

(Preliminary draft)

**THE UNSEEN IMPACT OF
NON-TARIFF MEASURES:**

Insights from a new database



The Unseen Impact of Non-Tariff Measures:

Insights from a new database

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Section 4: ...



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Structure of presentation

- **Identification** of NTMs
- **Collection** of NTM data
- **Measurement** of the impact of NTMs on countries and firms
- **Reform** of NTMs through international agreements and national reform
- **Priorities** for future work



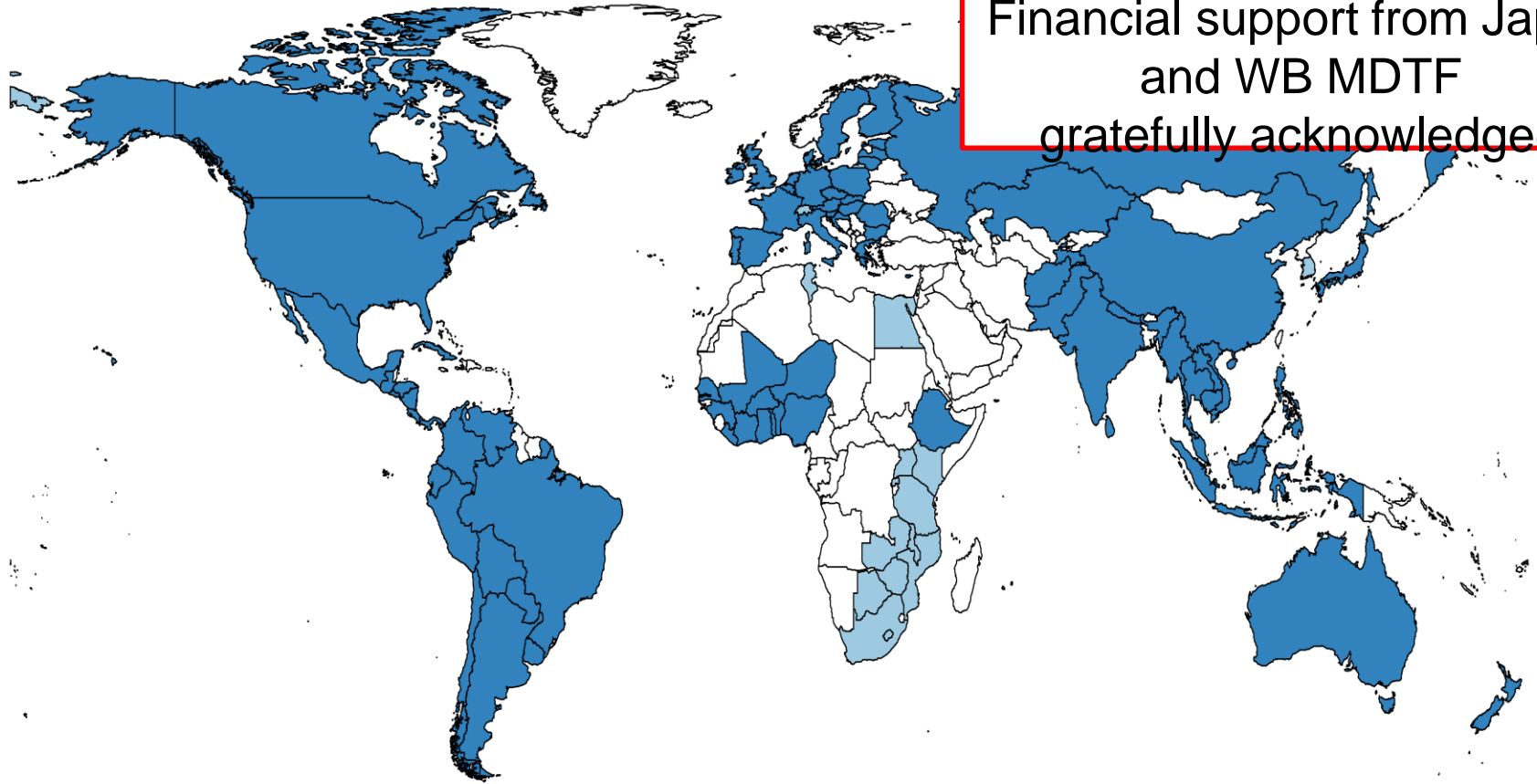
Non-Tariff Measures

- “Non-Tariff Measures are policy measures, other than ordinary customs tariffs, that can have an effect on international trade ...” (UNCTAD Group of Eminent Persons on NTBs)
- NTMs include a broad range of policy instruments including
 1. **traditional trade policy instruments**, such as **quotas and price controls**, and rules of origin as well as
 2. **regulatory and technical measures** that stem from important non-trade objectives related to health and environmental protection
 - Sanitary and Phytosanitary (SPS) measures and
 - Technical Barriers to Trade (TBT)



Data Collection: Map of Data Availability – A global initiative

UNCTAD – World Bank
Top 25 Markets project
Financial support from Japan
and WB MDTF
gratefully acknowledged



■ Data is available ■ In progress
□ No data

Data available at
[Trains.unctad.org](https://trains.unctad.org)
[Wits.worldbank.org](https://wits.worldbank.org)



UNITED NATIONS CONFERENCE ON TRADE

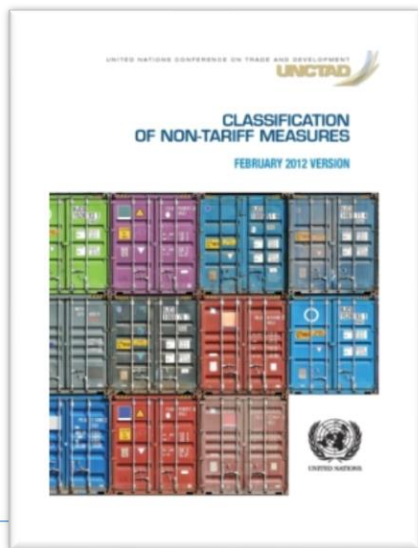
Measurement: Ad valorem equivalents

- AVEs are price effects of Non-tariff measures, in percentage terms, on trade flow
- Example: an AVE of 10% indicates that the NTMs add about 10% to the price of the traded product



International Classification of NTMs: MAST Classification, The common language

Multi Agency Support Team
(FAO, IMF, ITC, OECD,
UNCTAD, UNIDO,
World Bank, WTO)
updated NTM classification



Imports	Technical measures	<p>A SANITARY AND PHYTOSANITARY MEASURES</p> <p>B TECHNICAL BARRIERS TO TRADE</p> <p>C PRE-SHIPMENT INSPECTION AND OTHER FORMALITIES</p>
	Non technical measures	<p>D CONTINGENT TRADE-PROTECTIVE MEASURES</p> <p>E NON-AUTOMATIC LICENSING, QUOTAS, PROHIBITIONS AND QUANTITY-CONTROL MEASURES OTHER THAN FOR SPS OR TBT REASONS</p> <p>F PRICE-CONTROL MEASURES, INCLUDING ADDITIONAL TAXES AND CHARGES</p> <p>G FINANCE MEASURES</p> <p>H MEASURES AFFECTING COMPETITION</p> <p>I TRADE-RELATED INVESTMENT MEASURES</p> <p>J DISTRIBUTION RESTRICTIONS</p> <p>K RESTRICTIONS ON POST-SALES SERVICES</p> <p>L SUBSIDIES (EXCLUDING EXPORT SUBSIDIES UNDER P7)</p> <p>M GOVERNMENT PROCUREMENT RESTRICTIONS</p> <p>N INTELLECTUAL PROPERTY</p> <p>O RULES OF ORIGIN</p>
	Exports	<p>P EXPORT-RELATED MEASURES</p>

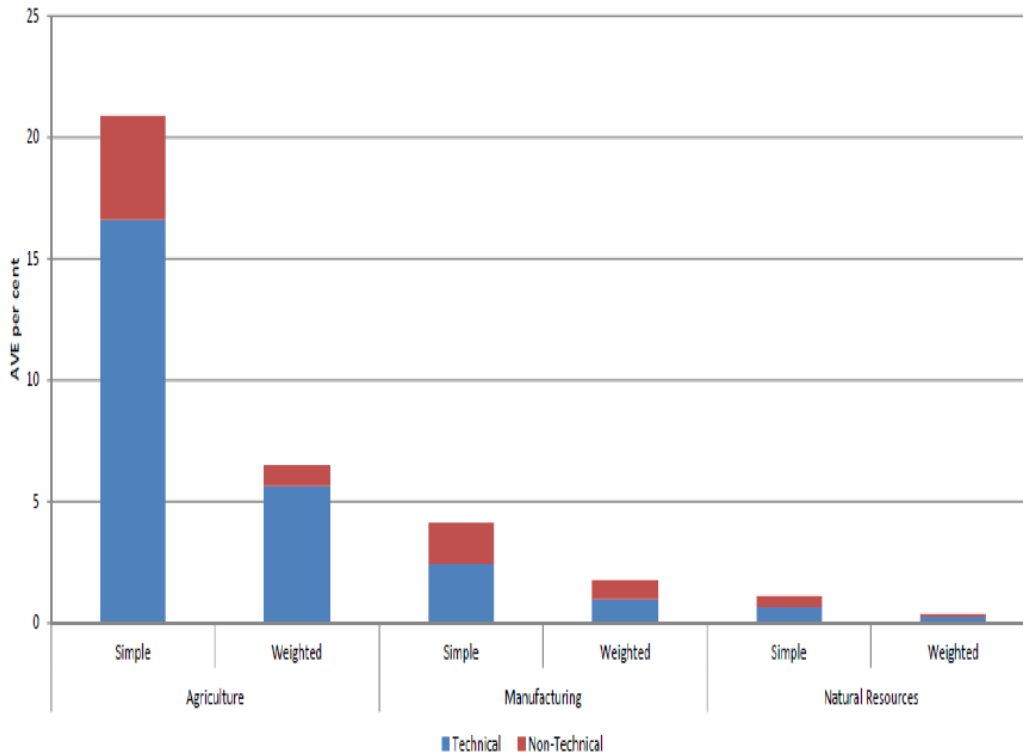
Methodology

- Two step procedure:
 - ① construct the proportionate change in quantity imported due to the presence of NTMs
 - ② use the elasticity of trade with respect to one percentage point increase in the tariff to convert the proportionate change in quantity imported due to NTMs in terms of AVE
- AVEs are the equivalent tariff that would be necessary to impose in order to obtain the same proportionate change in quantity imported due to the presence of NTMs



Agriculture is most protected, especially by technical barriers

Average AVE on Agriculture, Manufacturing and Natural Resources

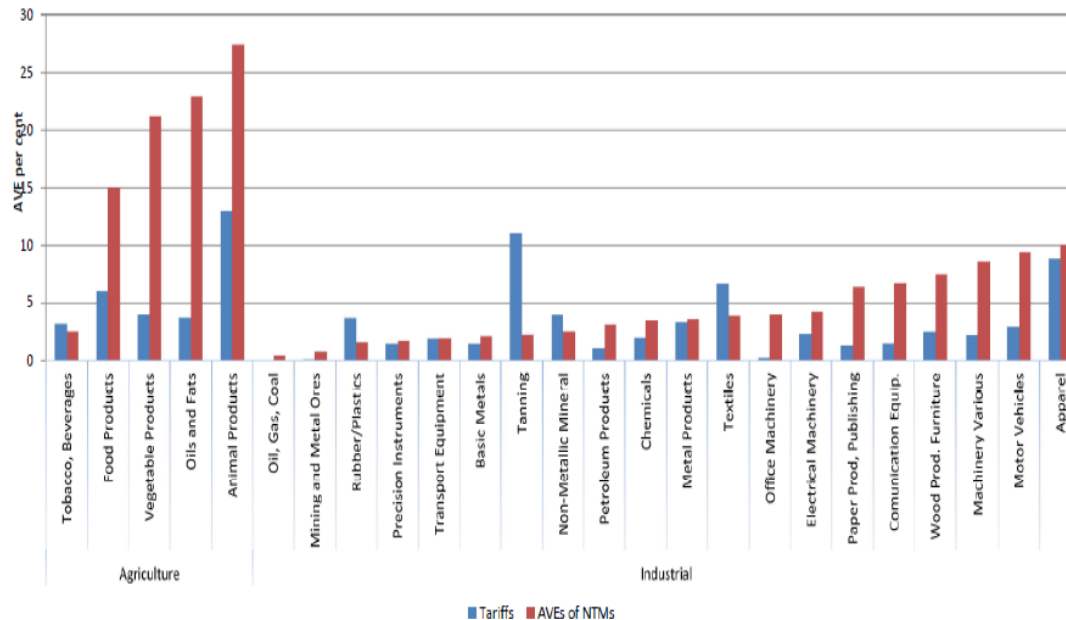


But could manufacturing be the new agriculture?



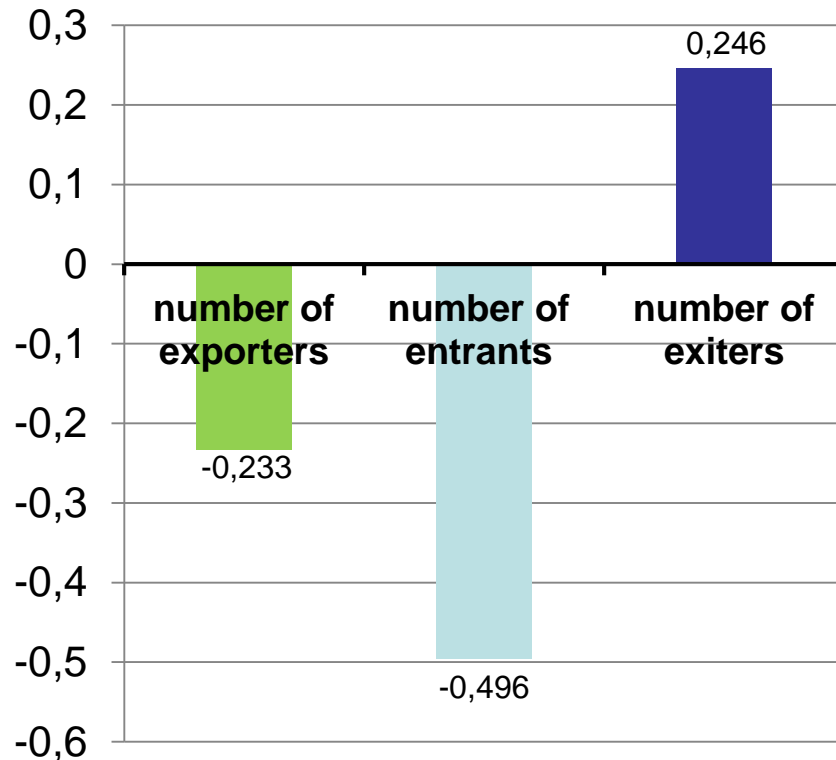
In many sectors, NTMs dwarf the impact of tariffs

Tariffs and AVE by sector



Measurement through micro-impact: Firm-level impact of agricultural standards

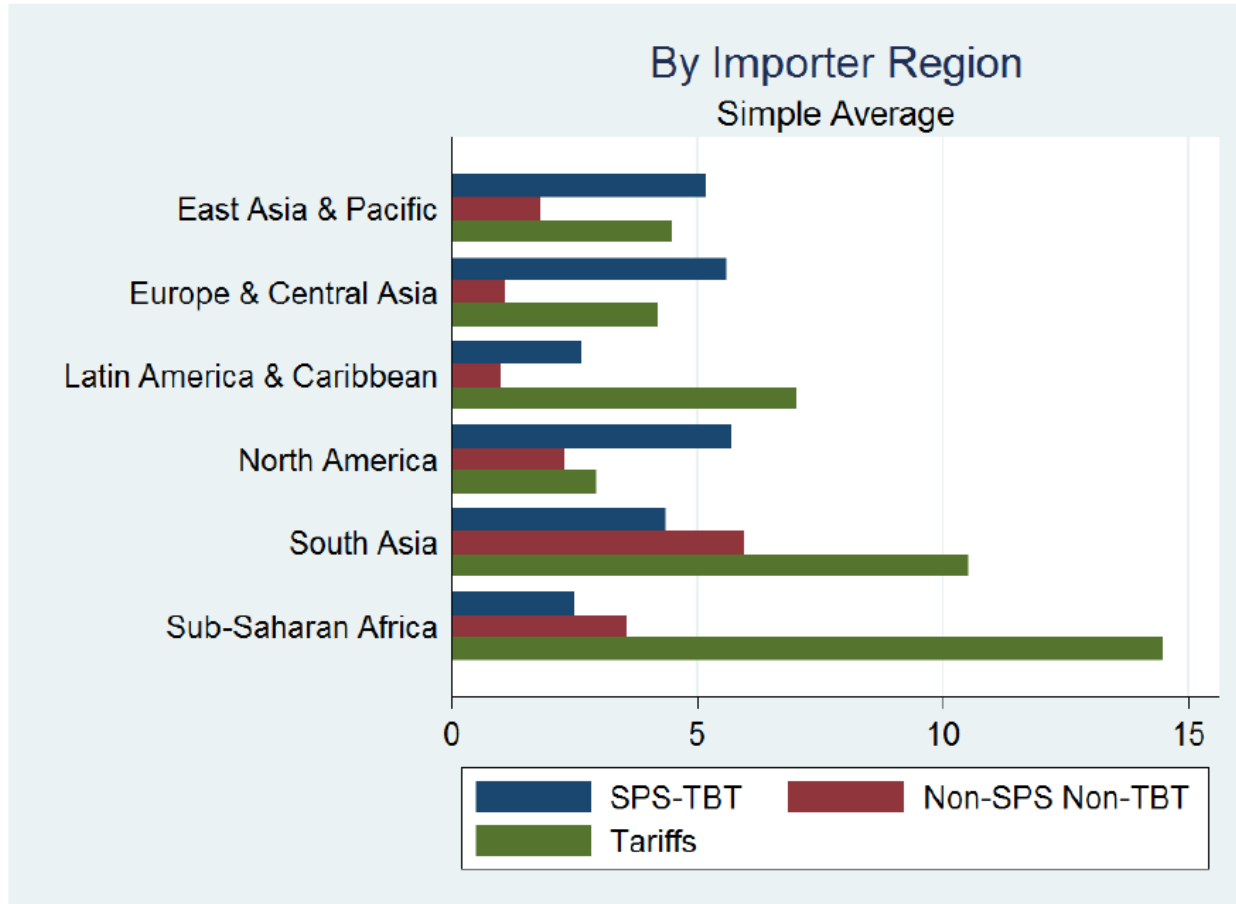
Restrictive product standards negatively affect the number of firms that export, dissuades entry, and promotes exit of firms in export destinations



Source: Fernandes, Ferro and Wilson (2016)

Ad valorem equivalents of NTMs and tariffs by importing region

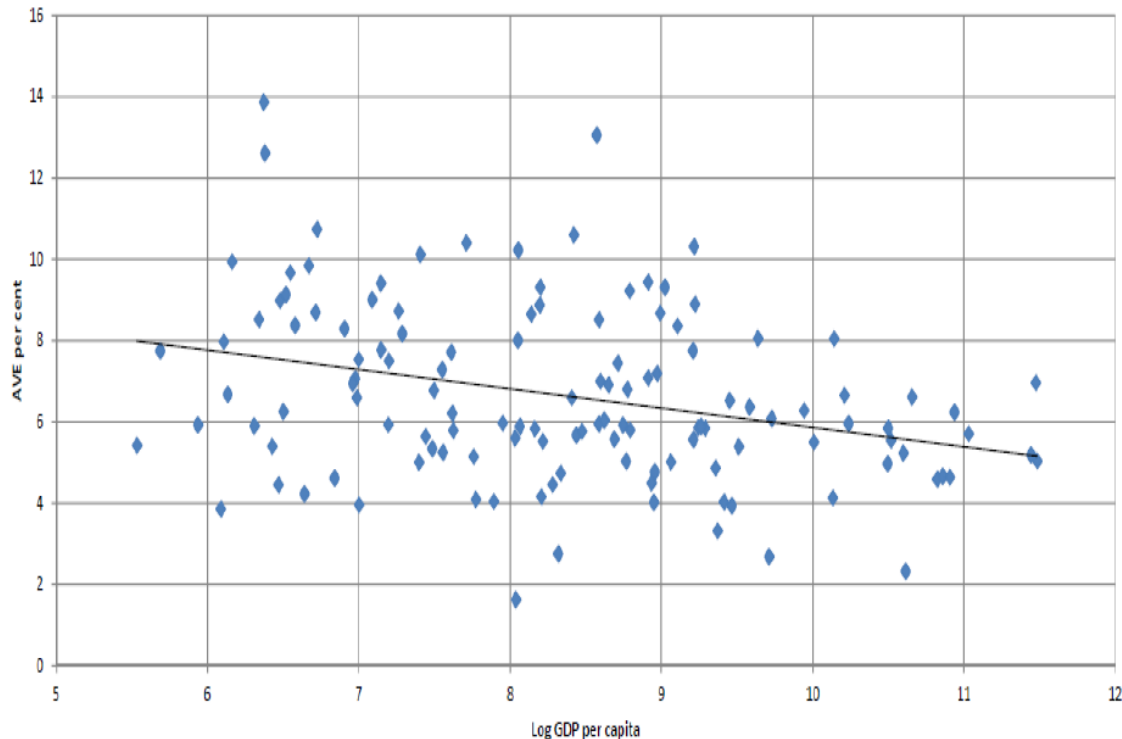
Average AVE by importing region



But could we be witnessing a revival of explicit tariff protection in industrial countries?

Poor countries face greater protection in export markets

Average AVE (technical + non-technical) faced by exports and GDP per capita



The emerging picture

- NTMs adds significant costs to trade:
 - ① Especially in regard to technical measures
 - ② Effects are very heterogeneous across countries and products
 - ③ Developing countries AVEs faced by their exports are generally higher
 - ④ Tariffs remains important, especially in developing countries

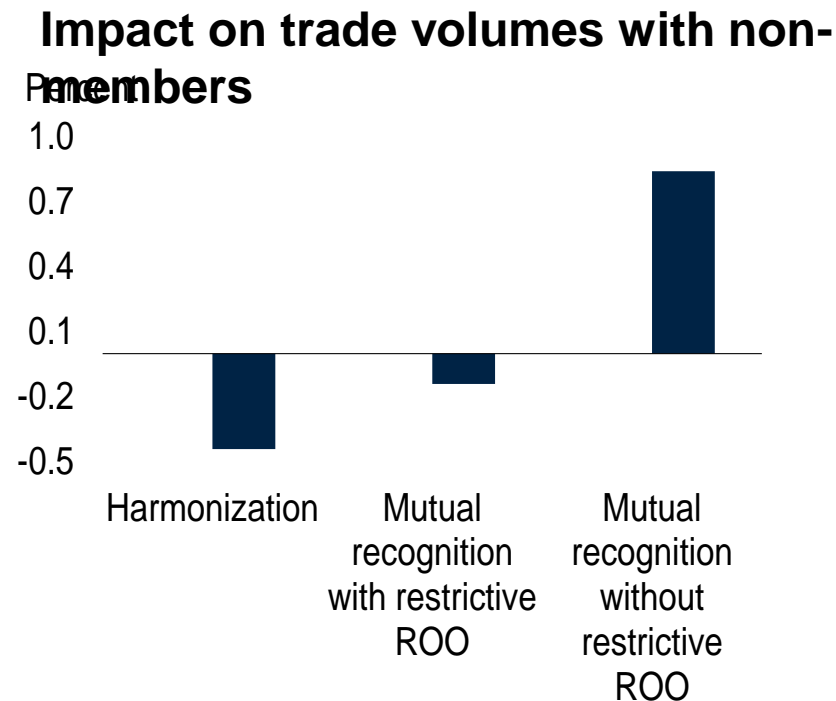
But we could be entering an era of policy reversals...

- Increased agricultural protection in developing countries
- Increased manufacturing protection in industrial countries
- And in both cases, an increased use of both tariffs and NTMS



Reform: How regulatory convergence is achieved will determine impact on insiders and outsiders

Mutual recognition without restrictive rules of origin promises the greatest benefits to third countries.



Source: Chen, Maggie Xiaoyang, and Aaditya Mattoo (2008), Regionalism in standards: good or bad for trade?, Canadian Journal of Economics, vol. 41, 838–863 .



Reform: Resisting the tyranny of harmonization to avoid exclusion within countries

In Mexico, the introduction of simplified bank accounts with less burdensome information requirements

is associated with an increase in the number of deposit accounts

Mexico's tiered scheme for opening deposit accounts

	Level 1	Level 2	Level 3	Level 4 - Traditional Bank Account
Max Amount in monthly transactions USD/Month	280 + Max Balance of 370 USD	1,110 ¹	3,700	No limit imposed by regulation
Customer information required to open account	None	<u>Basic:</u> Name, date and place of birth, gender and address	<u>Complete</u> customer information	<u>Complete</u> customer information
Hard copy required?	Not applicable	No	No	Yes
Face to face account opening required?	No	No ²	Yes	Yes
Means to access funds	Only debit card (for national use). No mobile.	Any electronic means (mobile, card, bank transfers)	Any electronic means (mobile, card, bank transfers)	Any electronic means (mobile, card, bank transfers), and cheques

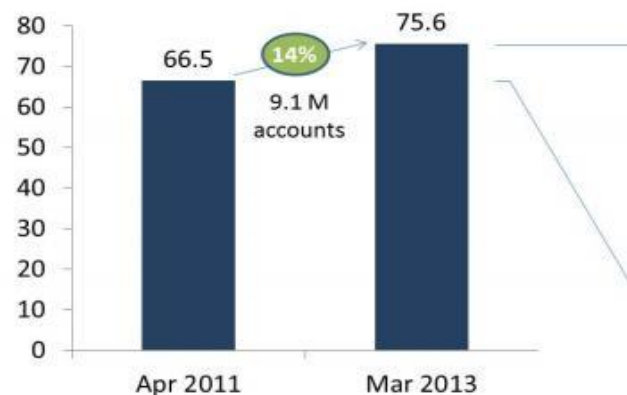
Notes:

1 Level 2 accounts allow additional 2,220 USD in transactions per month if resources originate exclusively from government programs

2 Bank may opt for face-to-face procedure

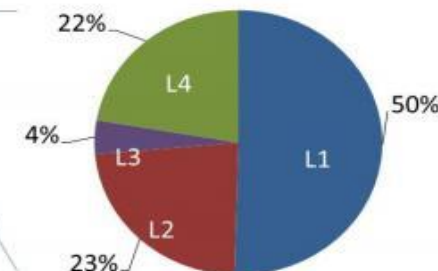
Source: Banxico Circular 2019/95 as modified by Circular 14/2011

Deposit Accounts in Commercial Banks (Levels 1 – 4)
Million accounts



Distribution of Growth

100%= 9.1 M accounts

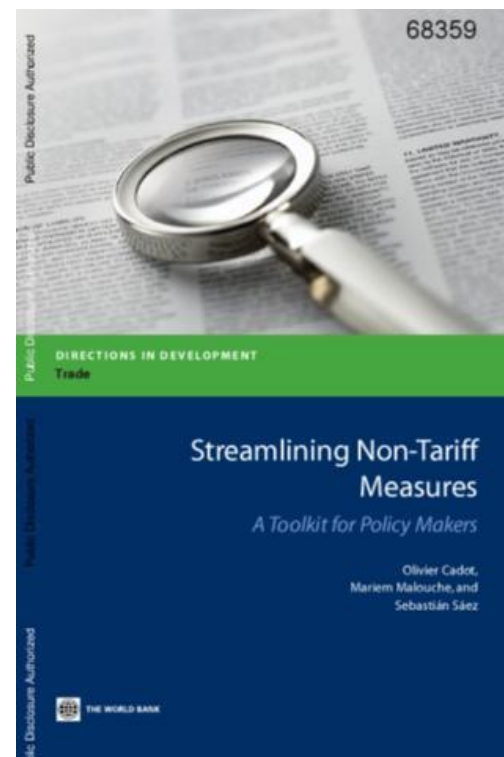


Distribution of accounts opened between 04/2011 and 03/2013

Source: National Banking Commission reports (CNBV), 2013

Reform: Operational work with ASEAN on NTMs

- WBG has supported the ASEAN work program on non-tariff measures, including the ASEAN NTM database
- Cambodia, Laos, Myanmar
- Typical, ideal stages of a program to **streamline NTMs**:
 - Supporting creation of an UNCTAD-style NTM database (done in Laos: Cambodia did this independently)
 - Establishment of an inter-agency committee on NTMs
 - Capacity building and private sector consultation
 - Identification of a small number of priority NTMs for potential streamlining
 - Analysis and implementation



Work ahead: Better measures of NTMs and their impact

- AVE is currently NTM measure blind and intensity blind
- NTMs are heterogeneous and vary in stringency e.g. TBT/SPS, TRIMs, ROO, subsidies, services and competition related...
- Need: better economic analysis and better data on impact (e.g. prices)
- Would help to sift the protectionist from the legitimate in both national policy and international trade rules



Work ahead: Better understanding of the political economy and impact of NTM measure choice

- How are changing patterns of international comparative advantage and national distributional consequences influencing policy?
- For example: RoO on final goods acted as input tariffs, distort sourcing decisions and giving rise to trade diversion in intermediate goods.
- The magnitude of the effect of the rules
 - Whether or not they are relevant
 - Whether they are rigid or flexible
- On average, Mexican imports of treated goods from third countries relative to NAFTA partners would have been 45% higher with no RoO

“From Final Goods to Inputs: The Protectionist Effect of Preferential Rules of Origin” (with Manuel García Santana, Laura Puccio, and Roberto Venturini), *American Economic Review* 108, 2335-2365.



Work ahead: Keeping NTM data collection alive

- So far: sporadic and relying on generosity of donors
- Needed:
 - Sustained institutional resource commitment
 - Stronger inter-institutional collaboration
 - Greater national capacity to jointly collect and maintain data

