



**SPECIAL
EDITION**



ADDRESSING REGULATIONS AND NON-TARIFF MEASURES TO STRENGTHEN REGIONAL INTEGRATION AND SUSTAINABLE GROWTH



Addressing Regulations and Non-Tariff Measures to Strengthen Regional Integration and Sustainable Growth

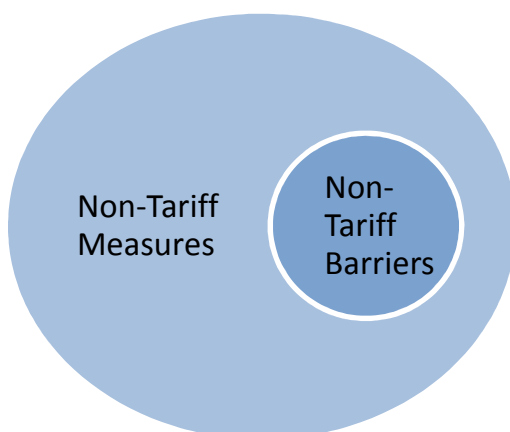
A technical note by the UNCTAD secretariat



What are Regulations used for?

Bringing dried mangoes into the European Union is duty-free for exporting companies from all countries. However, exporters need to comply with extensive product requirements: tolerance limits for pesticide residues, hygienic practices during production, processing methods, microbiological criteria of the final product and certification, among others. These regulations, found in all developed countries and increasingly in developing countries, represent an immense challenge for exporters, importers and policymakers. UNCTAD research found that the aggregate restrictiveness of regulations is two to three times higher than tariffs. Furthermore, regulations are particularly concentrated in sectors of export interest for developing countries.

Regulations protect people from risks to their health, safety and environment. Their aggregate trade restrictiveness is two to three times higher than tariffs.



Why are they called Non-Tariff Measures and what are Non-Tariff Barriers?

Due to their impact on trade such technical regulations are considered as non-tariff *measures* (NTMs). Traditional non-tariff *barriers* with protectionist objectives, like quotas, price controls or trade defence measures, also still persist in some sectors, but were strongly reduced through regional and multilateral trade agreements.

NTMs are policy measures, other than ordinary customs tariffs, that can have an economic effect on international trade. NTMs thus include a wide and diverse array of policies that countries apply to imported and exported goods.

The majority of measures today, however, primarily address public policy objectives such as public health, food safety and environmental protection. Many of these regulations apply

equally to domestic producers but still have important restrictive and distorting effects on international trade. However, these measures cannot simply be eliminated.


These regulations can however become non-trade barriers if the trade restrictiveness, whether or not deliberate, exceeds what is needed for the measure's non-trade objectives. This can and should be addressed although it may be difficult to be clearly identified. An exporting country may perceive the hygienic production requirements for apple juice as too strict, while the importing country could argue that these requirements legitimately pursue the highest level of consumer safety.

Why is Coordination needed?

Often regulations of trading partners are very different in their details but result in comparable levels of safety. One country has for example the hygienic requirement to rinse milking equipment in detergent/disinfected solution at 45 degrees while another requires rinsing in clean water at 75 degrees. Another example is different mandatory colors of cables in electric devices.

While many of these regulations are non-discriminatory, the divergence of requirements across countries has important restrictive and distorting effects on international trade.

Coordination between trading partners can reduce costs of doing business. In the case of similar levels of safety, equivalence or mutual recognition could formally be recognized so that compliance with one requirement enables companies to sell in several markets. Alternatively, regulations could move closer to - ideally internationally - agreed approaches.



Pursuing NTM convergence across countries can be an effective approach to minimizing trade costs while responding effectively to consumer concerns. However, there is no one-size-fits-all solution: convergence must take place at a level that is appropriate for the development stage of countries. Regional NTM convergence can allow for more flexibility than global convergence, and can foster regional value chains. Implemented in the right way, i.e. oriented at international standards and not excluding third parties, regional convergence can also be a building block for convergence at the multilateral level.

Coordination is also required at the national level to ensure regulations are effective and unnecessary red tape is cut. Many countries have overlapping regulations from Ministries of Health, Agriculture and other regulatory agencies.

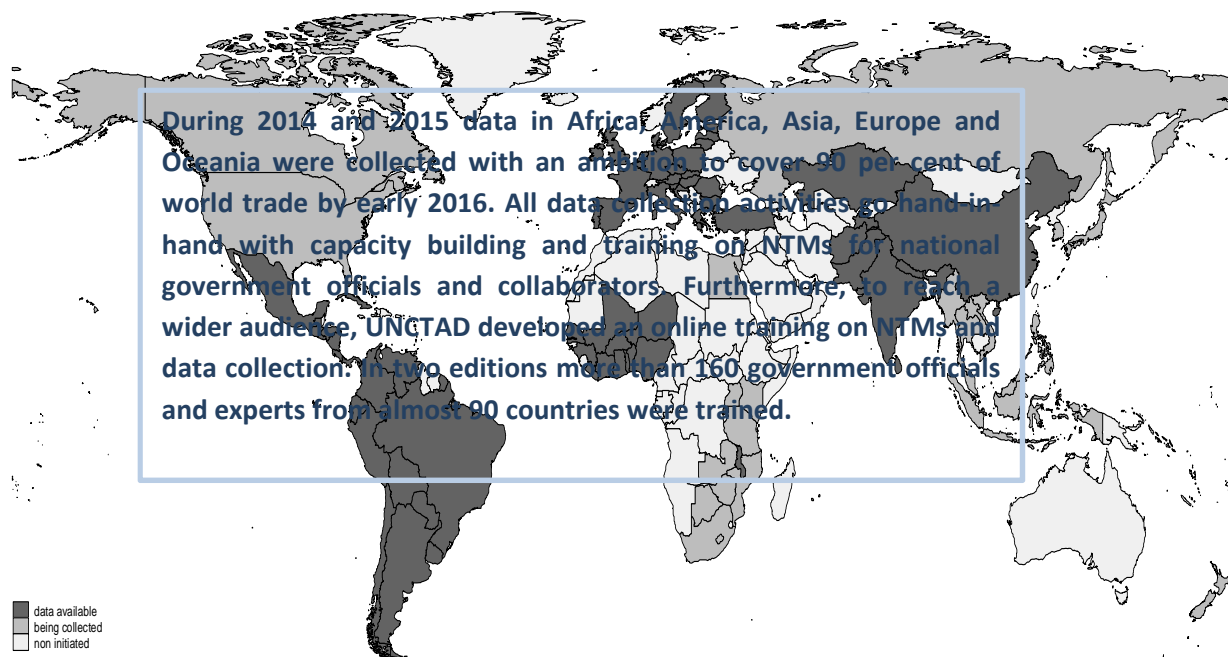
Would improved Transparency be a first step?

For exporters, identifying applicable tariff rates for a given product and destination market is relatively easy. Entire tariff schedules across all products are also readily available for negotiators. For NTMs, such systematic and comparable information is generally not available. Despite the widespread use of NTMs, there is an important transparency gap.

To bridge this transparency gap, UNCTAD together with partners and regional organizations from all over the world, have been collecting and classifying NTM data. For any product, the database provides detailed information about mandatory and official regulations that are currently imposed by the country. Each of these NTMs is then supplemented with detailed

information, including the sources of information, measure description, implementation date and the affected products and countries.

Countries with NTM data collected



Source: UNCTAD TRAINS, 2015 <http://unctad.org/ntm>



Policymakers, negotiators, exporters and importers can use the UNCTAD database to see which products are affected by NTMs in which country. Transparency about NTMs facilitates trade and enables dialogue between policy makers and the private sector because both sides have access to comprehensive and detailed information. This also applies to the regional level, where advancing transparency can be a driver for NTM harmonization and the elimination of +NTBs.

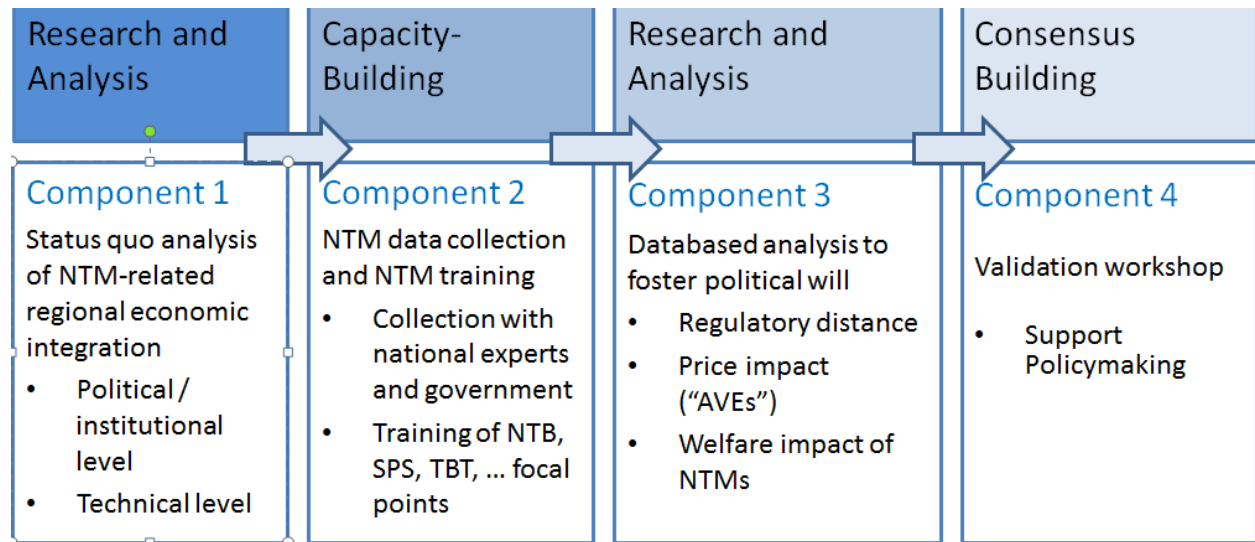
And how can Regional Integration and Sustainable Growth be strengthened?

NTMs often play an increasingly significant role in modern RTAs. Despite the political will to lower trade barriers, "deeper" economic integration remains a challenge. While tariff levels are relatively easy to identify and reduce, assessing and lowering the trade costs of NTMs is more difficult. Regulatory measures are implemented by various ministries, can pursue different non-trade-related objectives and can take many different shapes.

With a systematic NTM data map, UNCTAD provides analytical support to policymakers by assessing the economic effect of NTMs on trade, prices, GDP and employment. An innovative method has been developed to measure the status quo and impact of regulatory convergence, a Regional Non-Tariff Measure Integration Review. This review typically consists of four steps. The first step consists of a general assessment of the status quo in a region, looking both at the institutional level and the technical level. The second step develops the necessary infrastructure and capacities to identify NTMs and collect data on them. Based on this data, the impact of NTMs on welfare and prices can be calculated in step three. The collected data also allows for an analysis of "regulatory distance" - in other words a comparison between countries to see how similar or different their regulations are.

The last step consists of a validation workshop to foster political will to address NTMs and discuss the way forward.

Regional Non-Tariff Measure Integration Review



Recent analysis confirms that the regulatory distance has a high impact on trade. The evidence suggests that the distance explains the majority of the high trade restrictiveness effect. Thus, regulatory convergence can boost trade without compromising on non-trade objectives.



Based on this review process, regional integration processes and sustainable growth can be facilitated by removing unnecessary trade barriers associated with NTMs. The policy objectives to protect life, health and environment, and more in general to contribute to achieving the SDGs, will be fully realized so that mangoes remain safe and intermediate goods for electric devices can easily be traded in regional value chains.