

NON-TARIFF MEASURES WEEK
TRADE REGULATIONS AND VOLUNTARY SUSTAINABILITY STANDARDS

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From Data to Policy: National NTM initiatives to pursue good regulatory practices

by

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD



From Data to Policy: National NTM initiatives to pursue good regulatory practices

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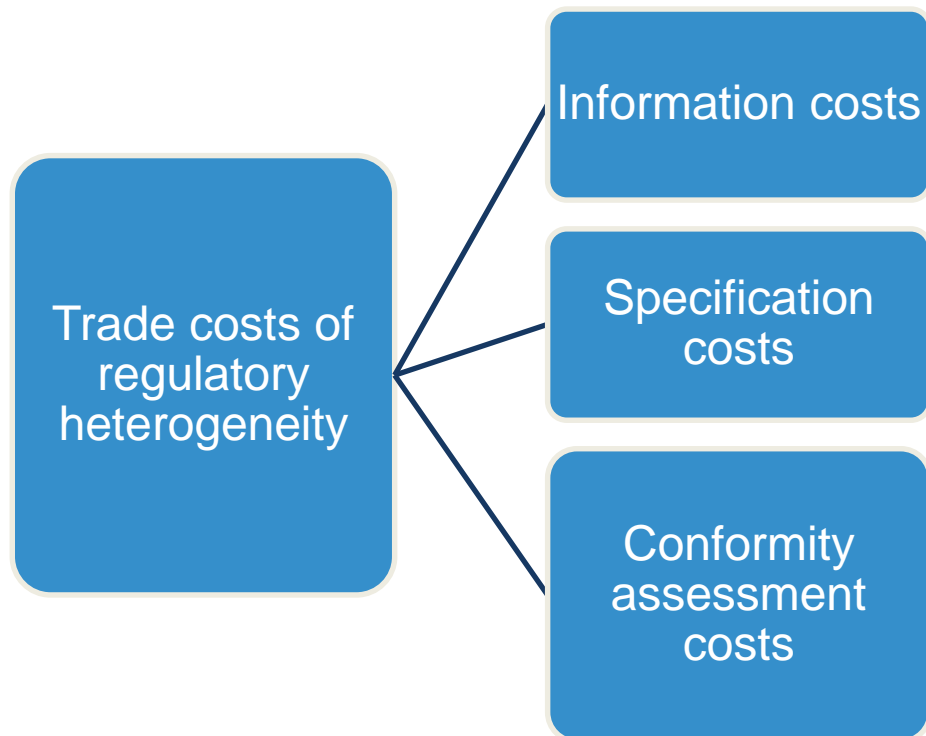


Why does good regulatory policy matter to trade?

- Domestic regulations address various market imperfections – but lead to NTMs
- Regulatory heterogeneity can increase trade costs
- Good regulation can enhance demand – and facilitate trade
- ‘Eliminating’ NTMs makes no sense – goal is efficiency

Trade costs of regulatory heterogeneity

THE DEFINITION



THE EVIDENCE

They are non-negligible in some sectors

They distort GVCs

They may be fixed (affect market entry) or variable (act as a tariff)

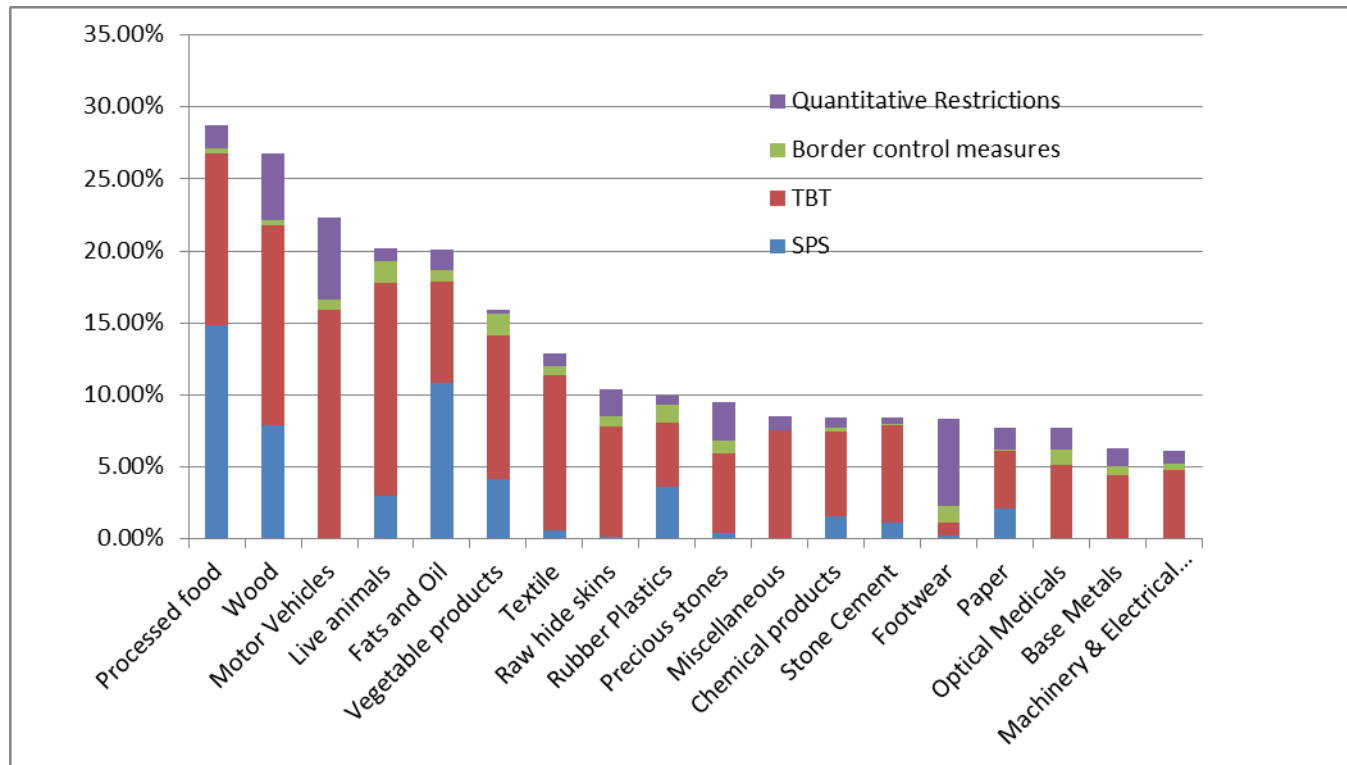
They are country and sector specific

Their importance has become clearer as traditional barriers have been lowered



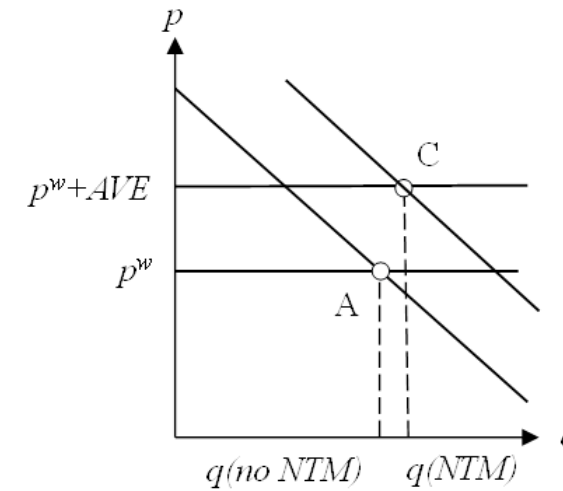
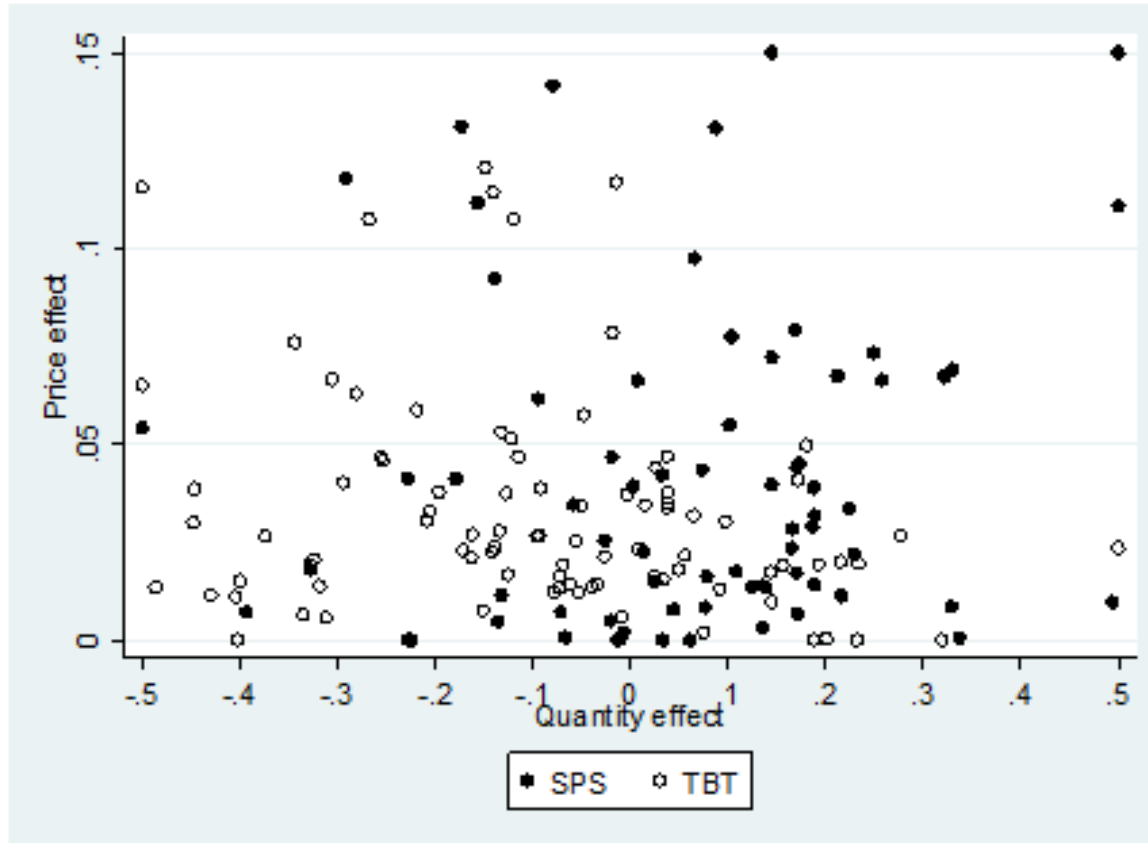
Some facts: NTMs raise import costs

*Estimates of price effects of NTMs - aggregated to HS2 level, AVEs %
Frequency weighted*



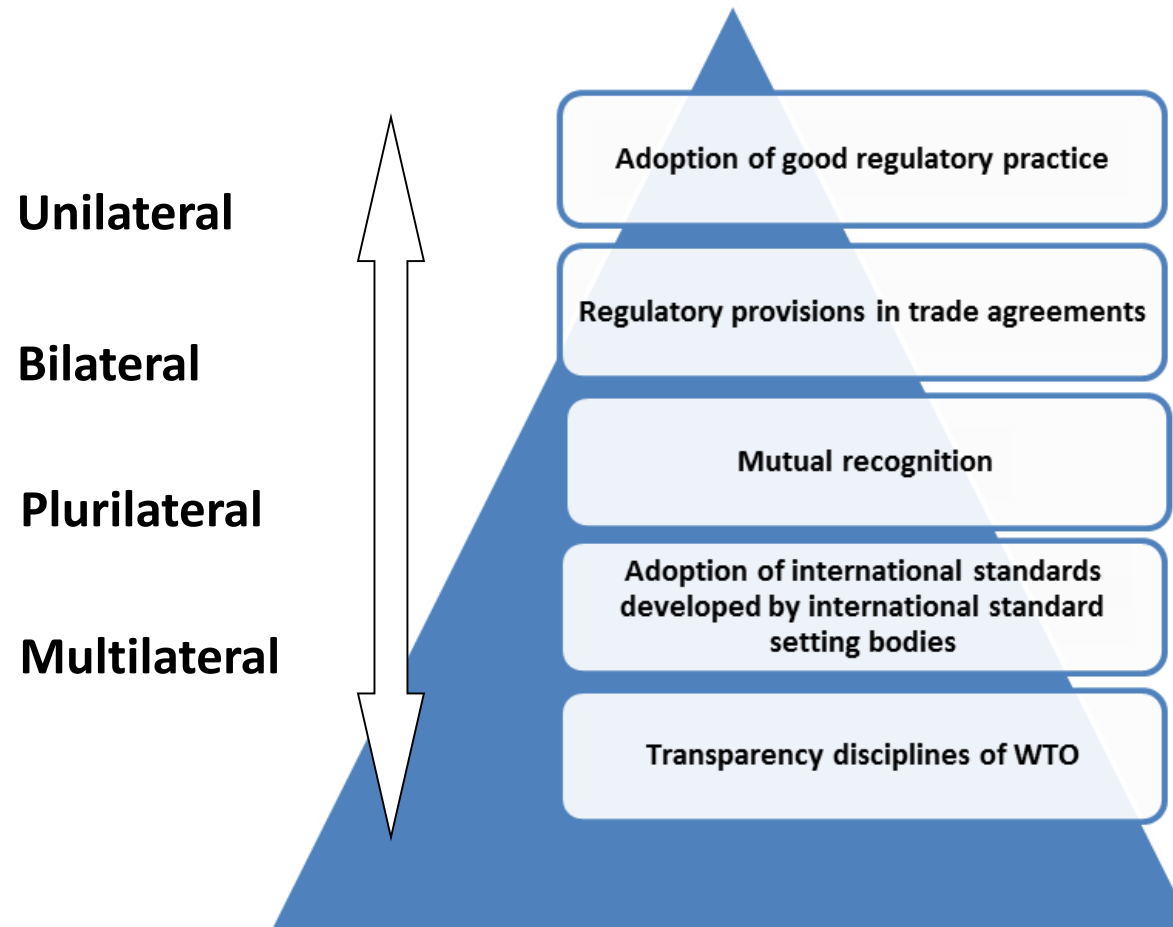


SPS and TBT can have demand-enhancing effects – while raising import prices





Multi-level approaches to reducing trade costs



Unilateral action

- Good regulatory practices – GRP
 - Promote regulatory quality, predictability and transparency
- Regulatory Impact Assessment – RIA
 - Should pay more attention to trade impacts
- Tools include OECD Cost-benefit framework 2009:
 - Comparative analysis of different ways to address the same regulatory issue
 - What is least cost solution?
 - Costs and benefits for: consumers producers, governments; domestic and abroad

» Good Regulatory Practices can...

Benefits

- Limits information, specification and conformity assessment costs
- Submits regulation to evidence-based process, allows inputs from stakeholders (including foreign)
- Non-discriminatory; can avoid sector-specific pressures
- Preserves regulatory space

Costs/Challenges

- Methodological challenges
- Guided by national concerns; regulatory convergence may not prevail
- Regulatory frictions can arise from different enforcement mechanisms
- *ex post* assessment often neglected
- Allowing access to foreign entities

Success factors

- Most useful in heterogeneous situations
- Domestic commitment to regulatory policy and existence of oversight body
- Adaptation/adoption process (at home and abroad)
- Size of trade costs



Domestic preferences and trade costs

Potential to successfully negotiate co-operation:

	Trade costs		
		High	Low
Preference for domestic regulation	High	-?	--
	Low	++	+?

Negotiations are more promising if trade costs are high and preferences to keep domestic regulations are low

Information exchange can already bring benefits: take foreign regulation into account when designing your own

Econometrics of IRC in PTAs – trade effects – OECD work in progress

1. PTAs and IRC between countries which are already big trading partners: **endogeneity**
2. Strong trade **impacts**: legal enforceability, transparency, MRA of TBT conformity assessment
3. **SPS-related IRC** mechanisms more significant than TBT IRC mechanisms
4. Strong **phasing-in effects** in PTAs and in IRC



Multilateral – using international standards

Benefits

- Limits specification and conformity assessment costs stemming from regulatory heterogeneity
- Supports a multilateral approach fit for globalised production and markets
- Allows countries access to standards that can be used in domestic legislation at low costs
- Flexible, voluntary and demand driven

Costs / challenges

- Multiplicity of standards in the same field
- Use of standards in regulatory documents is complex and opaque
- There may be questions about the quality, international dimension, appropriateness to local needs of the standards

Success factors

- More systematic consideration and use in domestic frameworks
- Greater assurance that international instruments are fit for purpose and of high quality
- Avoid fragmentation and overlaps



Further reading on **NTMs** and **IRC**

- van Tongeren, F., J. Beghin and S. Marette (2009), "A Cost-Benefit Framework for the Assessment of Non-Tariff Measures in Agro-Food Trade", OECD Food, Agriculture and Fisheries Working Papers, No. 21, OECD Publishing, doi:10.1787/220613725148
- van Tongeren, F. *et al.* (2010), "Case Studies of Costs and Benefits of Non-Tariff Measures: Cheese, Shrimp and Flowers", *OECD Food, Agriculture and Fisheries Papers*, No. 28, OECD Publishing, Paris. <http://dx.doi.org/10.1787/5kmbt57jjhwl-en>
- von Lampe, M., K. Deconinck and V. Bastien (2016), "Trade-Related International Regulatory Co-operation: A Theoretical Framework", *OECD Trade Policy Papers*, No. 195, OECD Publishing, Paris. <http://dx.doi.org/10.1787/3fbf60b1-en>
- Cadot, O., J. Gourdon and F. van Tongerent (2018), Estimating Ad-Valorem Equivalent of Non-Tariff Measures: Combining price-based and quantity-based approaches, *OECD Trade Policy Papers*, No. 215, OECD Publishing, Paris.
- OECD (2017), ***International Regulatory Co-operation and Trade: Understanding the Trade Costs of Regulatory Divergence and the Remedies***, OECD , <http://dx.doi.org/10.1787/9789264275942-en>.