points

Some takeaway points

- Regulatory Transparency (so yet more quantification) make sense:
 - Uncertainty is an effective cost generator (agents in the economy are not risk neutral)
 - Agreed arbitration mechanisms and mutual recognition mechanisms may help
 - NTMs are at a minimum closely related to trade facilitation.
- Regulatory burdens, poor infrastructure are both cost generators
- NTM related costs may make it harder to integrate to higher value added parts of the global economy. RISK is that countries with high border costs may be effectively locked out of emerging regional production networks. This would widen gaps we observe in global wages and productivity patterns. It poses a development challenge for the trading system.
- Divergence in regulations may be a relevant target
 - ➔ we need much more evidence here. NTMs often have an underlying logic. Divergence with the same objectives less so. So per my caveat below, these may make more sense.
- Generic caveat: ➔ political/distributional adjustment assistance may be needed to ensure the process of opening borders is politically sustainable.