Understanding Non-tariff Measures
ITC’s Programme on Non-Tariff Measures (NTMs)

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Virtual Institute Study Tour - University of West Indies
What factors may hinder the export or import processes of companies?
What are Non-Tariff Measures (NTM)?
Definitions

Non-tariff measures (NTMs)

Official policy measures on export and import, other than ordinary customs tariffs, than can potentially have an effect on international trade in goods, changing quantities traded, or prices or both.

Mandatory requirements, rules or regulations legally set by the government of the exporting, importing or transit country (in contrast to private standards which are not legally set)

Can affect both export and import
Example:
A Mayonnaise for a Swiss supermarket – labeling requirements

Mandatory requirements by Switzerland

Information is provided in 3 languages
Non-tariff barriers (NTBs)
NTBs are measures that negatively affect international trade.

Procedural Obstacles (POs)
Procedural obstacles are practical challenges and processes that make compliance with a particular regulation difficult when trading goods. These may include administrative hurdles, transparency issues, infrastructural challenges and security issues companies may experience when proving their compliance to a given regulation.

Private (Voluntary) Standards
Standards developed by non-governmental entities which include individual firms, industry organisations, and non-governmental organisations, among others. Compliance to these standards is not legally required by national governments or multilateral regulations as opposed to public standards. Private standards vary widely in their objectives and scope.

Business Environment
General operating and trading conditions in a country. It can be described by a variety of factors, including the ease of doing business, the availability of necessary infrastructure, the security situation, etc. In contrast to procedural obstacles, the business environment is not directly linked to specific NTMs.
NTMs and other trade obstacles

NTMs
Regulations on trade and products, other than tariffs, which may negatively affect the international trade of goods.

Private Standards
Additional voluntary, non-public standards demanded by buyers for a variety of purposes including quality, social, environmental and ethical reasons.

Excessively strict/complex requirements
The requirements are too strict or complex to comply with.

Procedural Obstacles
Practical challenges or administrative hurdles which make compliance to NTMs difficult.

Business Environment
General operating conditions in the country that are not related to NTMs but which may hinder company’s ability to trade.
Why do governments impose NTMs?

- NTMs can be introduced for legitimate reasons, for example protection of human, animal and plant health
- But can also be misused as an instrument of protection

Why do countries use NTMs?

**Importing Country**
- Health and safety of consumers
- Environmental factors
- Infant industry protection
- Achieve political goals

**Exporting Country**
- Ensure adequate supply for the domestic market
- Maintain quality
- Ensure best value for their exports
Compliance to NTMs may be required...

- Before the border:
  - Country level
  - Company level

- During transit

- At the border

- Past the border
NTMs: A complex and growing issue

• Trade liberalization: growing international trade but falling tariff rates

• NTMs are omnipresent and are becoming increasingly complex
  – Use of national regulations as a trade policy instruments
  – Increasing consumer awareness: Swift in focus from protection to precaution.
  – Products need to comply with wide range of NTMs; NTMs often vary across products and countries and can change quickly

• Impediments companies face in relation to NTMs and their compliance are often linked to lack of capabilities, infrastructure and efficient procedures (“procedural obstacles”) in the country

• No transparency on and easy access to relevant information about NTMs that are applied by the destination market

• Policy makers often lack a clear understanding about the current obstacles to trade their private sector is facing – making it difficult to define policies and strategies overcoming these challenges
The Rise of NTMs

- Between 2000 and 2009, the certification/testing requirements mandated by governments went up by seven folds (UNCTAD).

- Number of regular and emergency measures related to SPS notified to WTO was 10,366.
  - 1436 notifications were made in 2010 alone

- Traditionally, most of the notifications were made by developed economies but since 2008 most of the notifications have been coming from developing countries.
The Triple Jeopardy

- LDCs are faced with a "Triple Jeopardy "

- Export competitiveness of LDC's exports are undercut by three developments:
  1. Loss of tariff preferences due to multilateral and unilateral trade liberalisation
  2. Proliferation of NTMs in almost all important markets
  3. Weak treatment of NTMs in PTAs/FTAs where LDCs participate

- Overall, lack of capacity to deal with NTM related issues

Source:
Dr. Debpriya Bhattacharya.
NTMs and LDCs: Experience and Challenges
Centre for Policy Dialogue - Bangladesh
NTMs – Do they always restrict trade?

Case 1

Welfare and trade affect of SPS/TBT measures

- Consider a country totally dependent upon imports to satisfy domestic demand.
- Uncertainty exist in the market
- Government imposes SPS/TBT regulations to correct the uncertainty
- Higher import price due to the cost of compliance to the new regulation
- Demand increases because of increased consumer confidence
- Overall, increased welfare and more import inspite of increased price.
Welfare and trade affect of SPS/TBT measures

- Consider a country totally dependent upon imports to satisfy domestic demand.
- Uncertainty is low
- Government still imposes SPS/TBT regulations on imports
- Higher import price due to the cost of compliance to the new regulation
- Marginal increase in consumer confidence not sufficient enough to increase imports
- Overall result: increase in price, lower demand and lower welfare
What is being done about NTMs?

National level

Regional level

Role of International Organisations
- Multi-Agency Initiative on NTMs
- The Transparency in Trade (TNT) initiative

ITC’s Programme on NTM
Multi-Agency Initiative on NTMs – since 2006

- Launched by UNCTAD Secretary-General in 2006

- Multi-Agency Team of technical experts from FAO, IMF, ITC, OECD, UNIDO, UNCTAD; World Bank, WTO.
  Observers: European Commission; USITC, US Department of Agriculture

- Overall objective: Increase transparency and understanding about NTMs

- Addresses need for common international NTM classification and methodology to collect and disseminate data on NTMs.
Classification of NTMs

- International taxonomy used to classification different types of regulations related to trade in goods.
- Prepared in a multi-agency framework under UNCTAD’s leadership.
- Covers
  - mandatory, government-imposed regulations:
    - both import and export of goods
    - technical and non-technical measures
- Trade in services not covered
- Simplified version of the classification used for NTM business survey
A. – O. Import related measures

A. Technical requirements
B. Conformity assessment
C. Pre-shipment inspection and other entry formalities
D. Trade remedies (anti-dumping, countervailing and safeguards)
E. Quantity control measures (e.g. licences, quotas, prohibitions)
F. Charges, taxes and price control measures
G. Finance measures
H. Anti-competitive measures
I. Trade-related investment measures
J. Distribution restrictions
K. Restriction on post-sales services
L. Subsidies
M. Government procurement restrictions
N. Intellectual property
O. Rules of origin and related certificate of origin

P. Export related measures
Types of NTMs: Technical or non-technical?

- **Technical requirements:**
  - Refer to product-specific properties.
    - Product characteristics, technical specifications, and the production process.
    - They also include conformity assessment methods which confirm that products fulfill the requirements laid down in regulations.
    - Include measures that are applied in order to protect food safety and animal and plant health (Sanitary and Phytosanitary Measures – SPS) as well as other technical measures for national security reasons, consumer safety reasons etc. (also known as “Technical Barriers to Trade – TBT”)

- **Non-technical requirements:**
  - Do not refer to product specific properties but to trade requirements.
  - Shipping requirements, customs formalities, trade rules, taxation policies, etc.
  - All other NTM measures, which are not technical requirements.
What is being done about NTMs?

National level

Regional level

Role of International Organisations
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ITC’s Programme on NTM
What is ITC?

**UNCTAD**
The UN body for design of policy recommendations to achieve economic and social development through trade and investment.

**WTO OMC**
The forum to negotiate multilateral trade rules, monitor their implementation and handle trade disputes.

ITC works with local and regional institutions and businesspeople to build trade capacity.

Our mission

To foster inclusive and sustainable growth and development through trade and international business development.
ITC’s six focus areas and goals

- Building a conducive business environment
- Connecting to value chains: SME competitiveness, diversification and links to export markets
- Strengthening trade and investment support institutions
- Promoting and mainstreaming inclusive and green trade
- Supporting regional economic integration and South-South trade
- Trade and market intelligence for SME competitiveness

What we do

1. Trade
2. Focus Areas
3. SMEs, Policymakers
4. Trade-Related Needs

Trade impact for good

- More jobs
- More diversified economies
- Improved sustainability
- Improved international competitiveness in SMEs
- Improved trade support institutions
ITC’s programme on NTMs aims to identify and understand obstacles to trade and facilitate evidence-based policy and regulatory improvements in client countries.
Three Pillars of ITC’s Programme on NTMs

**Pillar 1**
**NTM Official Data Collection**
- Codifying and classification of national trade-related regulations
- Data dissemination through Market Access Map (MAcMap)

**Pillar 2**
**Business Survey**
- Large-scale surveys of businesses on their experiences with government regulations when exporting or importing

**Pillar 3**
**Follow Up Actions**
- Design and implementation of actions to address companies’ difficulties with NTMs
- E.g.: Trade Obstacle Alert (TOA) mechanism
### Three Pillars of ITC’s Programme on NTMs

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NTM Official Data Collection

• Identification and classification of national legal documents.
• Data contains details on:
  • type of regulation,
  • name of regulation,
  • requirements,
  • product and countries applicable,
  • period of validity, etc.
• Data for around 70 countries available + data for more countries being processed
• Some countries have multi-year data
• Data dissemination through Market Access Map (MAcMap)
• Jointly done by ITC, UNCTAD, World Bank and the African Development Bank
Example of official regulations: Product quality requirements on oranges, applied by France

(iii) Oranges

Colouring must be typical of the variety. Fruits with light green colour are allowed, provided it does not exceed one fifth of the total surface of the fruit. Fruits must show the following minimum juice content:

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Blood oranges:</td>
<td>30 %</td>
</tr>
<tr>
<td>Navels group:</td>
<td>33 %</td>
</tr>
<tr>
<td>Other varieties:</td>
<td>35 %</td>
</tr>
</tbody>
</table>

However, oranges produced in areas with high air temperatures and high relative humidity conditions during the developing period can show green colour exceeding one fifth of the total surface area, provided they satisfy the following minimum juice content:

III. PROVISIONS CONCERNING SIZING

Size is determined by the maximum diameter of the equatorial section of the fruit.

A. Minimum size

Fruits of less than the following minimum sizes are excluded:

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Lemons:</td>
<td>45 mm</td>
</tr>
<tr>
<td>Mandarins, excluding clementines:</td>
<td>45 mm</td>
</tr>
<tr>
<td>Clementines:</td>
<td>35 mm</td>
</tr>
<tr>
<td>Oranges:</td>
<td>53 mm</td>
</tr>
</tbody>
</table>
NTM official data collection coverage (as of Jan 2015)
**Official NTM data dissemination**

![ITC Market Access Map](https://www.macmap.org)

**Find Non-Tariff Measures**

![New search](#)  ![Modify search](#)

Importer **Hong Kong, China** applies to the HS6 product group **010110 - Pure-bred breeding horses and asses** imported from **South Africa 22 measures**, affecting **1 out of 1 tariff line level products** in this product group. This information has been last updated in **June 2010**

<table>
<thead>
<tr>
<th>Measures applied by importing country</th>
<th>Number of affected NTL products</th>
<th>Number of NTMs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sanitary and phytosanitary measures (SPS)</td>
<td>1</td>
<td>16</td>
</tr>
<tr>
<td>Technical barriers to trade (TBT)</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Pre-shipment inspection and other formalities</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Licenses, quotas, prohibition &amp; other quantity control measures</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Charges, taxes and other para-tariff measures</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

Rules and Certificates of origin applied by Hong Kong, China [Open](#)

[www.macmap.org](http://www.macmap.org)
Three Pillars of ITC’s Programme on NTMs

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NTM Business Survey

• Survey of business enterprises on their experiences with government regulations (home, partner or transit countries) when exporting or importing.

• Detailed description of why the regulations are problematic

Funded by:
NTM Business Survey: Why & How

Global methodology

...based on large-scale company level surveys

...representative by sector and company size

...adjusted to country-specific requirements

Identify trade impediments faced by companies on product and partner country level.

Enable companies to voice their concerns and needs regarding the identified problems and create dialogue among national stakeholders.

Reinforce country capacity: survey and analysis implemented in collaboration with local specialists, after intensive training.
NTM Business Survey: Aim

Assist countries to better understand the non-tariff obstacles companies face – to identify need for concrete actions that help to overcome these obstacles

- **Business perspective in focus**
  Exporters (and importers) have to deal with NTMs and other obstacles on a day-to-day basis – they know best which challenges they face and to which extent they are affected

- **Main tool: Direct empirical research through company level surveys**
  Surveying directly the business sector enables to assess the impact of non-tariff obstacles on products and sectors

- **In close collaboration with national and international partners**
### Surveys Methodology: Scope

#### Goods
- Covers companies involved in international trade in goods.
- Products from all sectors included except minerals and arms.
- Sectors with more than a 2% share in total exports are included.
- Cumulatively, sectors covered account for at least 90% of country’s total export value.

#### Services
- The survey does not cover companies involved in cross-border trade in services such as tourism, banking, finance, telecommunication and BPO.
- A survey on trade in services requires a different methodology.

The NTM Survey covers the following sectors:

1. Fresh food and raw agro-based products
2. Processed food and agro-based products
3. Wood, wood products and paper
4. Yarn, fabrics and textiles
5. Chemicals
6. Leather
7. Metal and other basic manufacturing
8. Non-electric machinery
9. Computers, telecommunications; consumer electronics
10. Electronic components
11. Transport equipment
12. Clothing
13. Miscellaneous manufacturing
Two-step interview process

**Step 1**
Phone Screens (PS)
- 300 – 1100 samples per country
- 6-8 min per interview
- Identify products exported by the company and partner countries
- Identify if the company face problems with burdensome regulations

**Step 2**
Face-to-Face interviews (FTF)
- Companies facing problems with NTMs as identified in PS interviewed
- 120-600 face-to-face interviews per country
- 40-60 min per interview
- All details of the problem faced by the company recorded
Surveys Methodology: Sampling technique

- Size of the population and size of the sector based on national business registry
- Sample size for PS interviews determined by stratified random sampling
  - Samples per sector based on number of companies active for the sector in the business registry.
  - Sample size for each sector determined independently for each sector
  - Based on Cochran (1977)

\[ n = \frac{t^2 * p(1 - p) * N}{d^2 * N + t^2 * p(1 - p)} \]

- Sample size for FTF interviews dependent upon the number of affected companies in PS

- Sample size for large populations
- \( N \): Population size
- \( t \): \( t \)-value for selected margin of error (95% confidence interval) \( \rightarrow 1.96. \)
- \( p \): Estimated proportion of companies that experience burdensome NTMs. As this proportion is not known prior to the survey, the most conservative estimate leading to a large sample size is employed, that is \( p=0.5. \)
- \( d \): Acceptable margin of error for the proportion being estimated. \( \rightarrow 0.1 \)
# Four stages of the NTM survey

## 1. Survey Inception and Preparation
- Survey design adjustment to country specific needs
- Sample size calculation
- Face-to-face training of interviewers
- First stakeholder meeting to inform about survey objectives and encourage participation

In collaboration with national authorities in charge of trade (Ministry of Trade or Commerce)

## 2. Interview Period
- Phone-screen interviews with exporters and importers
- Face-to-face interviews with exporters and importers
- Data digitalization
- Data quality control

In collaboration with survey company.

## 3. Data Analysis and Draft Report
- Preparation of analytical tables (by products and sectors, partner countries, types of NTMs and procedural obstacles)
- Additional research and complementing discussions and interviews with business associations and institutions involved in export / import process
- Drafting of country report

In collaboration with local expert(s) (economist, trade specialists)

## 4. Results Validation and Dissemination
- Discussion and validation of survey results and formulation of policy options though a second stakeholder meeting
- Compilation of a matrix of action and definition of follow-up activities with a view to remove identified trade obstacles
- Finalization of country report

In collaboration and coordination with the government, TSIs and other local stakeholders (customs, certification bodies, etc.)
Caveats

- Information collected from the survey is perception data
  - Respondents may have different scale for judging what constitutes an impediments.
  - Perceptions across countries can differ due to cultural, political, social, economic and linguistic differences.
- Companies may not have full understanding of the purpose of the regulation
- Scope of the survey limited to legally operating companies
  - Limited to companies currently trading
  - Informal trade not covered
ITC NTM Business surveys: Coverage

Survey Status

As of 1 May 2015

- **NTM survey ongoing / finalized**
  - 14,398 phone interviews
  - 4,634 face-to-face interviews

- **Under discussion / planned**
  - Complete: 26 countries
  - Ongoing: 9 countries + EU 28 (plus 7 pilot countries)
Share of companies affected by NTMs

Source: ITC surveys on NTMs, 2010-2013. Cross country average of 23 countries.
Share of exporting companies affected and PPP income per capita in surveyed countries

Source: ITC surveys on NTMs, 2010-2013 and World Bank for income per capita

Note: GDP per capita in purchasing power parity on the horizontal axis (log scale) and 100xaffectness on the vertical axis (log scale). GDP is observed at starting year of the survey for each country.
Distribution of NTM cases reported by exporters across countries/regions applying the NTM

Agriculture
- OECD countries: 39%
- Countries within RTA: 28%
- Other developing countries: 13%
- Home country: 20%

Manufacturing
- OECD countries: 31%
- Countries within RTA: 26%
- Other developing countries: 13%
- Home country: 30%
Share of cases of burdensome NTMs versus share of exports across trading partners, by sector

**Agriculture**

- OECD countries: 54%
- Countries within RTA: 28%
- Other developing countries: 18%

**Manufacturing**

- OECD countries: 54%
- Countries within RTA: 41%
- Other developing countries: 22%
Types of burdensome NTMs applied by partner countries

**Agriculture**
- Technical requirements: 48%
- Conformity assessment: 22%
- Pre-shipment inspection and other entry formalities: 11%
- Quantity control measures: 5%
- Charges, taxes and price control measures: 5%
- Finance Measures: 5%
- Rules of origin and related certificate of origin: 2%
- Other: 2%

**Manufacturing**
- Technical requirements: 35%
- Conformity assessment: 23%
- Pre-shipment inspection and other entry formalities: 13%
- Quantity control measures: 4%
- Charges, taxes and price control measures: 9%
- Finance Measures: 4%
- Rules of origin and related certificate of origin: 11%
- Other: 2%
Types of NTMs applied by home country to exports

Agriculture
- Export inspection: 25%
- Certification required by the exporting country: 11%
- Other export technical measures: 18%
- Licensing or permit to export: 8%

Manufacturing
- Export inspection: 20%
- Other export quantity measures: 13%
- Export taxes and charges: 19%
- Other export related measures: 12%
Reason making NTMs burdensome for exporters, by sector

Agriculture
- Too strict: 35%
- Both: 25%
- Procedural obstacles: 40%

Manufacturing
- Too strict: 23%
- Both: 19%
- Procedural obstacles: 58%
Procedural obstacles related to NTMs applied to exports

- Time constraints
- Informal or unusually high payment
- Administrative burdens related to regulation
- Lack of sector-specific facilities
- Discriminatory behaviour of officials
- Information / transparency issues
- Lack of recognition / accreditation
- Other

[Bar chart showing distributions in home country and partner country]
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Following ITC NTM Programme, what next?

Selected Examples

**Morocco**: creation of an inter-ministerial steering committee to address the identified obstacles

**Sri Lanka**: successful application to WTO STDF with a view to improve product quality and cost of exporting

**Mauritius**: Creation of an online trade obstacles alert mechanism. Elimination of the need for Tea Board clearance of Rooibos tea imports resulting in reduced time for importing.

**Côte d’Ivoire**: continued public-private interaction through the creation of an online trade barriers reporter

**Jamaica**: request to ITC for assistance in addressing capacity building needs of SMEs as well as customs officials to increase compliance with NTMs and reduce procedural obstacles
The Trade Obstacles Alert Mechanism

1. Trader create an alert

2. National focal point validate and publish the alert

3. Competent authority answer to the alert

4. National focal point publish the answer

TOA Platform

Email + website

National monitoring committee
Ensure the transparency and reactivity of the mechanism
Objective of the TOA platform

An online tool which allows:

• Trade operators to report online the obstacles they face when exporting or importing their goods and alert the competent authority;

• National authorities to know instantaneously the problems faced by the private sector and be able to provide them directly with an answer;

• All users to be alerted of the reported obstacles for the markets and products of their interest.
TOA Pilot in Côte d'Ivoire

www.tradeobstacles.org
New Online NTM Tool

NTMsurvey.org
Launch in July 2015
Suggested readings on NTMs

ITC Series on Non-Tariff Measures: Country reports, 2011 - 2015 (20 reports)

WTO World Trade Report 2012 (Non-tariff measures in the 21st century)

International Trade Forum Magazine – Issue 03/2012
(Improving the business environment for trade: Tackling non-tariff measures)
http://www.tradeforum.org/2012-03/
Thank you!

For further information: www.intracen.org/NTM

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