NTMs on the Rise: Two challenges

Jaime de Melo

Ferdi and University of Geneva

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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 (for developing economies) Access rich markets and develop RVCs

- For effective participation in world markets: build capacity to satisfy technical and quality standards and comply with administrative procedures
  - For AfcFA: Subsidiarity not applied yet: Regulatory decisions not yet 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: (For industrialized economies) "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](#))

References

• ACCTS «Agreement on Climate Change, Trade and Sustainability», https://www.beehive.govt.nz/release/new-zealand-leading-trade-agreement-driving-action-climate-change-and-environment

• Balineau and Melo (2013) "Removing Barriers to Trade on Environmental Goods: An Appraisal", *World Trade Review*, 2013, 12(4), 719-35.

• Cadot, O., M. Ferrantino, J. Gourdon, J.D. Reyes (2018) « Reforming Non-tariff Measures : From Evidence to Policy Advice"

https://openknowledge.worldbank.org/bitstream/handle/10986/28879/9781464811388.pdf?sequence=7&isAllowed=y

• Ederington and Ruta (2016) 'Non-tariff measures and the world trading system', *Handbook of Commercial Policy*, Elsevier, North-Holland, also World Bank PRWP #7661

• Melo, J. de and A. Nicita (eds) 2018. Non-Tariff Measures: Economic Assessment and Policy Options for Development,

https://unctad.org/en/PublicationsLibrary/ditctab2018d3_en.pdf

• Melo and Solleder (2018)"Barriers to Trade in environmental goods: How Important are they and what should developing countries expect from their removal", DP#1211, CEPR

• Melo, Sorgho and Wagner (in progress) «The Africa Continental Free Trade Area: Trade Cost reduction estimates from implementing the Trade Facilitation Agreement

• Melo and Twun (2019) «Supply chain trade in East Africa: Prospects and Challenges" (mimeo).

SPS measures imposed by the EU 1995-2004 (exports of fruits and vegetables from Africa)
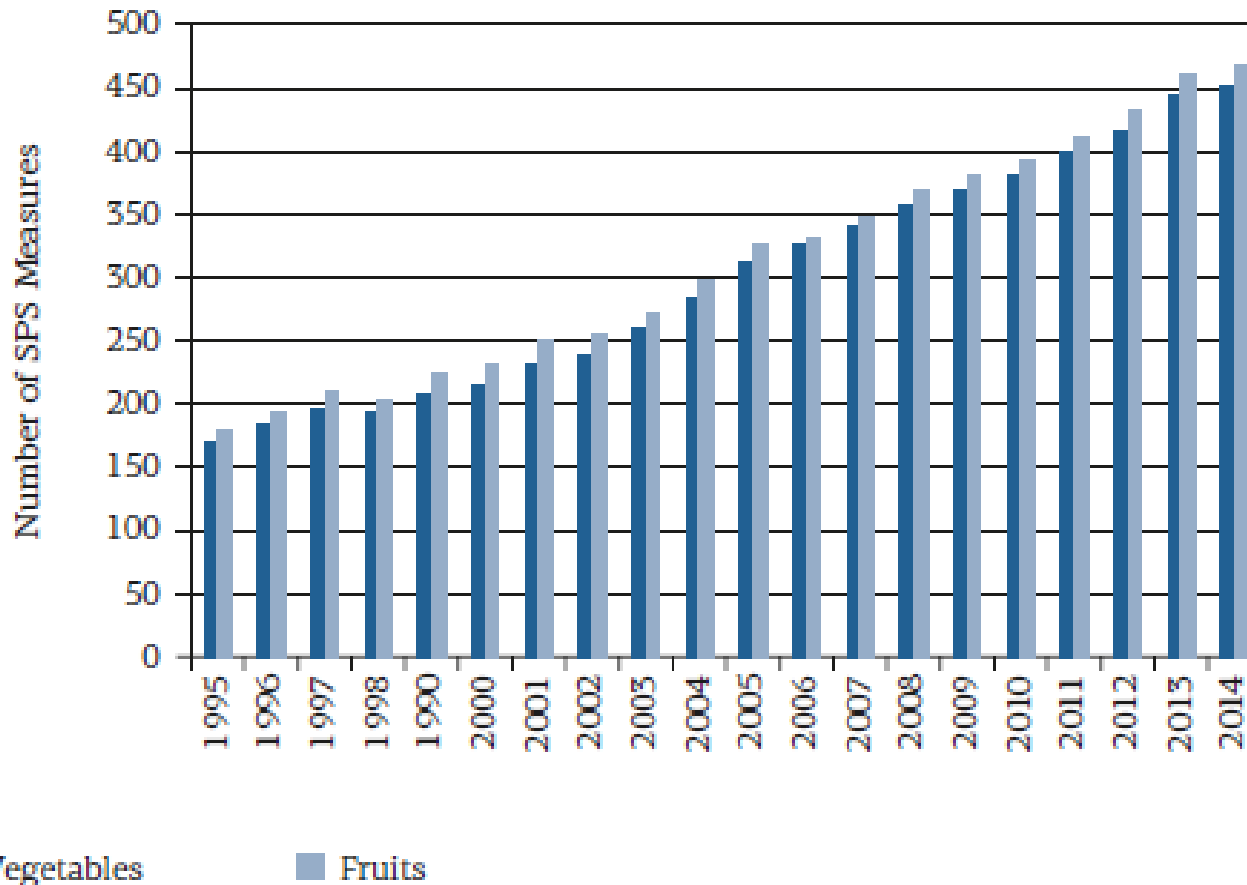
Source: Authors' calculations based on Perinorm Information

Source: Kareem and Rau chp. 10 in Melo and Nicita eds. (2018)

Descriptive indices (lack of precision, dimenstionality, no time dimension)
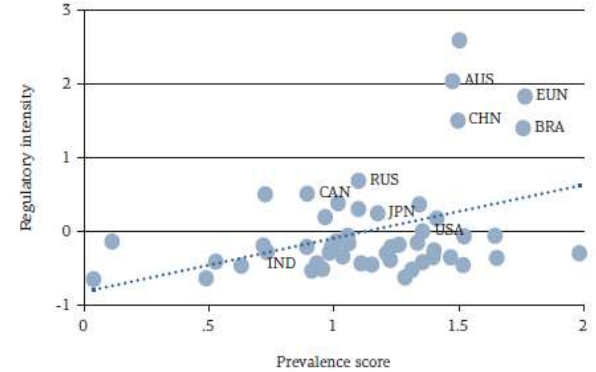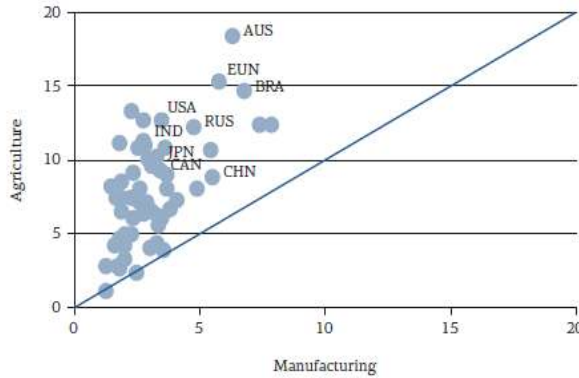## Large number of technical (SPS &TBT) NTMs for agriculture; strong heterogeneity

Figure 1: Prevalence scores for agriculture and manufacturing products

Figure 2: Regulatory intensity index and prevalence scores for technical measures
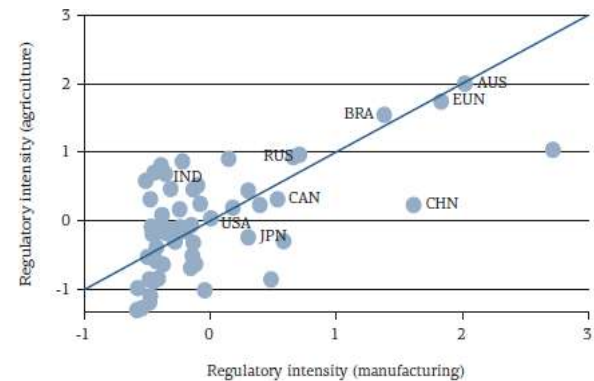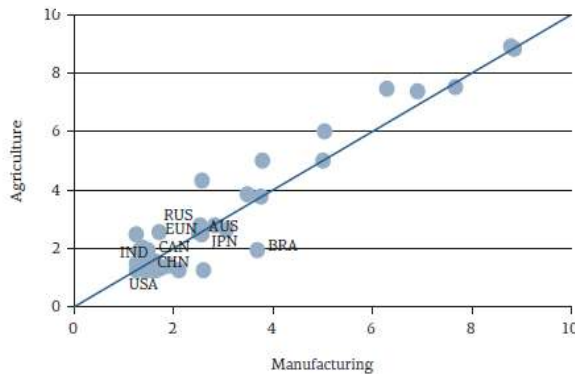
1(a) Technical Measures

2(a) Regulatory intensity vs. prevalence score

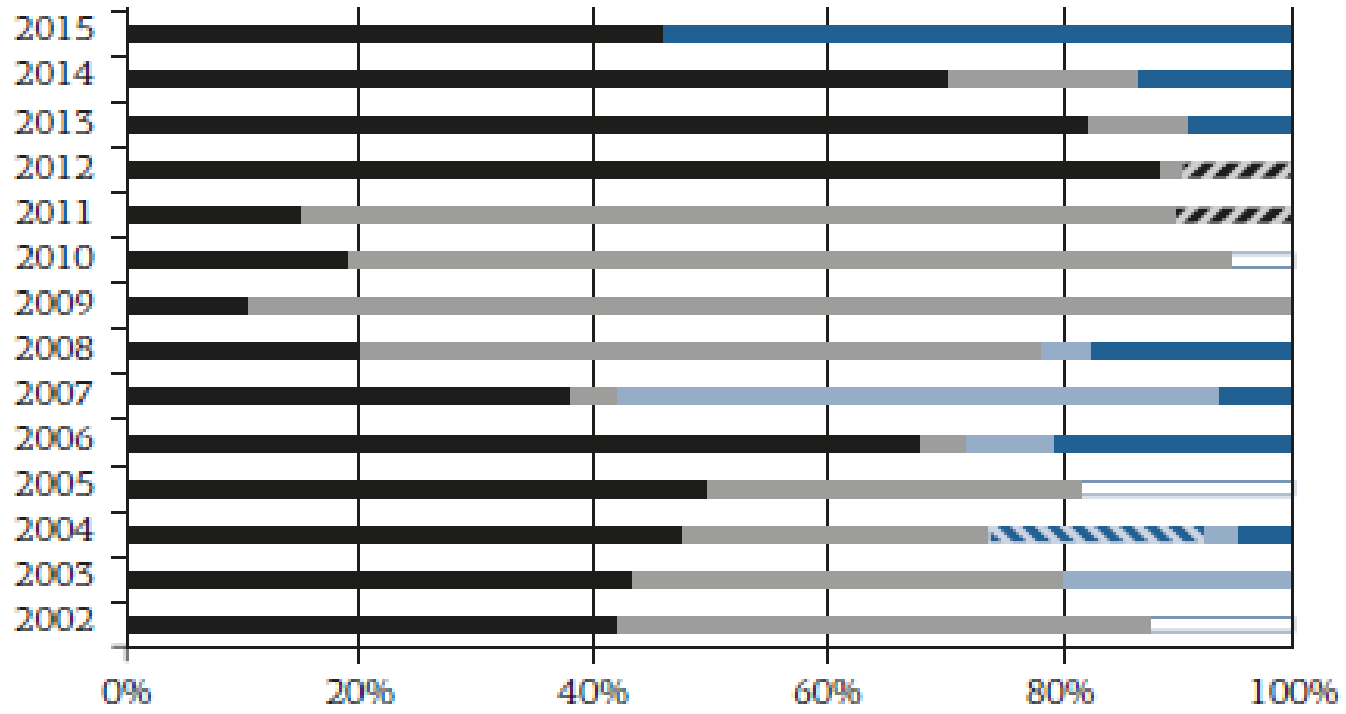PREVALENCE
SCORES
EU(15,7)
CHN (8,6)

1(b) Non-Technical Measures

2(b) Regulatory intensity:
agriculture vs. manufacturing

Source: Melo and Nicita chp.1 in Melo and Nicita eds. (2018)

Case study: Chilean Fruit and vegetable exports to US

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

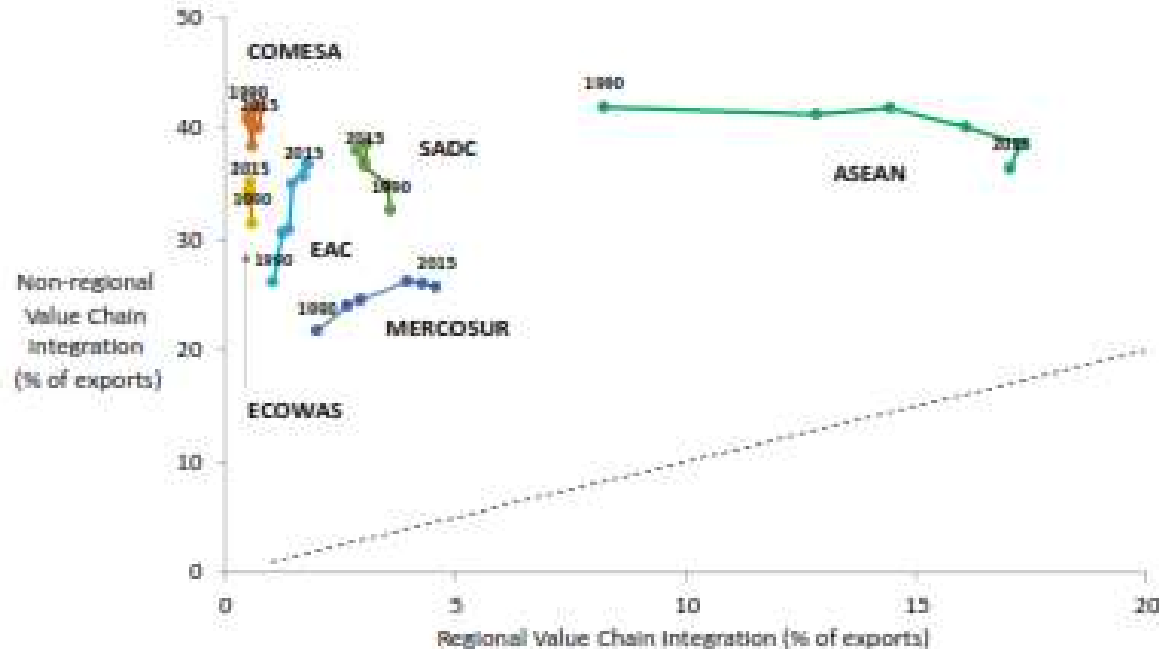**Legend:** ■ Pesticides ▬ Filth/Decomposition ◩ Manufacturing failure
▨ Needs FCE □ Poisonous ◪ Unsafe additives ■ Label

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

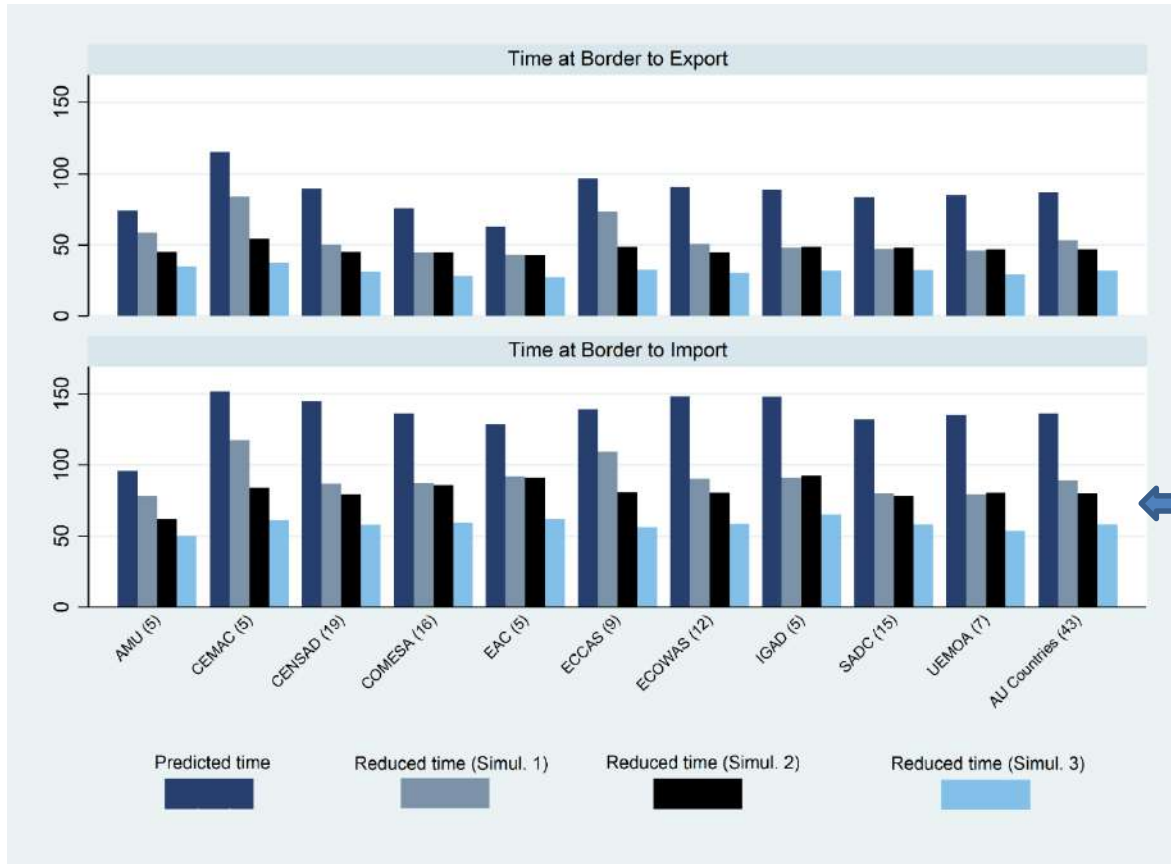Source: Boza et al. chp. 7 in Melo and Nicita eds. (2018)

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

Time at Border to Export

Time at Border to Import

Legend: Predicted time | Reduced time (Simul. 1) | Reduced time (Simul. 2) | Reduced time (Simul. 3)

Region labels: AMU (5), CEMAC (5), CENSAD (19), COMESA (16), EAC (5), ECCAS (9), ECOWAS (12), IGAD (5), SADC (15), UEMOA (7), AU Countries (43)

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.

Source: Melo, Sorgho, Wagner (in progress)

(back)

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

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 of use
Project Approach
Finer/alternative HS-classification problematic

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)

Nitghtmare 2: Classifying NTMs
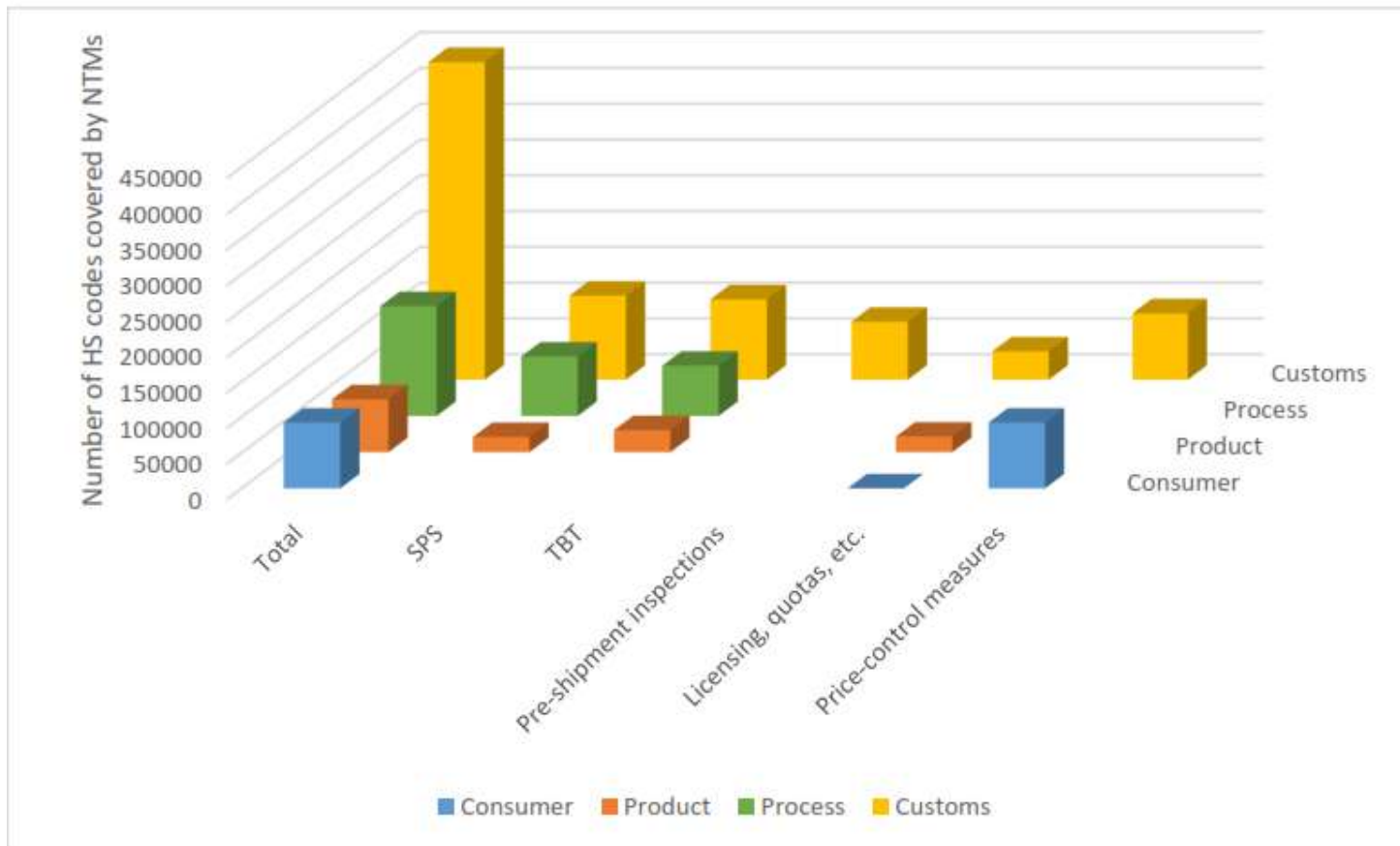
• 4 categories of NTMs from Ederington and Ruta
Regulatory overlap (RO) computed for «Process» and «Products» categories.
• Only customs NTMs are classified as NTBs in NTMs and NTB slide

Source: Melo and Solleder (2018)

Two lists of EGs: What overlap?

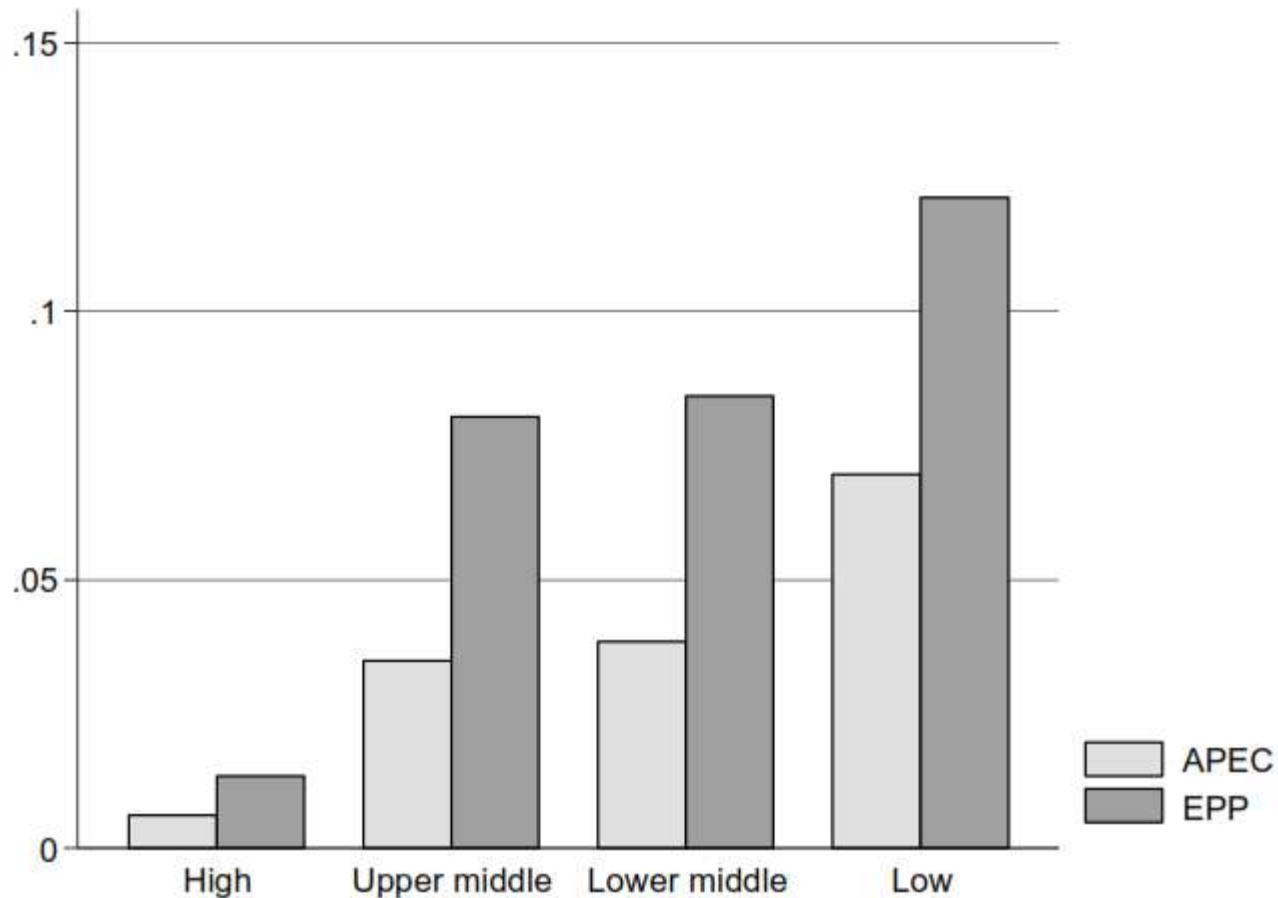Figure 1: The APEC and EPP lists of Environmental Goods
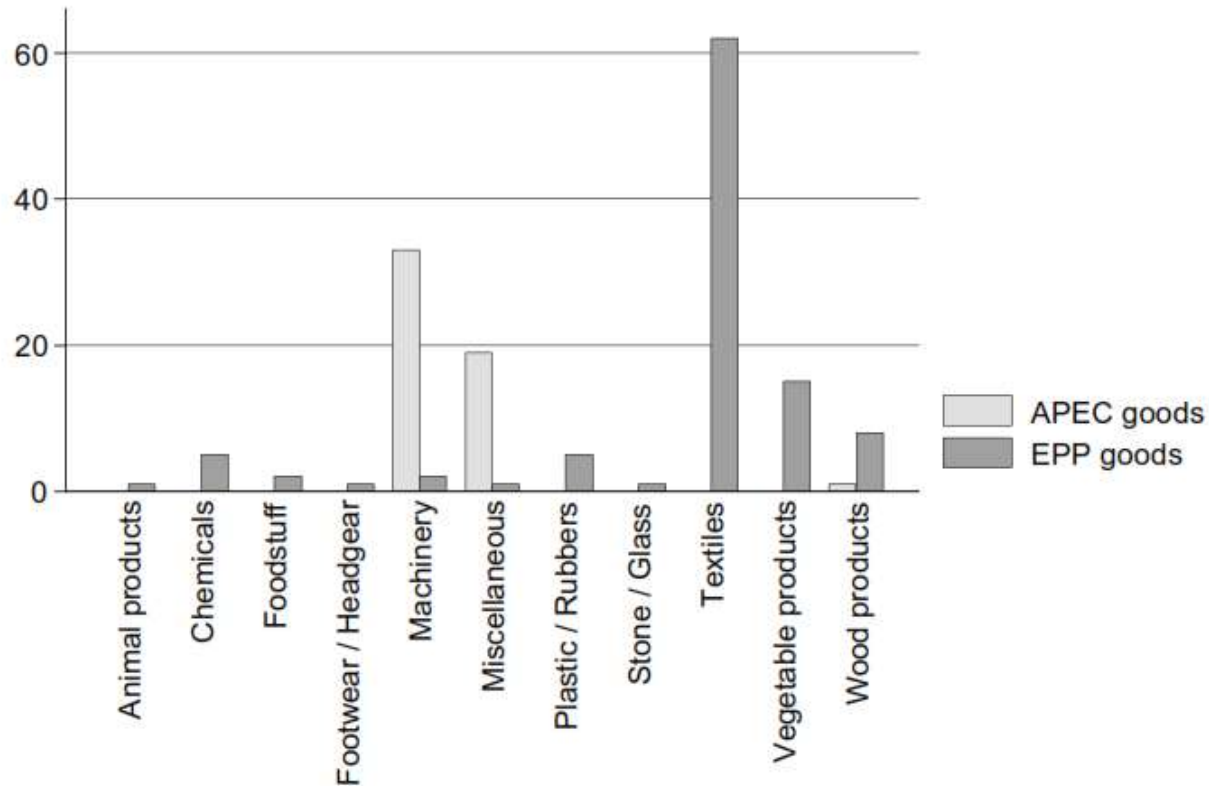
• How much disparity in perceptions are genuine? (leave negotiations on lists to «experts», not trade negotiators).

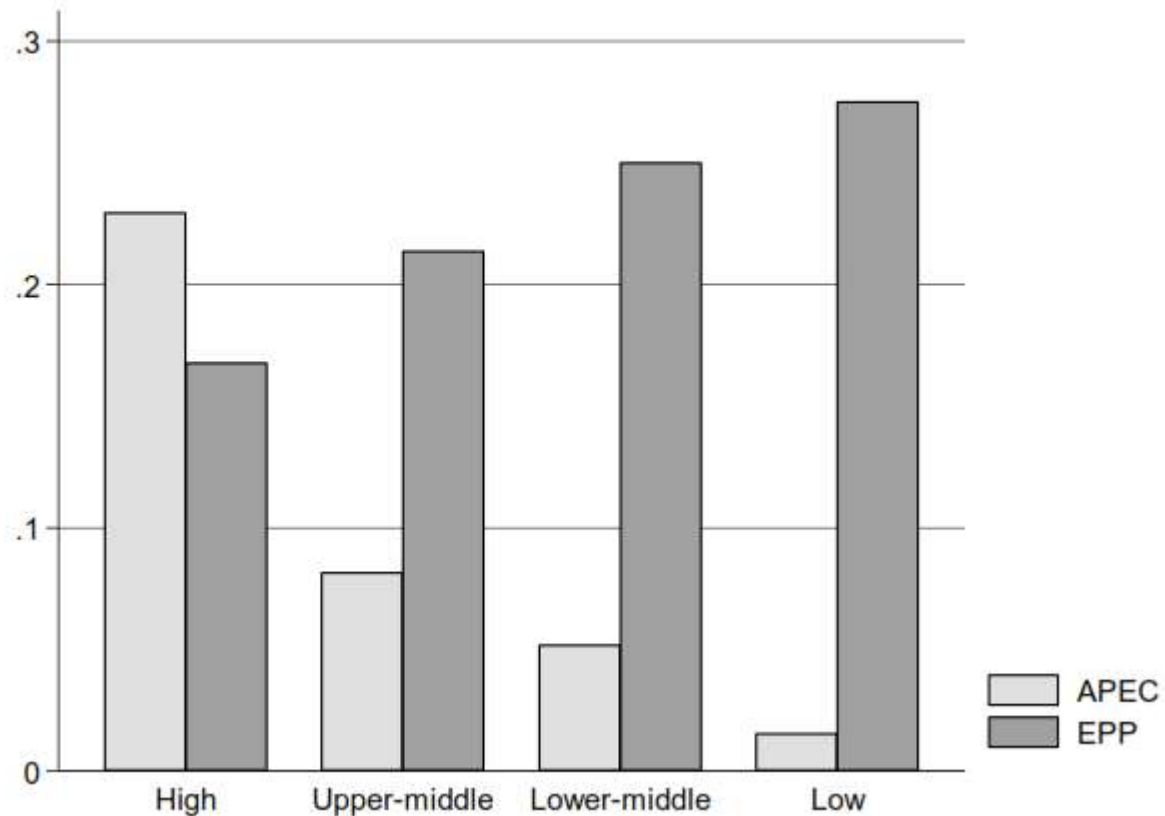• See Balineau-Melo discussion of submission lists during Doha negotiations

Source: Melo and Solleder (2018)

Average tariffs by income group

(two EG lists)

Source: Melo and Solleder (2018)

Revealed Comparative Advantage

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

Source: Melo and Solleder (2018)

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

Source: Melo and Solleder (2018)
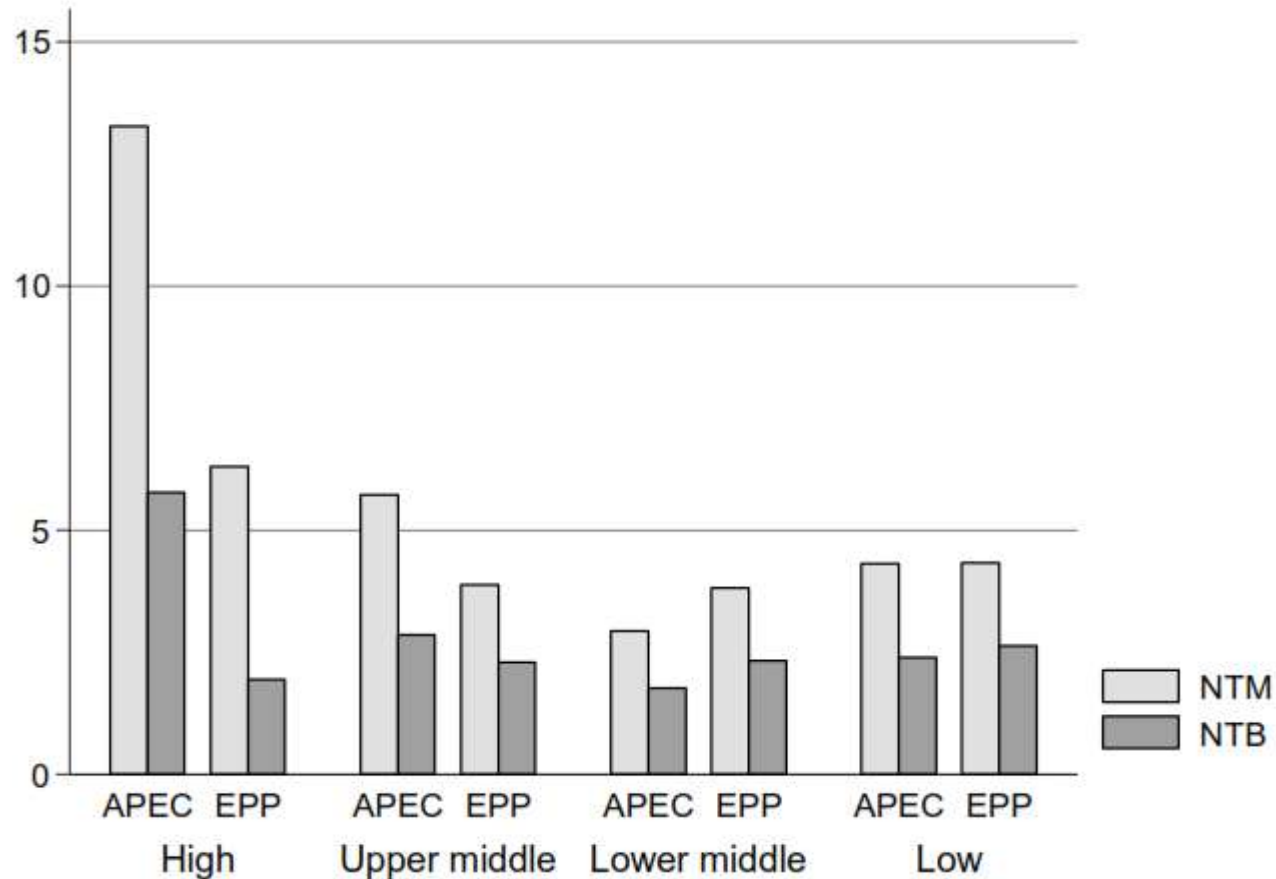
Regulatory overlap and bilateral trade intensity EGs

	(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*** (0.0469)	-2.150*** (0.0310)	-2.129*** (0.0467)	-2.032*** (0.0328)
Observations	109'151	67'858	122020	74748

Robust standard errors in parentheses
$^{*} p < 0.10$, $^{**} p < 0.05$, $^{***} p < 0.01$

Source: Melo and Solleder (2018)