



FONDATION POUR LES ÉTUDES  
ET RECHERCHES  
SUR LE DÉVELOPPEMENT  
INTERNATIONAL

# NTMs on the Rise: Two challenges

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# NTMs on the Rise

- NTMs are on the rise ([here](#))
- NTMs: precautionary or protectionist?
- NTMs: Substitutes for tariffs
- Comparisons of NTM count measures (cross-country data bases) ([here](#))
- Need more case studies ([here](#))

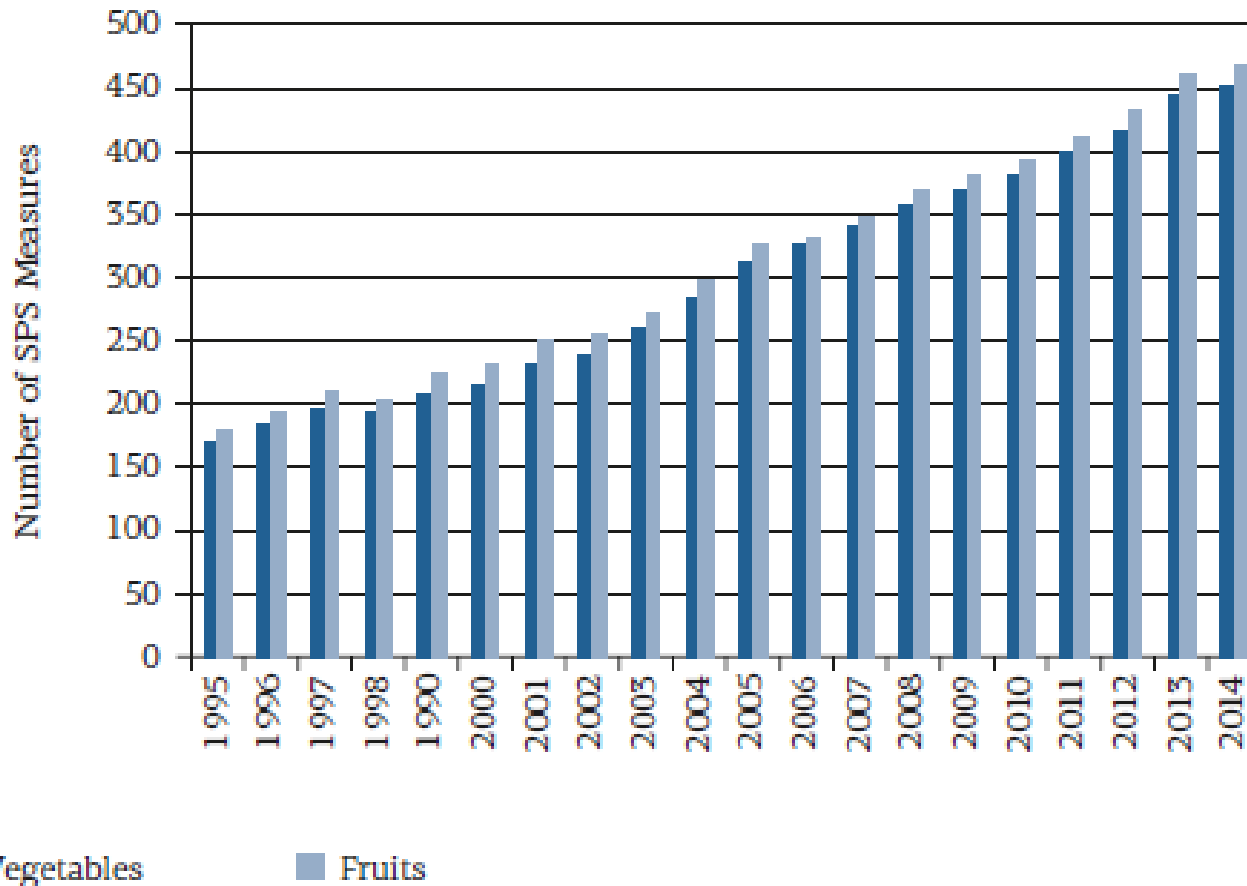
# Challenge #1: Access rich markets and develop RVCs

- Effective participation in world markets: build capacity to satisfy technical and quality standards and comply with administrative procedures
  - Subsidiarity not applied at AfcFTA yet:  
Regulatory decisions at regional rather than national level (less capture)
  - ...develop supply chain trade at regional level (RVCs) ([here](#))
- Reduce trade costs. Take TFA seriously ([here](#))

## Challenge #2: “Greening the GATT”

- Doha Round failure ([here](#)).
- Difficult, but need to make effort at WCO and elsewhere to redefine goods at customs([here](#)).
- More efforts at distinguishing NTBs ([here](#))
- No overlap ([here](#))
- Average tariffs low across lists ([here](#))
- mercantilism (only goods with  $RCA > 1$  ([here](#)))
- NTMs/NTBs more widespread for HICs ([here](#))
- Regulatory convergence on process and product NTMs raises bilateral trade in EGs ([here](#))

## SPS measures imposed by the EU 1995-2004 (exports of fruits and vegetables from Africa)



Source: Authors' calculations based on Perinform Information

# Descriptive indices (lack of precision, dimensionality, no time dimension)

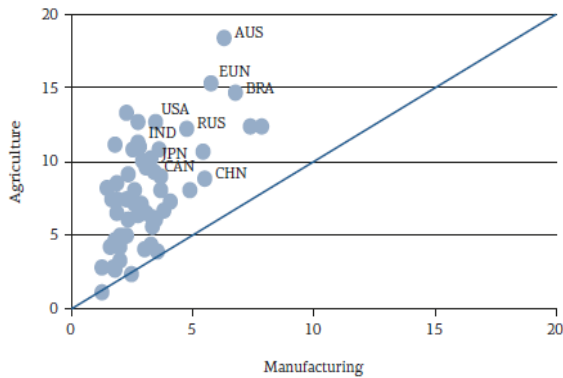
## Large number of technical (SPS & TBT) NTMs for agriculture; strong heterogeneity

Figure 1: Prevalence scores for agriculture and manufacturing products

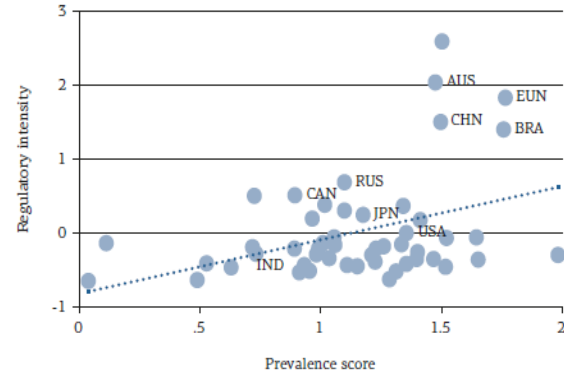
Figure 2: Regulatory intensity index and prevalence scores for technical measures

EU( 15,7)  
CHN (8,6)

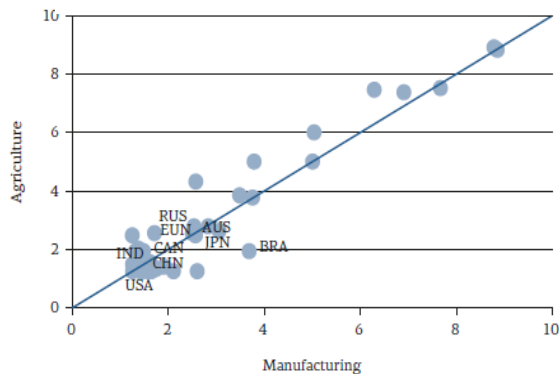
1(a) Technical Measures



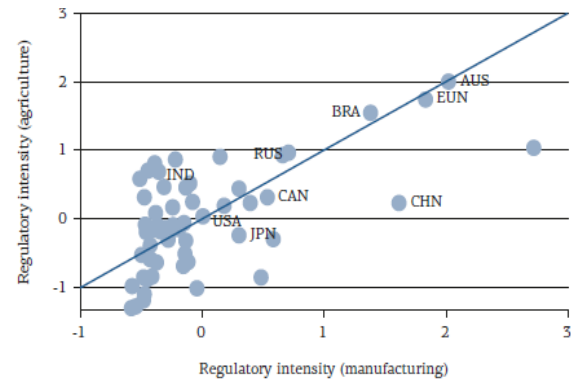
2(a) Regulatory intensity vs. prevalence score



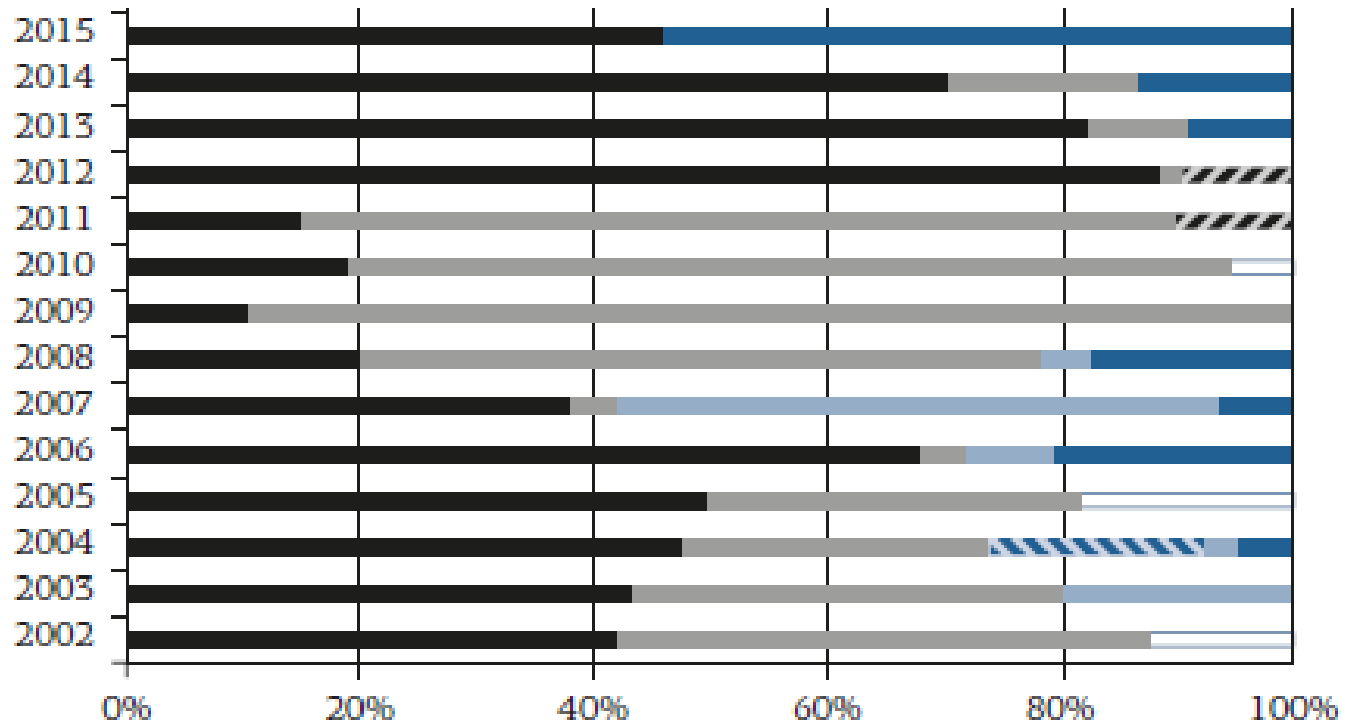
1(b) Non-Technical Measures



2(b) Regulatory intensity: agriculture vs. manufacturing



# Case study: low (6%) rates of refusals of Chilean fruit and vegetables at US border attributable to harmonization of technical requirements



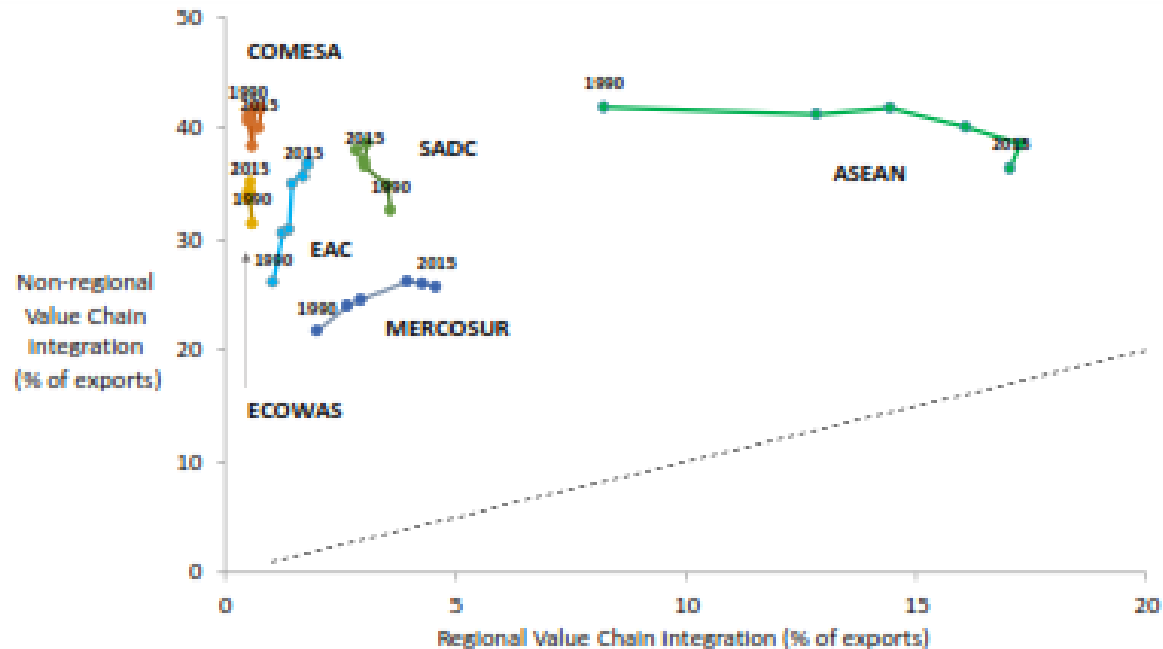
Pesticides
  Filth/Decomposition
  Manufacturing failure
  Needs FCE
  Poisonous
  Unsafe additives
  Label

Source: Own preparation based on FDA and ODEPA data and other information

# Supply chain trade: GVCs and RVCs

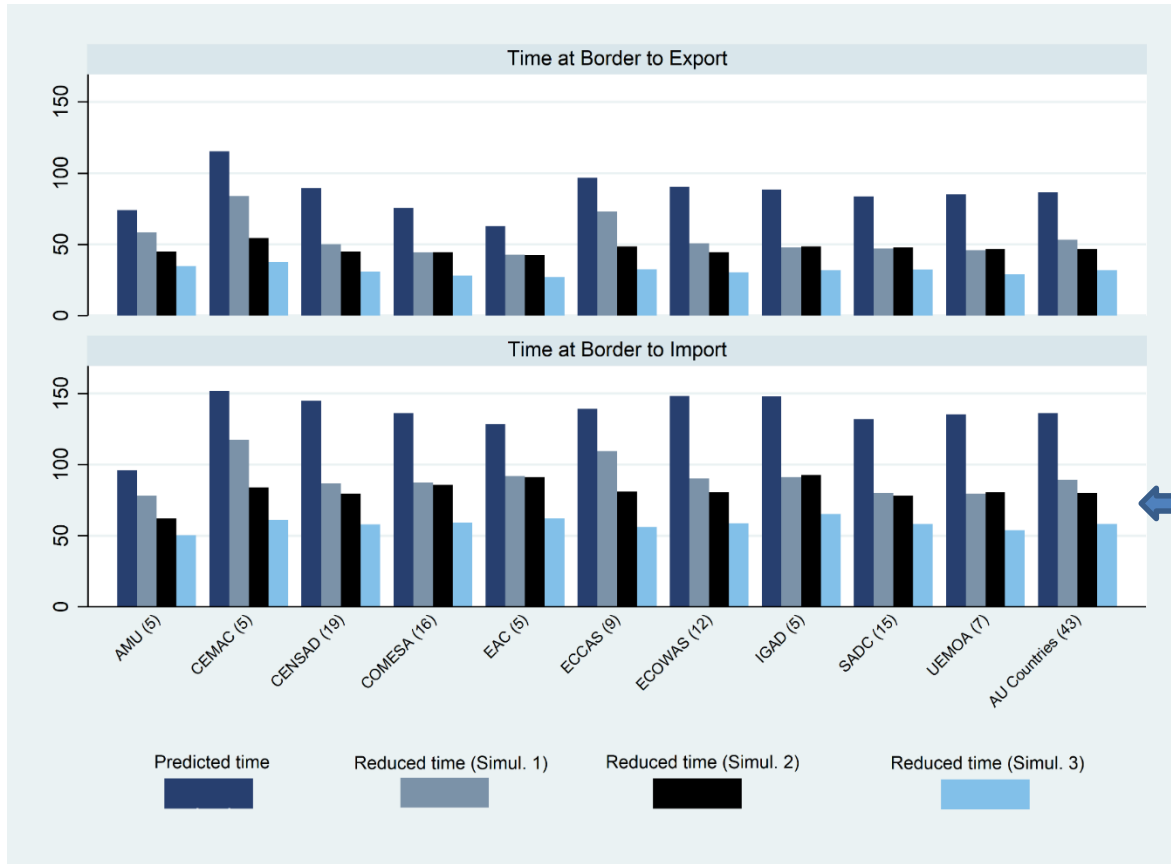
Over 1990-2015 only ASEAN, and to a lesser extent, MERCOSUR have tilted their supply chain trade participation towards their RTA partners

**Figure 7: Regional vs non-regional participation African RECS and comparators**





# Time savings estimates from applying TFA



Average hours at customs from DB data (2017) for AU Exports (87 hrs.) Imports (136 hrs.)

Predicted times (AU) from simulation 2 Exports (47 hrs.) Imports (80 hrs.)

AVE estimates from time in trip: 0.6% to 2.4% per 24h rs.

- Simulation (1) – w/n REC convergence:** W/n each REC, all converge to average of top 2.
- Simulation (2) – w/n Africa convergence:** TFI index of each African LLC takes average value of top 2 LLC in Africa. Each African non-LLC takes average value of the non-LLC in Africa.
- Simulation (3) – Comparison with outside Africa developing world:** The TFA index of each African LLC takes the average value of the top 2 LLC in the World. That of each African non-LLC takes the average value of the non-LLC in the World.

# The trade and environment unfolding tragedy

- November 2001: Launch of Doha Round «for the environment and for the developing Countries»
- ‘A’ triple win: for trade, for the environment and for developing countries.....
- Ten years on. No progress on approach at Doha:(projects, lists) even after agreeing on an a minima agenda: only remove tariffs (NTBs, barriers on trade to services not on list)
- Launch of Environmental Goods Agreement (EGA 2014) with 16 countries. Only tariffs on agenda. Abandoned in December 2016 (list approach with no agreement on list

# Nightmare 1: Identifying and Classifying Goods Related to the Preservation and Management of the Environment

Goods for Environmental Management (GEM)  
(Pollution, Resources)  
Multiple end-uses



Identification of use  
Project Approach  
Finer/alternative HS-classification problematic

Environmentally Preferable Products (EPPs):  
Single use

Production  
-- Aluminium (Prebake vs Soderberg)  
-- Organic cotton vs conventional cotton;



Use  
-- Solar stoves  
-- Solar furnaces  
-- Energy efficient consumer goods



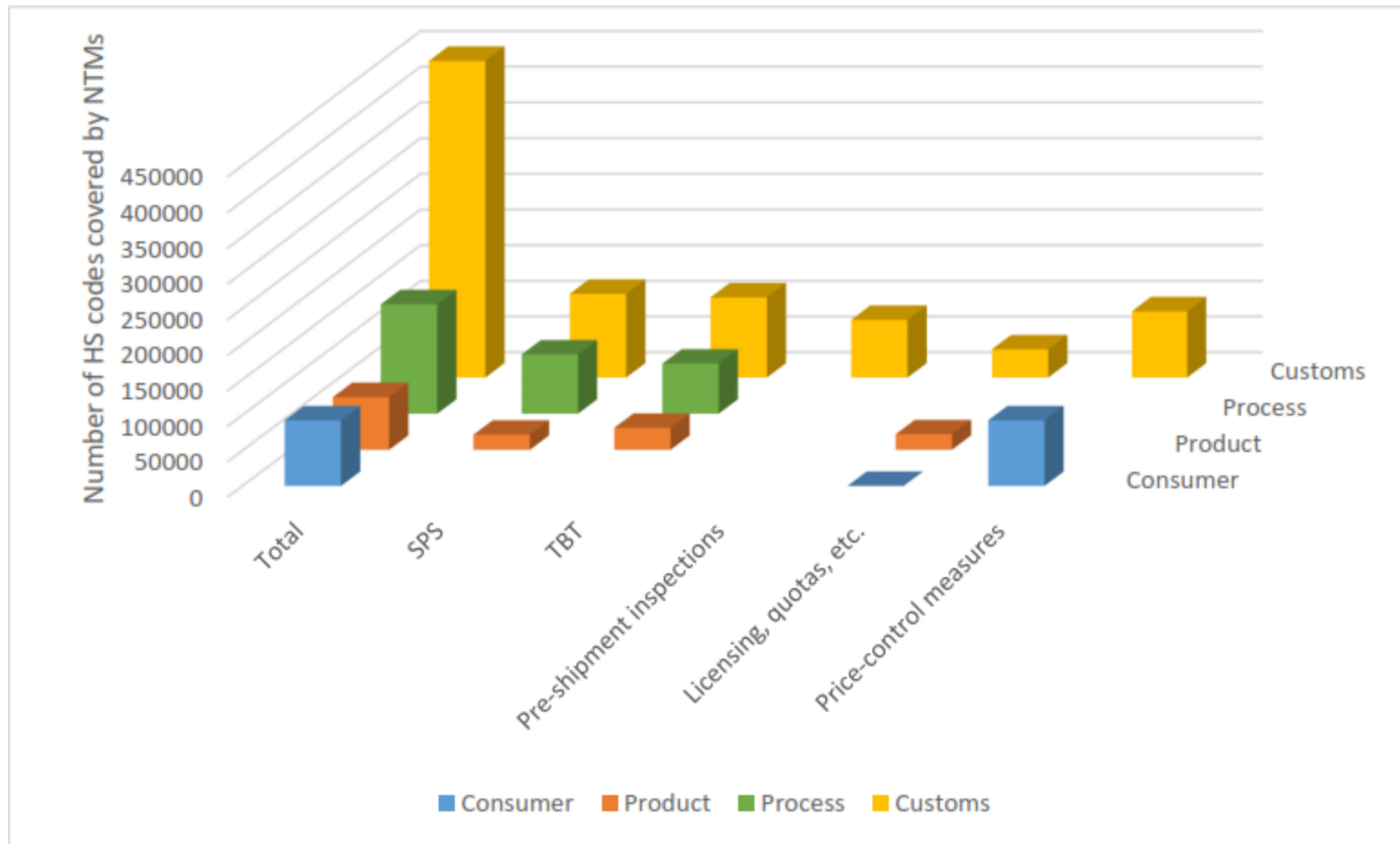
Disposal  
--- packaging (glass vs. plastic)  
--- Cotton fiber *versus* synthetic fiber



Identification  
Relativism: to the frontier (static and dynamic)  
Attribute Disclosure (requires an efficient disclosure mechanism (e.g. certification and harmonization))  
Processes and Production Methods (PPMs) and the *like products* at WTO

Difficulties to negotiate on agricultural products (e.g. biofuels) and environmental services  
Lock-in if characteristics are embodied in HS code  
No coverage in the HS (products and services)

## Nitghmare 2: Classifying NTMs

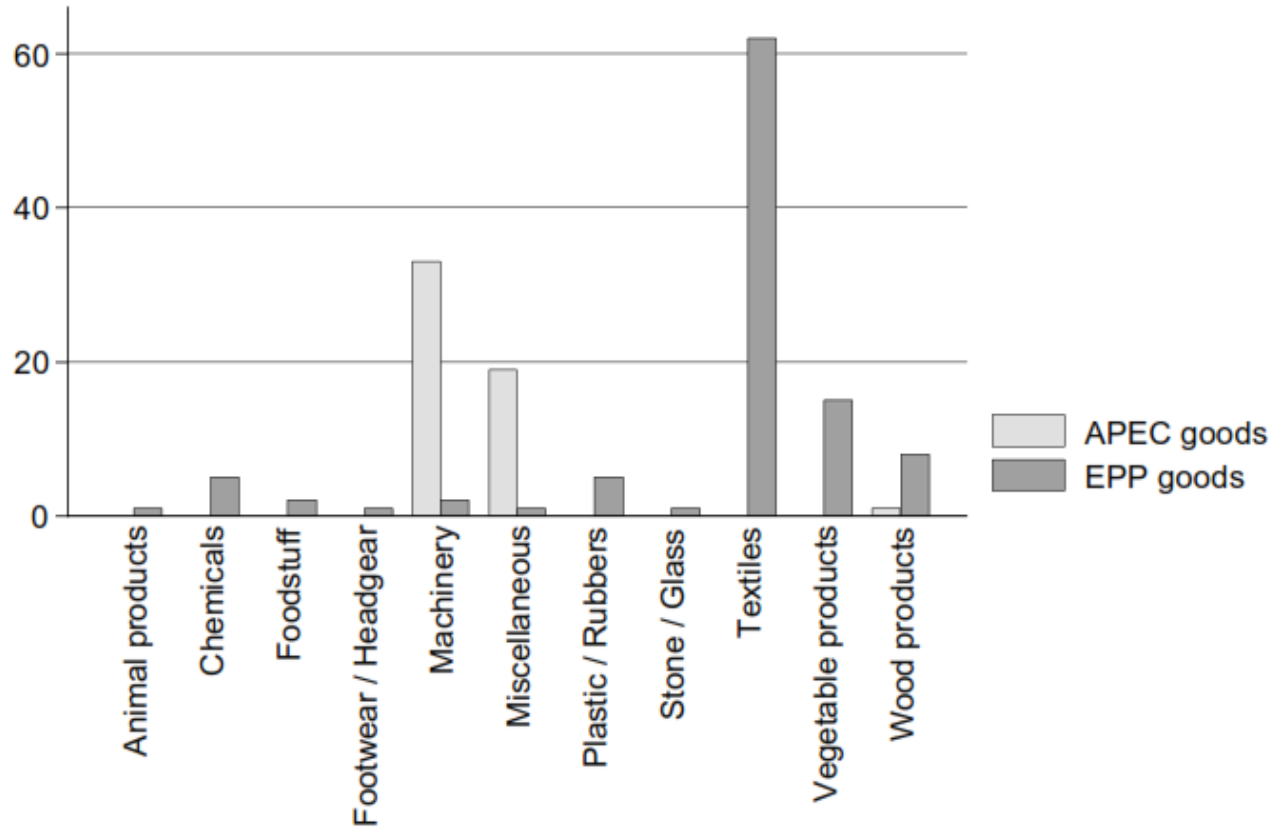


- Ederington and Ruta: 4 categories of NTMs. Regulatory overlap (RO) for «Process» and «Products» categories.
- Only customs NTMs are classified as NTBs in comparison slide

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# Two lists of EGs: What overlap?

Figure 1: The APEC and EPP lists of Environmental Goods

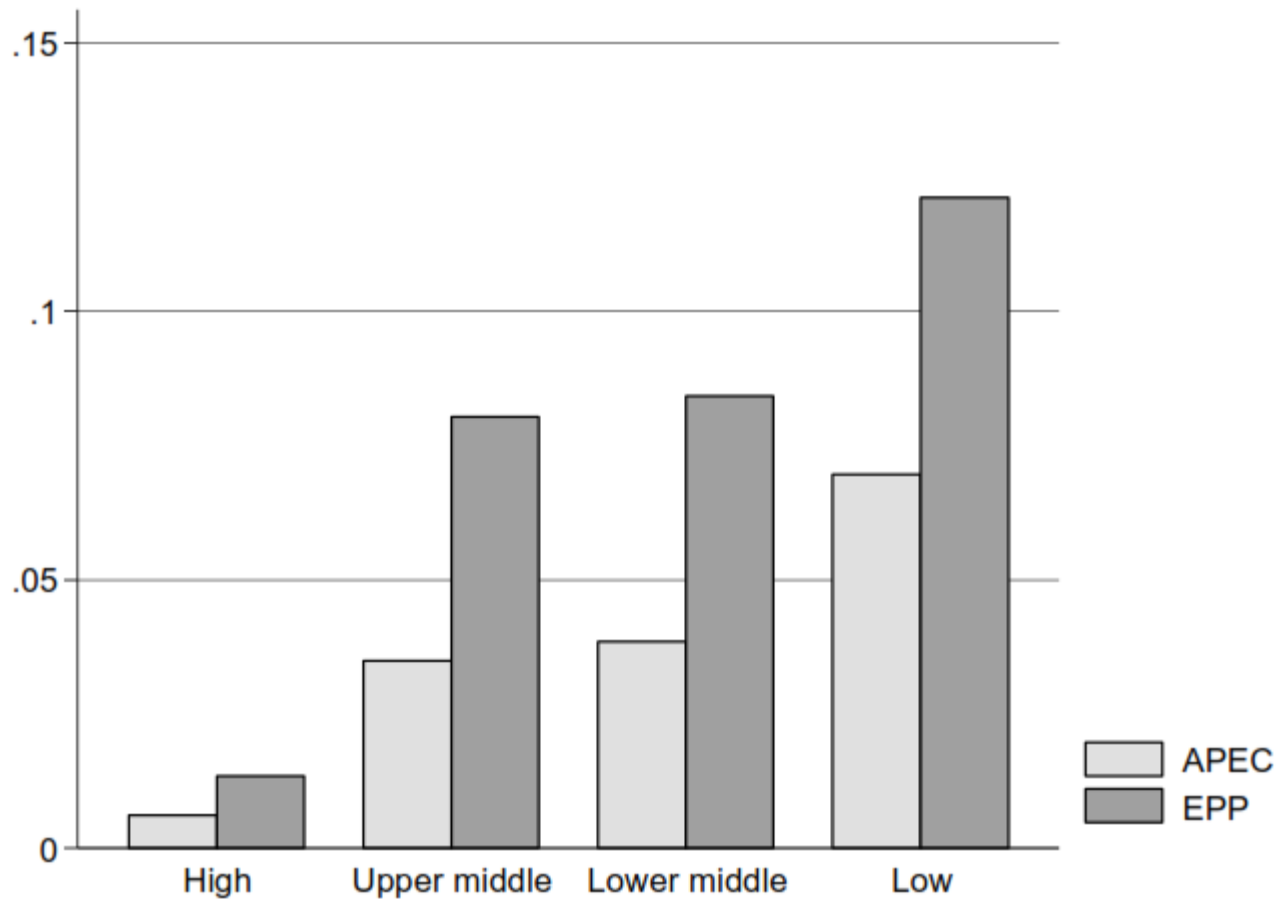


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- How much disparity in perceptions are genuine? (leave negotiations on lists to «experts», not trade negotiators).
- See Balineau-Melo discussion of submission lists during Doha negotiations

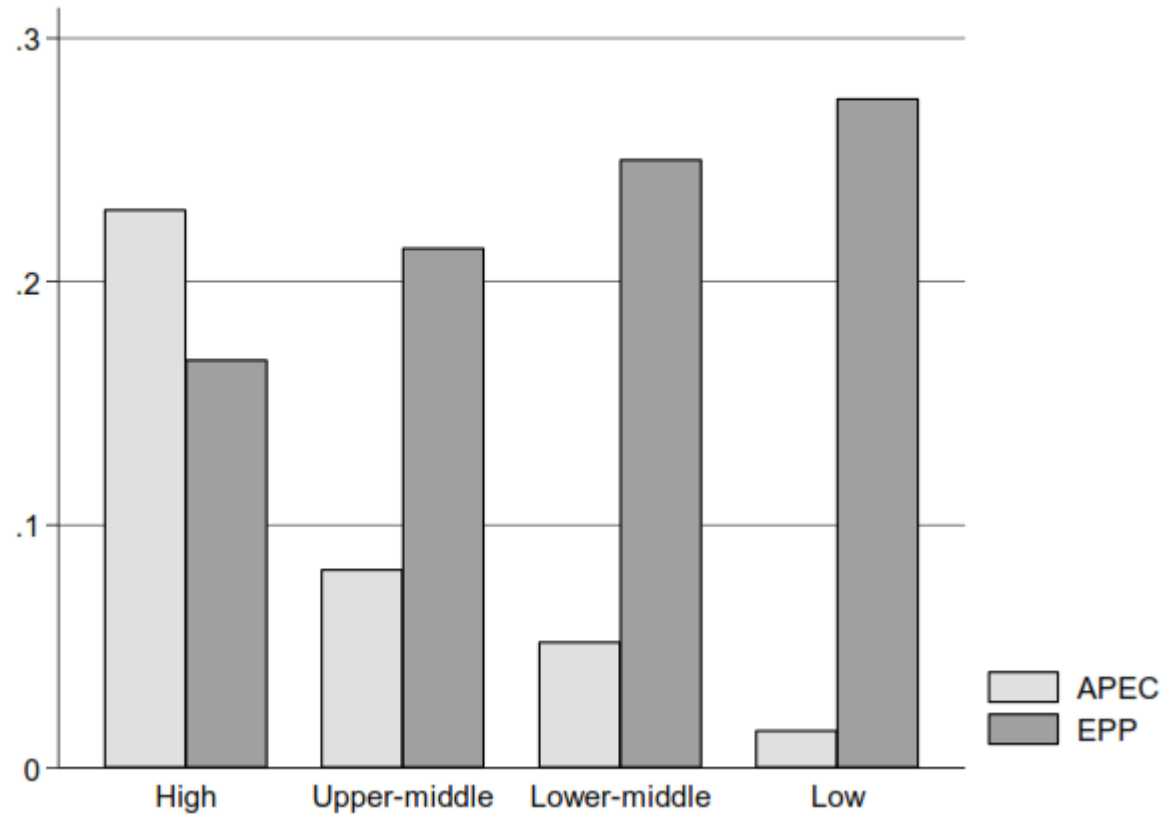
# Average tariffs by income group

(two EG lists)



# Revealed Comparative Advantage

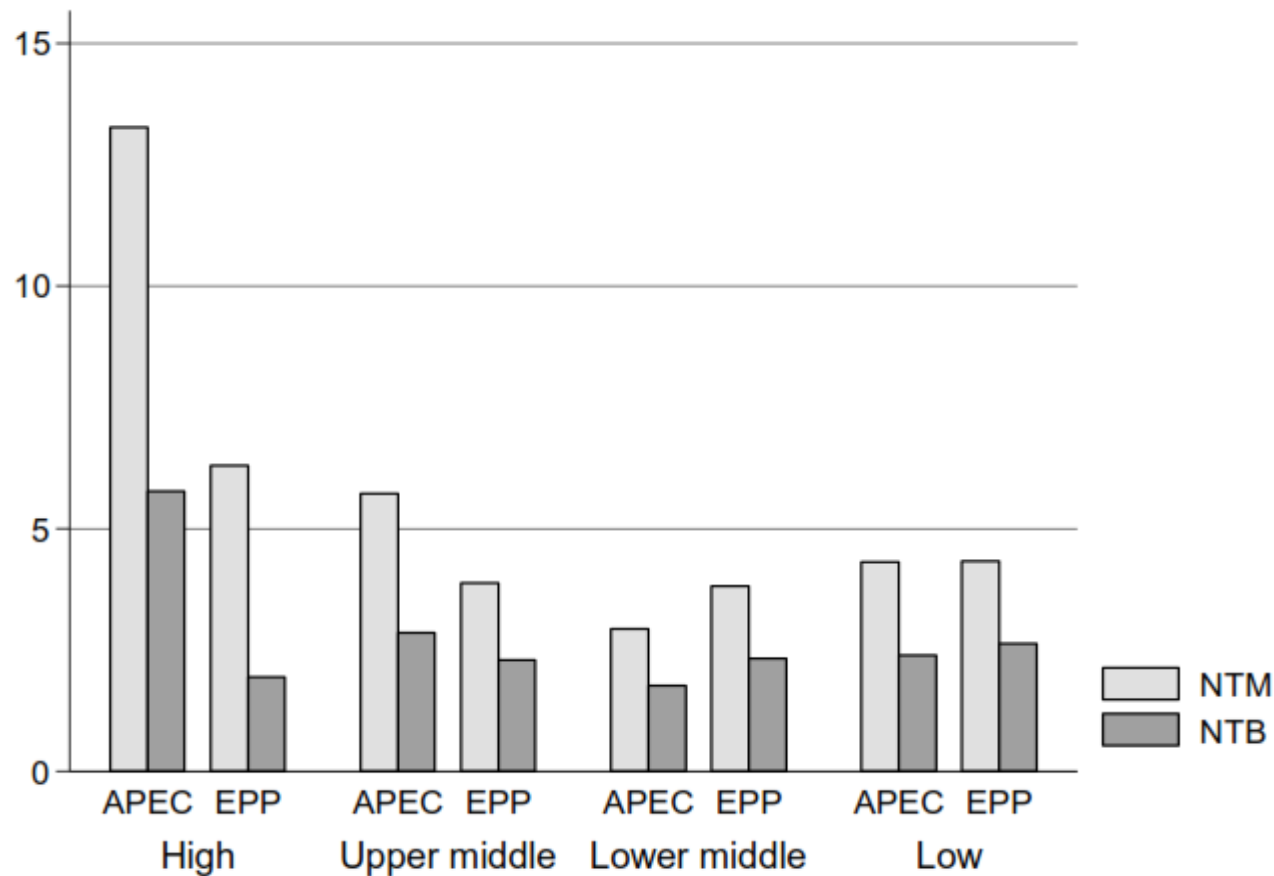
Figure 3b: EGs with Revealed Comparative Advantage (RCA>1) by list and income group



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# NTMs and NTBs

- Average count per income group is higher for HICs for both GEMs (i.e. APEC list) than for EPPs
- Not much difference for other income groups





# Regulatory overlap and bilateral trade intensity EGs

	(1) w/o >10% GDP dist. EPP EK-Tobit	(2) APEC EK-Tobit	(5) Adding RTA EPP EK-Tobit	(6) APEC EK-Tobit
 Log(Tariff)	-5.744*** (0.860)	-4.037*** (1.073)	-2.463*** (0.853)	-0.277 (0.953)
 Log(Overlap)	0.263*** (0.0807)	0.111** (0.0550)	0.151** (0.0702)	-0.0176 (0.0493)
RTA	-	-	1.254*** (0.0767)	0.915*** (0.0518) 
Com. Border	1.439*** (0.104)	1.007*** (0.0786)	1.380*** (0.1000)	0.974*** (0.0757)
Com. Lang.	0.562*** (0.0814)	0.696*** (0.0554)	0.737*** (0.0754)	0.938*** (0.0504)
Log(Distance)	-2.296*** (0.0460)	-2.150*** (0.0310)	-2.129*** (0.0467)	-2.032*** (0.0328)
Observations	109'151	67'858	122020	74748

Robust standard errors in parentheses

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

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