

Asia-Pacific Trade and Investment Report 2019:

Navigating Non-tariff Measures towards Sustainable Development

NTMs Week 2019, Geneva

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Report overview

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Introduction:

The rise of non-tariff measures



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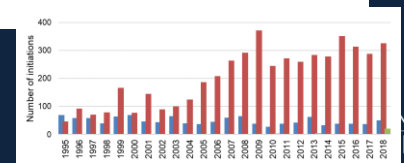
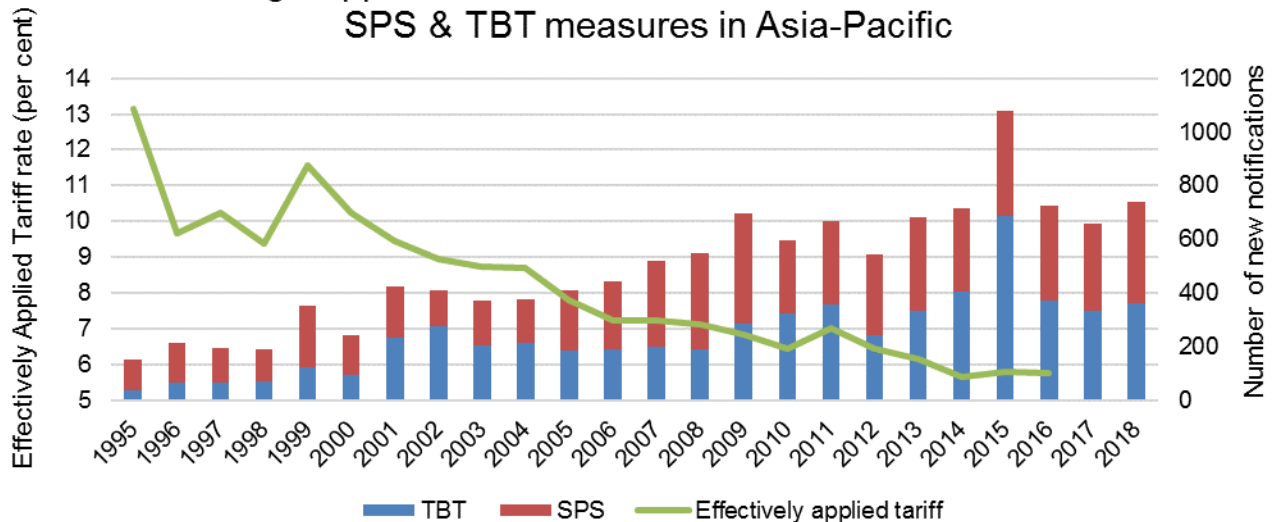


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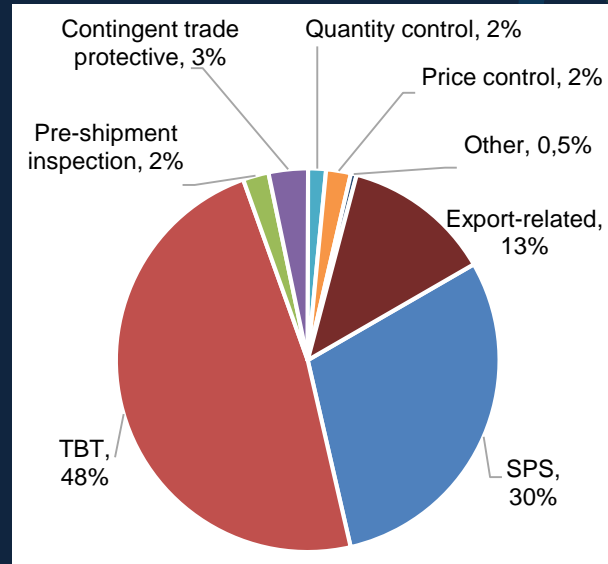
Declining (ordinary) tariffs & increasing notifications of new NTMs

Average applied tariffs and annual notifications to WTO of SPS & TBT measures in Asia-Pacific



NTMs in Asia-Pacific

- More than 25,000 out of 80,000 measures in TRAINS are by Asia-Pacific economies
- China has the highest number of NTMs in the Asia-Pacific region, followed by high-income economies of New Zealand, Republic of Korea and Australia.
- Most measures are SPS and TBT, followed by export-related measures



Chapter 1:

Why non-tariff measures matter for sustainable development



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Linking SDGs to NTMs

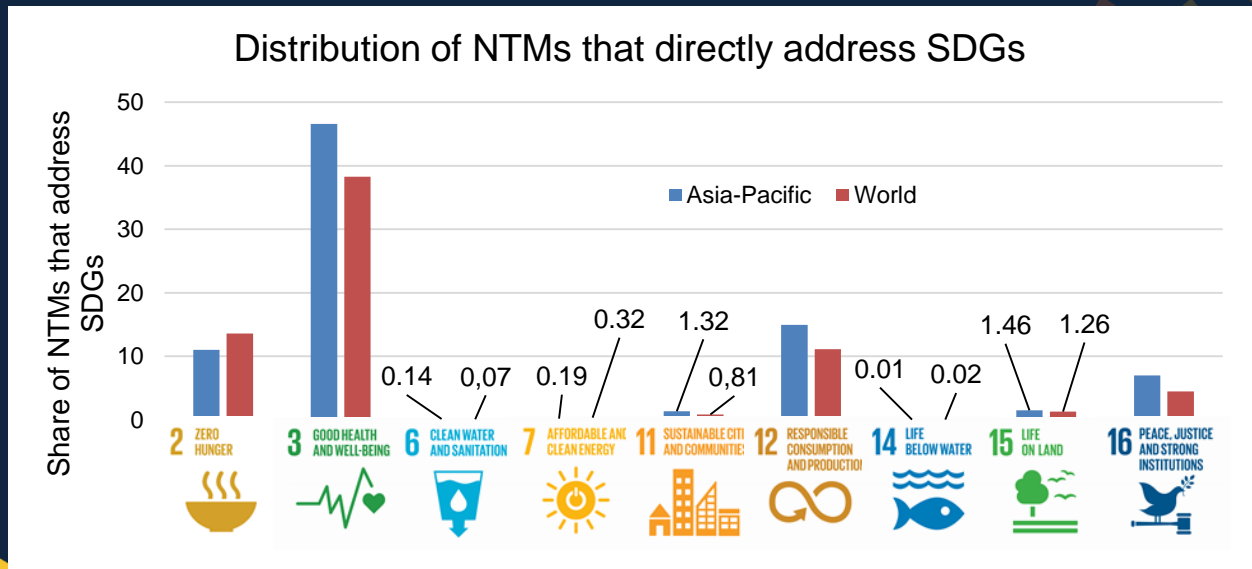


- Sustainable Development Agenda:
 - Trade is an engine for inclusive economic growth and poverty reduction, and an important enabler to achieve SDGs
- Trade linked to
 - health and safety
 - environment and climate
 - public security and peace
- NTMs can directly and indirectly contribute to SDGs
 - Direct: policy instruments addressing safety, health, environment
 - Indirectly: through impact on trade (costs) and investment



42 per cent of NTMs address SDGs

All NTMs in the TRAINS database were examined to see which individual measures potentially directly and positively affected SDG targets



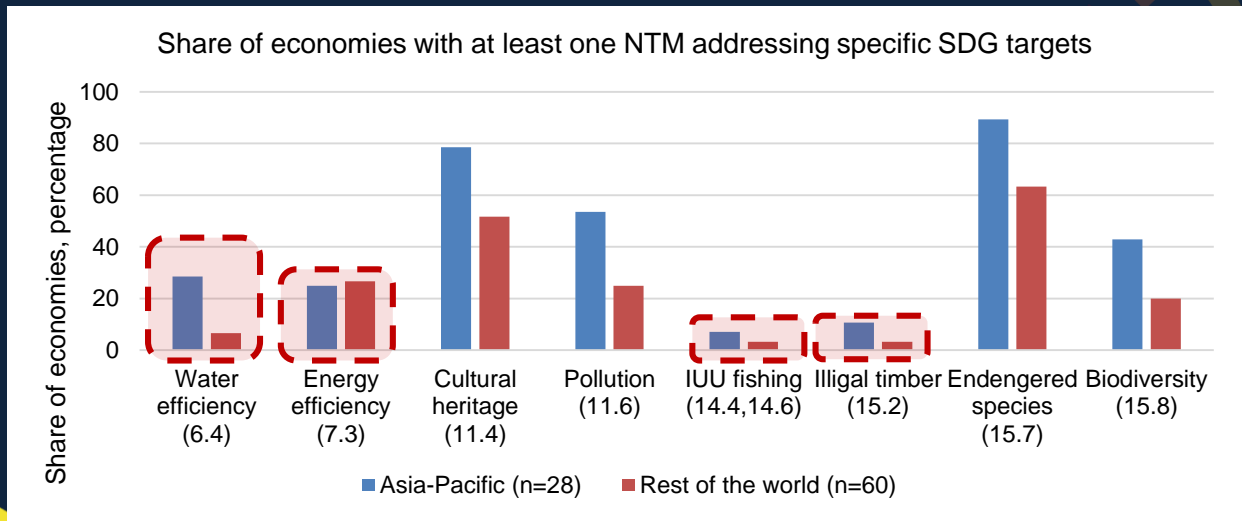
NTMs that address SDGs

- The highest share of SDG-related NTMs in the Asia-Pacific region and globally directly address Goal 3 (Good Health and Well-being).
- They include regulation of
 - medicines
 - food safety
 - vehicle safety
 - alcohol and tobacco products
- NTMs that arise due to international agreements are also prevalent, highlighting the need for international collaboration to achieve SDGs.



There is scope for *more* regulations (!)

- Some SDG targets are relatively unaddressed by NTMs
- If addressed, implementation is sometimes lacking
- NTMs that don't address SDG may still be important (e.g. consumer product safety)



Chapter 2:

Evaluating the impact of non-tariff measures on trade and investment in Asia and the Pacific



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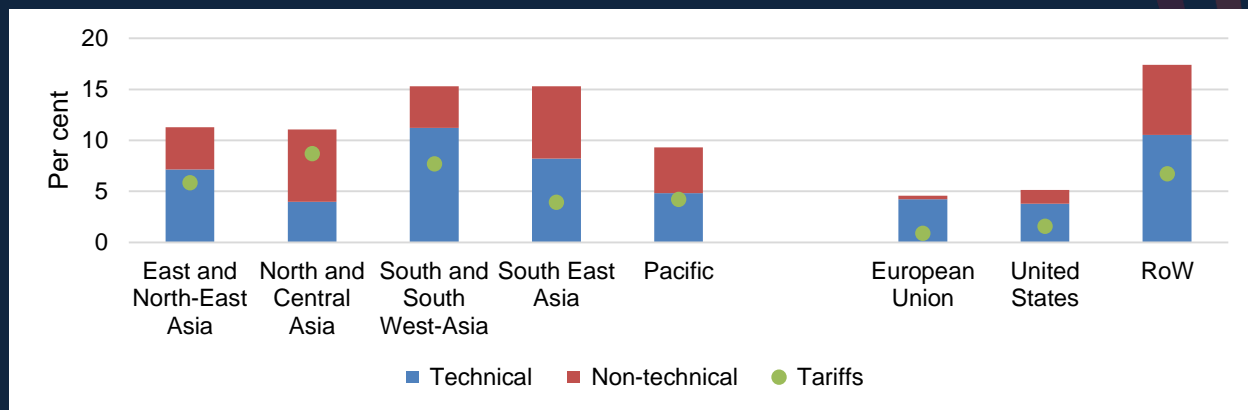


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Ad Valorem Equivalents (AVEs) of NTMs

- The average trade costs of NTMs in the Asia-Pacific region are 15.3%, higher than in US and EU (even though EU and US have more measures applied on average)
- Evidence suggests that it is because of poor implementation of NTMs
- In the agricultural and automotive sectors, the combined costs of NTMs are up to 20% of imports



NTMs and FDI

- Increasing the average number of NTMs applied to a product by one (i.e., from 2.5 to 3.5 NTM per product) could boost FDI by 12%.
- Case study analyses suggests that certain NTMs, such as intellectual property rights, local content requirements and TBTs in selected sectors, seemingly have a significant impact on FDI.
- Any sustainability impact assessment of NTMs needs to consider their effects on FDI as well as trade.



Private Sector Perspective

Based in a joint analysis by ESCAP and ITC

- 56% of firms surveyed by ITC in Asia report “burdensome” NTMs.
- Half of “burdensome” NTMs are from within the region.
- 90% of all export partner “burdensome” NTMs are TBT, SPS or rules of origin.
- 40% of all domestic “burdensome” NTMs are: export certification, inspection, or licensing.
- **Domestic procedural obstacles are the primary reason why NTMs are found to be burdensome**
- They include time constraints, informal or unusually high payments, lack of transparency, discriminatory behaviour of government officials and a lack of appropriate testing facilities.



Chapters 3 & 4 and conclusion

What can be done to maximize
contribution of NTMs to achieve
SDGs



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Chapter 3:

Non-tariff measures and their relationship to international standards



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International Standards and NTMs

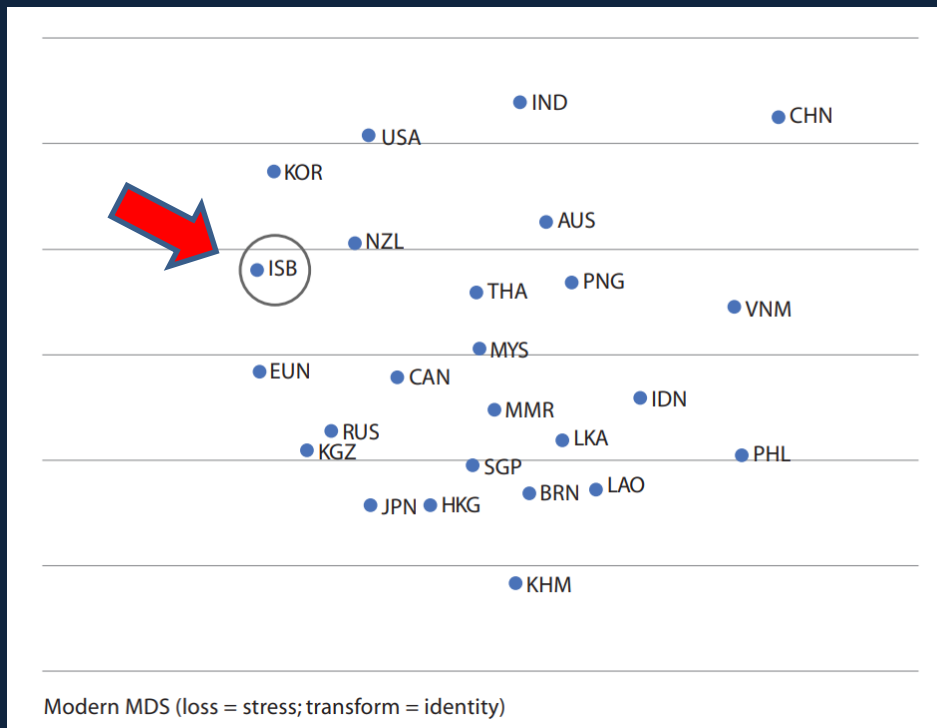
- Protection of health, safety and environment: Eliminating NTMs not an option -> Coordinate or harmonize
- International standards aim at assisting harmonization of measures
 - Standards are not per se NTMs (only if referenced in government regulation, making it mandatory)
- TBT Agreement does not mention specific International Standards
- SPS Agreement mentions Codex Alimentarius, OIE and IPPC

 **Most countries in Asia and Pacific divert from international standards and under-regulate**



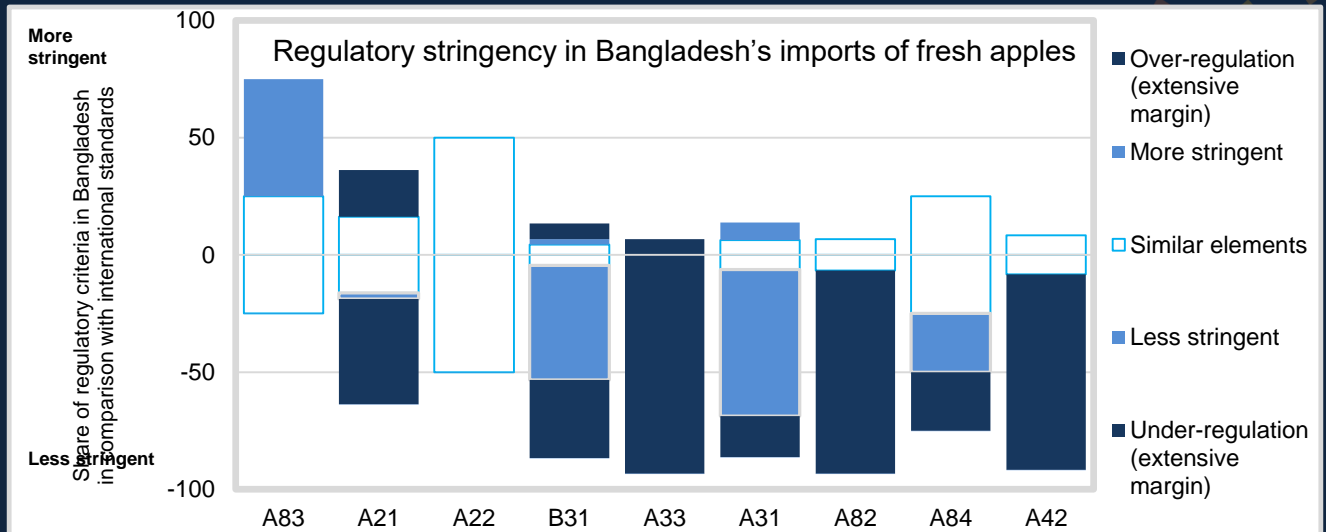
International Standards and NTMs

Overall regulatory distance map



Sector case studies in Bangladesh, the Lao PDR and Viet Nam

- NTMs are generally less stringent than those recommended by the international standards



Chapter 4:

Streamlining non-tariff measures for sustainable benefits



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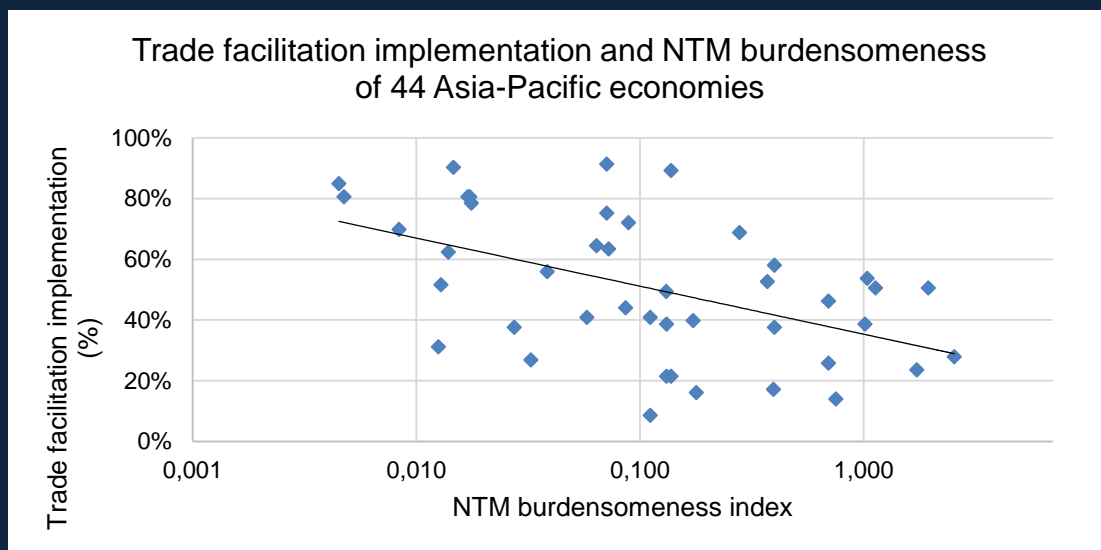


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NTMs and Trade Facilitation

- Economies that report higher rates of trade facilitation implementation generally tend to report fewer burdensome NTMs by traders



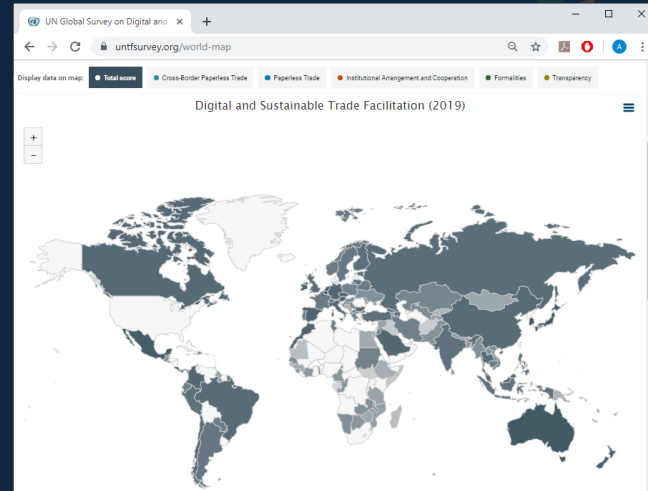
Source: UN Global Survey on Trade Facilitation and Paperless Trade Implementation, 2017; International Trade Centre, 2015-2018.



2019 results of the UN Global Survey on Digital and Sustainable Trade Facilitation (TF)

www.untfsurvey.org

- TF implementation accelerated in the past 2 years
- Wide variation across countries in TF performance remain
- A lot of room for improvement in digitalizing trade procedures



Streamlining NTMs at the domestic level

1. Sustainability and impact assessments of new and existing NTMs should be systematically conducted.
2. Transparency: NTMs and related procedures available (national trade portal, one-stop access)
3. Digitalization of NTM-related procedures (e.g. issuing and exchanging certificates of origin)
4. Effectively addressing procedural obstacles for NTMs requires broader approach than WTO TFA.
5. Need to increase availability of quality infrastructure



Chapter 4: (cont.)

Streamlining non-tariff measures
for sustainable benefits

➔ Also at the regional and
multilateral level



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Regulatory distance

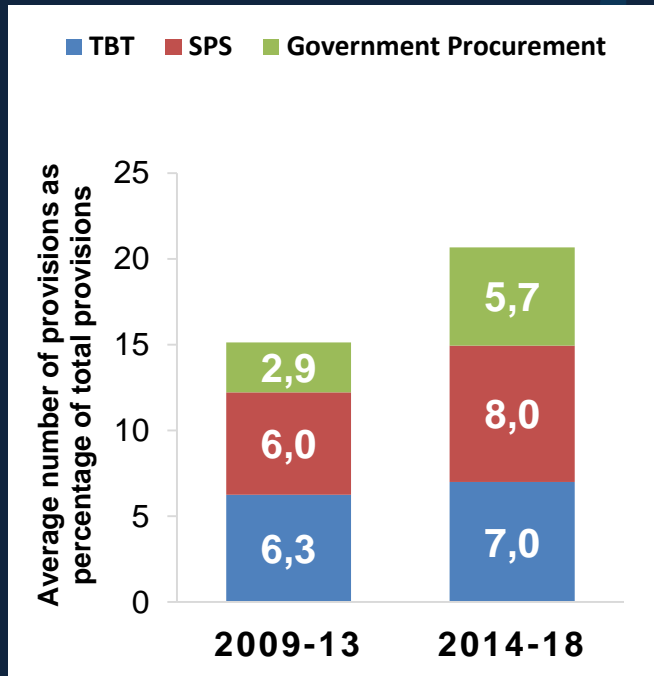
- Trade costs related to NTMs increase with the divergence of measures in different countries
- Regulations are slightly less harmonized among the economies of the Asia-Pacific region than globally.
- Regulatory distance for measures that were identified as having a direct and positive impact on SDGs is slightly higher than for all measures.

Economies' average regulatory distances within/between subregions, EU and US, all measures

| | East and North-East Asia | North and Central Asia | Pacific | South-East Asia | South and South-West Asia | European Union | United States |
|---------------------------|--------------------------|------------------------|---------|-----------------|---------------------------|----------------|---------------|
| East and North-East Asia | 0.17 | 0.14 | 0.15 | 0.14 | 0.15 | 0.14 | 0.20 |
| North and Central Asia | 0.14 | 0.08 | 0.12 | 0.11 | 0.11 | 0.10 | 0.18 |
| Pacific | 0.15 | 0.12 | 0.12 | 0.11 | 0.12 | 0.12 | 0.19 |
| South-East Asia | 0.14 | 0.11 | 0.11 | 0.10 | 0.10 | 0.10 | 0.18 |
| South and South-West Asia | 0.15 | 0.11 | 0.12 | 0.10 | 0.09 | 0.10 | 0.18 |
| European Union | 0.14 | 0.10 | 0.12 | 0.10 | 0.10 | – | 0.16 |
| United States | 0.20 | 0.18 | 0.19 | 0.18 | 0.18 | 0.16 | – |

Regional efforts to coordinate and streamline NTMs can accomplish more

- NTMs are increasing addressed through regional trade agreements
- RTAs can help to reduce protectionism and compliance costs while facilitating transparency and adoption of international standards.



Looking forward

- A useful step to help address NTMs and related procedural obstacles would be to establish a **regional NTB reporting, monitoring and elimination mechanism**.
- Attention needs to be given to design, development, and implementation of NTMs. It would be beneficial for **guidelines on sustainability impact assessment** of new and existing NTMs to be developed in close consultation with Governments.
- **Capacity-building** in, and retention of, expertise needs to be intensified and strengthened.



THANK YOU

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