WTO Symposium

The role of trade in the global agri-food system

Integrating agricultural markets - Impact of border measures

Geneva, 26 June 2019

Ralf Peters, UNCTAD
Integrating Agricultural Markets is important to achieve the Sustainable Development Goals

2.B Correct and prevent trade restrictions and distortions in world agricultural markets, including through …

17.10 Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, …
Integration of Markets: What are the trade costs

- Trade costs determinants
  - Geography, language
  - Trade policies
    - Tariffs,
    - Quotas, subsidies…
  - Regulatory frameworks
    - Product requirements
    - Conformity assessments
    - (…)
  - Procedural obstacles
  - Transport and communication cost
  - Private standards

Policy choice

Non-tariff measures
Estimated *average* ad-valorem equivalents

Source: UNCTAD 2012
World average ad-valorem equivalent of NTMs

- **Animals**: 16.1, 6.4, 4.8
- **Vegetables**: 19.3, 3.9, 2.5
- **Fats & oils**: 10.2, 1.7, 3.2
- **Beverages & tobacco**: 11.4, 8.1, 2.4
- **Minerals**: 5.2, 1.2
- **Chemicals**: 9.5, 2.3
- **Plastics**: 8.5, 0.7
- **Leather**: 5.6, 5, 3
- **Wood products**: 4.3, 1.9
- **Paper**: 4.1, 1.6
- **Textile and clothing**: 8.9, 4.9
- **Footwear**: 11.7, 2.8
- **Stone & glass**: 7.8, 1.8
- **Pearls**: 3.4, 2.1
- ** Metals**: 7.7, 2.9
- **Machinery**: 12, 4.5
- **Vehicles**: 10.9, 3.5

Source: Cadot, Gourdon, Knebel, Peters, Asprilla, 2015

Not included:
- Subsidies/domestic support
- Export restrictions
Challenge to comply with requirements

Bringing dried mangoes into the EU is duty-free for all countries. However, exporters need to comply with:

• tolerance limits for pesticide residues,
• hygienic practices during production,
• processing methods, microbiological criteria of the final product,
• certification, …
Non-Tariff Measures

“Non-Tariff Measures are policy measures, other than ordinary customs tariffs, that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both” (UNCTAD Group of Eminent Persons on NTBs)

➔ neutral concept!

• 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)
Trend: NTMs on the rise

Figure 5: Contrasting Trade Policies
Tariffs have gone down, non-tariff measures not so

Source: UNCTAD calculations based on UNCTAD TRAINS and WTO I-TIP data

Source: UNCTAD 2015
Source: Ing, Cadot, Anandhika and Urata (2016), data on NTMs are from [http://trains.unctad.org](http://trains.unctad.org) and data on tariff are from UNCTAD TRAINS database in WITS.
Two different challenges

a) Traditional non-tariff barriers: Quotas, contingent protection, …
   - Strongly regulated already under WTO agreements
   - Direct economic objectives
     → elimination conceivable

b) Technical measures to trade: SPS and TBT
   - Partially addressed by WTO
   - \textit{Usually regulated as (domestic) market policy by ministries for agriculture/health/…and Bureaus of Standards}
   - \textit{Primary objectives not trade-related}: to protect human, animal and plant health, or the environment, etc.
     → elimination \textit{not} an option
International Classification of NTMs:
The common language

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

Revised Version in 2019

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

## Tree structure – Example

<table>
<thead>
<tr>
<th>A</th>
<th>SANITARY AND PHYTOSANITARY MEASURES</th>
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</thead>
<tbody>
<tr>
<td>A1</td>
<td>Prohibitions/restrictions of imports for SPS reasons</td>
</tr>
<tr>
<td>A2</td>
<td>Tolerance limits for residues and restricted use of substances (…)</td>
</tr>
<tr>
<td>A8</td>
<td>Conformity Assessment related to SPS</td>
</tr>
<tr>
<td></td>
<td>A81 Product registration requirement</td>
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<td></td>
<td>A82 Testing requirement</td>
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<td>A83 Certification requirement</td>
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<td>A84 Inspection requirement</td>
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<td></td>
<td>A85 Traceability requirement</td>
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<td></td>
<td>A851 Origin of materials and parts</td>
</tr>
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<td></td>
<td>A852 Processing history</td>
</tr>
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<td></td>
<td>A853 Distribution and location of products after delivery</td>
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<tr>
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<td>A859 Traceability requirements n.e.s.</td>
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<tr>
<td>A86</td>
<td>Quarantine requirement</td>
</tr>
<tr>
<td>A89</td>
<td>Conformity assessments related to SPS n.e.s</td>
</tr>
<tr>
<td></td>
<td>A9 SPS Measures n.e.s.</td>
</tr>
</tbody>
</table>

| B  | TECHNICAL BARRIERS TO TRADE |
|    | C  | PRE-SHIPMENT INSPECTION AND OTHER FORMALITIES |
|    | D  | CONTINGENT TRADE PROTECTIVE MEASURES |
|    | E  | NON-AUTOMATIC LICENSING, QUOTAS, PROHIBITIONS … |
|    | F  | PRICECONTROL MEASURES INCLUDING ADDIT. TAXES … |
|    | G  | FINANCE MEASURES |
|    | H  | MEASURES AFFECTING COMPETITION |
|    | I  | TRADE-RELATED INVESTMENT MEASURES |

At this level of coding: 177 measures in the classification
Official NTM data collection

• From here...

...to here
Map of Data Availability – A global initiative
Data Availability

For policy makers and Researchers:
trains.unctad.org
(I-TIP Format like WTO tool)

For private sector and SMEs:
GlobalTradeHelpdesk.org
(Multi-Agency, led by ITC, UNCTAD, WTO)
World average ad-valorem equivalent of NTMs

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SPS
TBT
Other NTMs

Not included:
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Source: Cadot, Gourdon, Knebel, Peters, Asprilla, 2015
UNCTAD analysis for Ecowas:
Welfare increases in three scenarios

- "NTB": intra-regional (only) elimination of barriers
- "NTM": "NTB" + intra-regional regulatory convergence
- "Int.Standards": "NTB" + "NTM" + adoption of international standards with impact beyond intra-regional trade

Source: UNCTAD and AfDB 2018
**Conclusions**

1. In agriculture, all matters: Tariffs, NTMs, Procedural …
2. On average, NTMs are 3 times more costly than tariffs
3. SPS and TBT measures nowadays account for the majority of incidence and effect
4. Regulatory measures are highly relevant for sustainable development and affect everyday life (behind the border)
5. NTM abroad *and* at home matter for competitiveness
6. Reducing the cost of NTMs:
   - More transparency is needed. Visit: trains.unctad.org
   - Good regulatory practice, regulatory coherence
   - Regulatory convergence (harmonization, mutual recognition)