Non-Tariff Measures
A toolkit for policymakers

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Objectives

- Shift policy dialogue from “eliminating NTBs” to “streamlining NTMs”
- Offer a pragmatic and comprehensive approach to address the NTM agenda
  - Institutional Process
  - Analytical tools and questionnaires
  - Data transparency
  - Case studies and international experience
- Introduce the culture of Regulatory Impact Assessment in policy making
Main Challenges for policymakers

- Lack of data
- NTMs are increasingly TBTs and SPS
  - not transparent; complex legal documents
- MTMs are issued by various ministries with different mandates – often not trade or competitiveness
- WTO Guidelines are rather vague:
  1. Transparency
  2. Non-discriminatory
  3. No least trade restrictive alternative measure
  4. Scientifically based for SPS
- Increasingly a regional agenda
- “Eliminating” NTMs is often not the right strategy, leading to deadlocks and disappointing results
# NTMs – a new classification

<table>
<thead>
<tr>
<th>TECHNICAL MEASURES</th>
<th>NON-TECHNICAL MEASURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td><strong>SPS measures</strong></td>
</tr>
<tr>
<td>B</td>
<td>Technical regulations</td>
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<tr>
<td>C</td>
<td>Pre-shipment inspection</td>
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<tr>
<td>D</td>
<td>Price-control measures</td>
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<tr>
<td>E</td>
<td>Licenses, quotas, prohibitions and QRs</td>
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<tr>
<td>F</td>
<td>Charges, taxes &amp; para-tariff measures</td>
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<td>G</td>
<td><em>Finance measures</em></td>
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<tr>
<td>H</td>
<td>Anti-competitive measures</td>
</tr>
<tr>
<td>I</td>
<td><strong>TRIMs</strong></td>
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<tr>
<td>J</td>
<td>Distribution restrictions</td>
</tr>
<tr>
<td>K</td>
<td>Restrictions on post-sales services</td>
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<tr>
<td>L</td>
<td>Subsidies (excluding export subsidies)</td>
</tr>
<tr>
<td>M</td>
<td>Government procurement restrictions</td>
</tr>
<tr>
<td>N</td>
<td><em>Intellectual property</em></td>
</tr>
<tr>
<td>O</td>
<td>Rules of origin</td>
</tr>
<tr>
<td>P</td>
<td>Export measures (including export subsidies)</td>
</tr>
</tbody>
</table>

**Source:** UNCTAD
NTM data collection – August 2012

LAC (10)
- Argentina*
- Brazil*
- Chile*
- Colombia*
- Ecuador*
- Mexico*
- Paraguay*
- Peru*
- Uruguay*
- Venezuela*
- Central America

MENA (5)
- Tunisia
- Morocco
- Egypt
- Lebanon
- Syria

AFR (9)
- Senegal
- Mauritius
- Tanzania
- Namibia
- Burundi
- Madagascar
- Kenya
- South Africa
- Uganda

SAR (1)
- Bangladesh
- India
- Pakistan
- Nepal
- Sri Lanka
- Afghanistan

EAP (4)
- Lao PDR
- Cambodia
- Indonesia^
- The Philippines
- China

EU

• Data collected by ALADI
•^ Data collected by the government
• In italic: data collection in progress
NTM Data analysis

Figure 1.4  Frequency Indices and Coverage Ratios, by Country

- Burundi
- Kenya
- Madagascar
- Mauritius
- Namibia
- Senegal
- South Africa
- Tanzania
- Uganda
- Bangladesh
- Cambodia
- Indonesia
- Lao PDR
- Philippines
- Argentina
- Bolivia
- Brazil
- Chile
- Colombia
- Ecuador
- Mexico
- Paraguay
- Peru
- Uruguay
- Tunisia
- Syria
- Morocco
- Egypt
- Lebanon
- European Union
- Japan

Coverage ratio  Frequency index
Number of Measures by Ministry

Figure 4.2 NTMs Issued by Agency
Number of Measures by Product

- **Lebanon**: 1 type of NTM
- **Tunisia**: 2 types of NTM
- **Morocco**: 3 types of NTM
- **Syria**: 4 types of NTM
- **Egypt**: 5 and more
- **EU**: 5 and more
- **Average**: 4 types of NTM
Re-estimation of Overall Trade Restrictiveness Index (OTRI) on the basis of 2007 partial update

<table>
<thead>
<tr>
<th></th>
<th>Overall OTRI</th>
<th>Tariff-OTRI</th>
<th>NTM-OTRI</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001/02</td>
<td>44.3</td>
<td>21.0</td>
<td>23.3</td>
</tr>
<tr>
<td>2007</td>
<td>26.1</td>
<td>16.5</td>
<td>9.6</td>
</tr>
<tr>
<td>Agriculture</td>
<td>73.1</td>
<td>38.1</td>
<td>35.0</td>
</tr>
<tr>
<td></td>
<td>75.9</td>
<td>32.7</td>
<td>43.2</td>
</tr>
<tr>
<td>Industry</td>
<td>40.3</td>
<td>18.6</td>
<td>21.7</td>
</tr>
<tr>
<td></td>
<td>19.6</td>
<td>14.4</td>
<td>5.2</td>
</tr>
</tbody>
</table>

Per Capita Income (2000-USD PPP)
Need for a more pragmatic approach

- To recognize the right of countries to regulate trade with NTMs to achieve legitimate policy objectives
- To design regulations that are the least trade restrictive
- To improve governance over trade regulations through:
  - interministerial consultation around competitiveness
  - Consultation with the private sector and other stakeholders that might be affected by the regulation
- To make informed and sound decision based on dialogue and use of analytical tools for cost benefit analysis
Flowchart of an NTM review

1. Trigger Questionnaire
   - Is the case substantial?
     - Yes: Information Questionnaire
     - No: Do not initiate review of NTM

2. Information Questionnaire
   - Is there market failure?
     - Yes: Does the regulation rightly target the market failure?
     - No: Propose regulation phase-out

3. Does the regulation rightly target the market failure?
   - Yes: Do regulatory benefits outweigh its costs?
     - Yes: Regulation should be kept and solution sought to reduce trade cost
     - No: Propose regulation redesign
   - No: Propose regulation phase-out

4. Do regulatory benefits outweigh its costs?
   - Yes: Regulation should be kept and solution sought to reduce trade cost
   - No: Debate regulation justification
What kind of issues are we dealing with?

Import measures

Non-technical
- QRs
- Prohibitions

Technical
- SPS
- TBT

Issues to watch:
- How restrictive?
- Political economy
- Adjustment costs
- Justification (market failure?)
- WTO-consistency
- Coherence (along value chain)
- Implementation

Analytical tools:
- AVEs
  - Price gap
  - KNO
- SCM
  - Risk analysis
- Welfare/distributional analysis
  - Feed econometric estimates into simulation models (e.g. TRIST)
  - Feed simulation results into household surveys for distributional effects
Mexico: review of new regulations by COFEMER

1. Regulator submits a proposal draft and its corresponding RIA to COFEMER
   - 10 days

2. Is RIA satisfactory?
   - Yes: COFEMER issues Preliminary Opinion
   - No: COFEMER asks for clarifications and corrections to the regulator

3. 30 days (Public Consultation)

4. Regulator responds to the Preliminary Opinion
   - 5 days

5. COFEMER issues Final Opinion

6. Regulator can publish the regulation in the Official Gazette for its entry into force
COFEMER’s RIA guidelines

General questions
- General data on the regulatory proposal (name, initiating agency, responsible officers)
- Summary of the proposal (objectives, problem being addressed)

Section A : Legal analysis
- Type of proposal (law, by-rule, technical standard,…)
- Alternative measures considered
- Legal basis for the measure
- Related regulations, existing regulations affected by the proposal.

Section B : Regulatory analysis
- Regulatory effects (identify and describe)
- International experience (compatibility of proposed regulation, approaches followed in other countries)
- Public consultation (describe process, who participated, what proposals were submitted, why not incorporated,…)
- Implementation (describe resources available)
- Enforcement (describe mechanisms).

Section C : Impact analysis
- Is this a high-impact measure ? (compliance cost over U.S.$80m/year)
- Is compliance cost concentrated on a particular group ?
- If yes to both, full cost-benefit analysis must be annexed.
- General effects on competition and trade (international and domestic)
- Effects on consumers
- Effects on SMEs
- Measurable costs (description & quantification)
- Measurable benefits (description & quantification)
- Non-measurable benefits, additional information on costs & benefits
- Effect on business formalities (does it affect, eliminate, or add one ?).

Source : www.cofemer.gob.mx
**Institutional Arrangement – an example**

- **Line ministry Responsible for issuing the regulations**
  - **Information questionnaire**
  - **Recommendation**

- **Public-Private Business Facilitation Task Force** chaired by private association (JEC) and MoF
  - **Review process by Secretariat of BoI**
  - **Findings and Recommendations**
    - **Screening**
      - **NTM Working Group**
        - **Trigger questionnaire**

- **Consultation with Stakeholders**
  - **Inputs from experts or academics**
    - **No Review – if request not fulfill minimum requirements**

**Trigger 1**: Formal Request from any stakeholder

**Trigger 2**: Self-initiation by Agency Responsible for reviews

**Trigger 2**: Mandatory review provided by the law

**Members of the review committee**:
- Chair Agency Leading process
- Ministry of Health
- Ministry of Environment
- Ministry Agriculture
- Ministry Industry and Trade
- Other regulatory agencies
Indonesia: Review process for new NTMs by MoC

1. NTM Proposal
   - MoT's Secretariat General (Sekjen)
   - Trade Minister
   - NTM Policy Team
     - The Head of Team (Team Secretariat)
     - Technical Team
     - Plenary
   - Legal Bureau
     - Ministry of Finance

1a. Sekjen received proposal
1b. Minister received proposal
2. Initial discussion and analysis
3. 1. Public consultation process 2. verify the compliance with WTO rules, INSW system
   - 4. Plenary Meeting
   - 5a. Draft of rejection letter
5b. Ministerial Decree Final Draft
   - 5c. Rejection letter (Minister signature)
6. Draft of Ministerial Decree
   - 7. Approved
7. No
   - 8. Ministerial Decree Final Draft
   - 9. Ministerial Decree (Minister signature)
10. Public consultation of draft of ministerial decree
11. Ministerial Decree notification to Ministry of Finance
12. Dissemination
13. Implementation (INATRADE & INSW)
14. Monitoring and Evaluation

Streamlining Non-Tariff Measures: A Toolkit for Policy Makers
Oliver Gledhill, Martin Manke, and Vandana Srivastava
Impact on Poverty - Nigeria’s import Prohibitions (1)

GoN request to Region:
- Nigeria maintains large number of import prohibitions on consumption goods
- Seeking World Bank support for their elimination

Region turned to us for quick assessment of phase-out implications—initial request
- Effect on cost of living
- Effect on employment if possible—but no data

Analysis & results
- Price gap using EIU retail price data Lagos vs. other SSA cities; COL adjustment: 15%, average price gap: 92%
- Poverty analysis: elimination equivalent to 8-9% rise in real income—enough to make 3 million people cross the poverty line
- Distribution effect using HH survey: pro-poor
Impact on Poverty - Nigeria’s import Prohibitions (2)

Overall shift in income distribution

3 millions Nigerians taken out of poverty

Effect by region

Effect by income bracket
SPS case - Anthurium in Mauritius

Prohibition of adult anthurium imports
- Risk of bacterial infection from imported plants that could spread to domestic production
- Lack of capacity to test plants for the presence of the bacteria
- Government does not accept certificates confirming that plants are disease free from foreign laboratories
Factors to be considered:

- WTO consistency
- Risks to the environment, a biologist expert opinion / irreversibility
- Loss for the industry
- Cost of lifting the ban
TBT case – Steel in Indonesia

Government request to Region:
- Trade Ministry wants to streamline NTBs, but political drive weak in other ministries
- Seeking WBG support for low-profile engagement

Using TBTs for the wrong purpose
- Strong growth of Chinese low-grade steel imports for construction (“H beams”), pressure from local producer;
- Technical regulation on steel imports (minimum quality); faulty regulation design: relies on foreign production facility certification—Indonesia doesn’t have the clout to impose that
- Inadequate use of instruments: import surge should be dealt with by safeguard (or AD if appropriate)
Next steps

- Continue NTM data collection – Transparency in Trade initiative
- Improve the analysis of the impact of NTMs on trade using prices, household surveys, unit values
- NTMs and regional integration – policy options
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A toolkit for policymakers

https://openknowledge.worldbank.org/handle/10986/6019

Non-Tariff Measures - A Fresh Look at Trade Policy’s New Frontier
Edited by Olivier Cadot & Mariem Malouche, July 2012

http://siteresources.worldbank.org/TRADE/Resources/NTMs_A_Fresh_Look_Complete.pdf