

Non-Tariff Measures Data, Research and Reform

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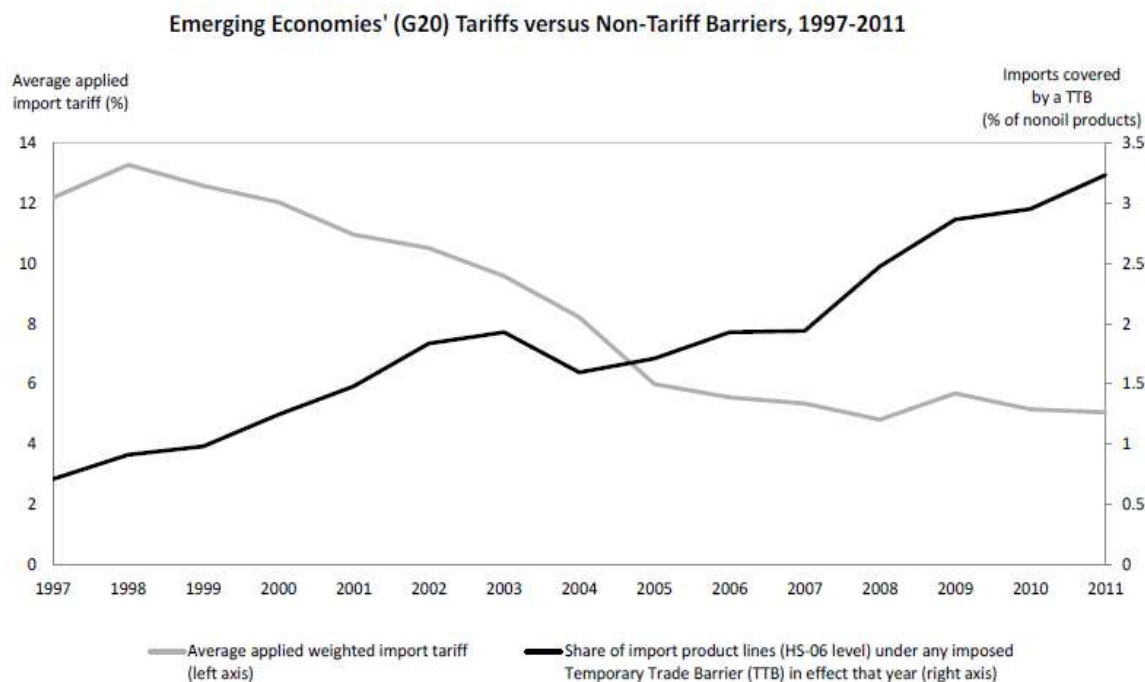
World Bank

UNCTAD Meeting on NTM Classification, Geneva 5-6 October 2016

Structure of presentation

- **Identification** of the pattern of NTMs
- **Measurement** of the impact of NTMs on countries and firms
- **Reform** of NTMs through international agreements and national reform
- **Priorities** for future work

Identification: The Changing Pattern of Protection in Goods Trade



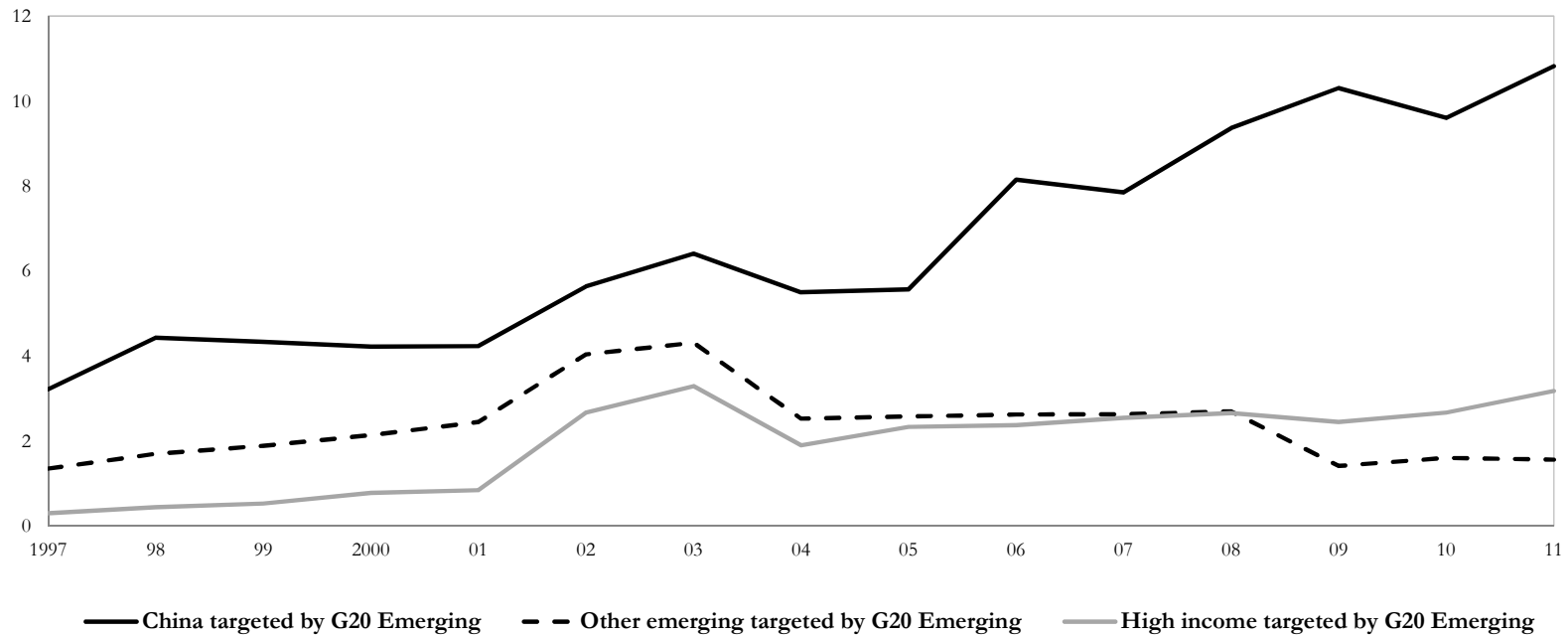
Sources: constructed with data from *World Development Indicators* and *Temporary Trade Barriers Database*. G20 emerging economies in this sample include Argentina, Brazil, China, India, Indonesia, South Africa and Turkey. See Bown (2013).

- Why do some barriers **persist and grow**?
- What are the implications of these barriers **for productivity, poverty and inequality**?

Identification: Growing South-South Contingent Protection

percent of
exports
(trade-weighted)

Trading Partner Exports Affected by Temporary Trade Barriers Imposed By G20 Emerging Economies



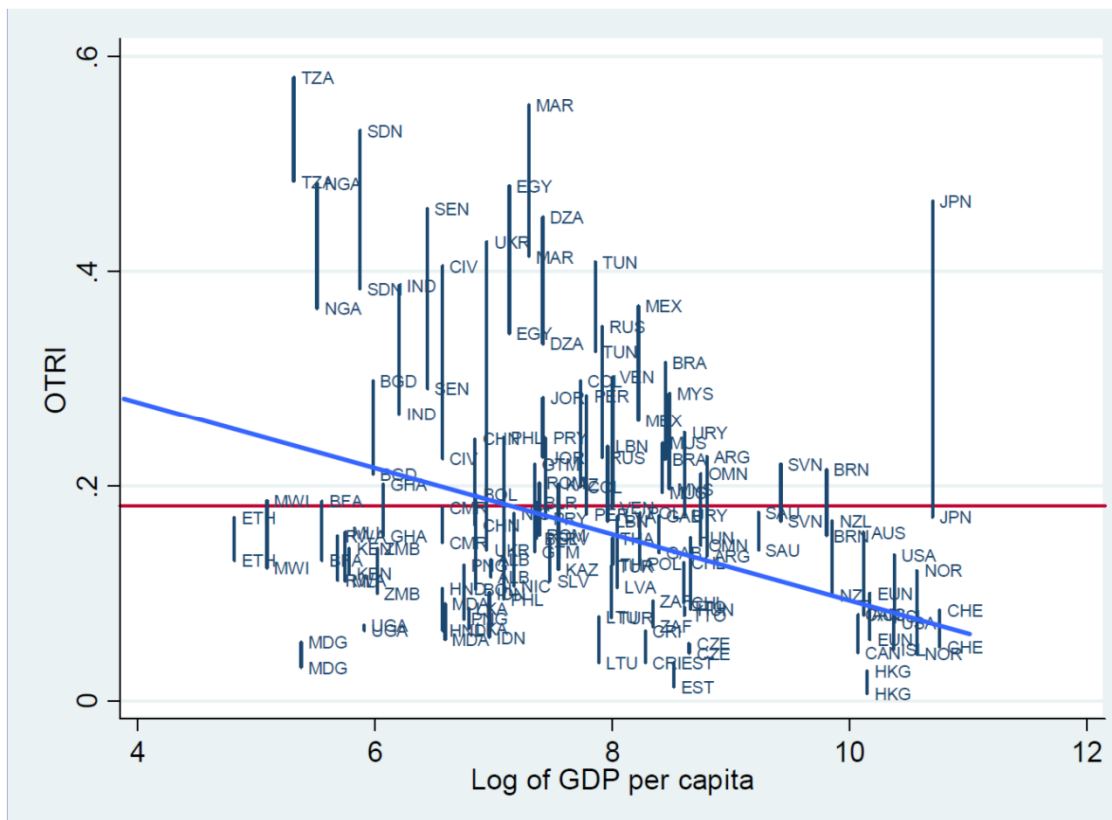
Source: Bown, Chad P. (2013) "Emerging Economies and the Emergence of South-South Protectionism," *Journal of World Trade* 47(1): 1-44.

Measurement: The Overall Trade Restrictiveness Index

- OTRI summarizes the trade policies stance of a country, taking into account the responsiveness of trade (ε) with respect to trade policy (T), weighted by the share of each product in total trade (m).
- Trade policy include both tariffs and the ad valorem equivalent (AVE) of non-tariff measures (NTM).
- The AVE of NTMs estimated at importer-product level based on gravity regressions.
- Responsiveness of trade (ε) based on a GDP function approach: Overall 377,000 import demand elasticities are estimated for 117 countries across 4900 HS 6-digit products.

Source : Kee, Nicita and Olarreaga, ReStat, 2008, EJ, 2009.

Wide variation in OTRI estimates across countries



Source: Kee, Nicita and Olarreaga, EJ, 2009.

- The simple average ad-valorem equivalent (AVE) in the entire sample for core NTMs is 12%.
- Tariffs and AVEs are negatively correlated -- suggesting trade policy substitution.

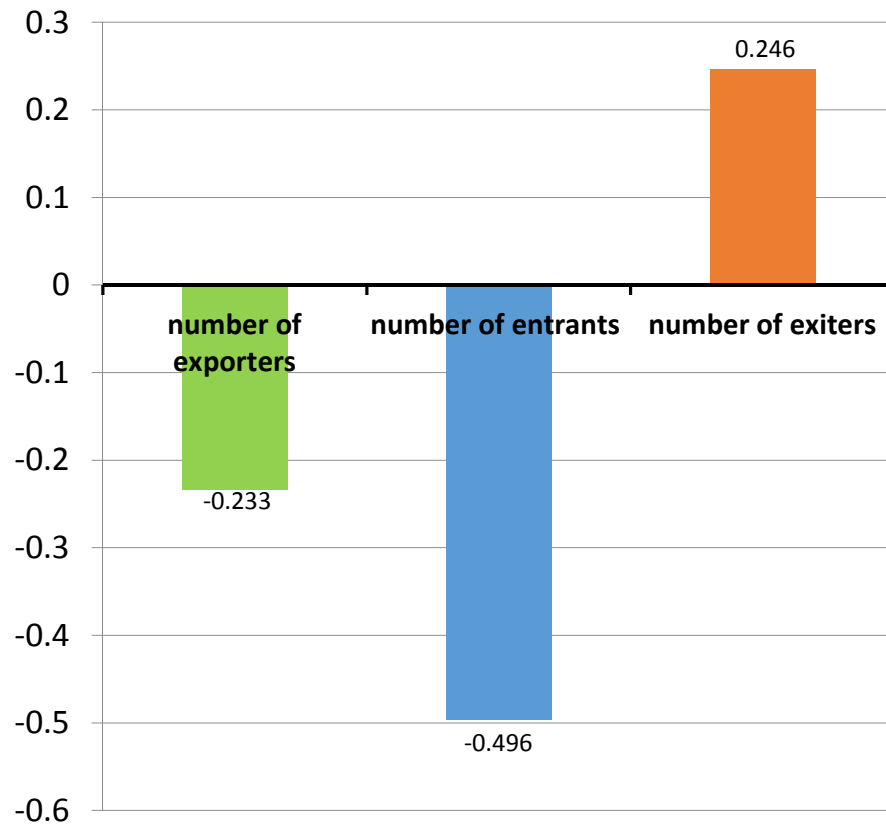
OTRI helps assess the impact of protection

- **The Great Trade Collapse 2008:** Many economists feared protectionism but OTRI helped demonstrate that the rise in tariffs and antidumping duties jointly caused global trade to drop by less than 2% (Kee, Neagu and Nicita, ReStat, 2013).
- **Brexit:** Dire predictions may overstate impact on UK's merchandise exports because:
 - The OTRI of main partners is low and the UK will at least initially comply with EU technical regulations, etc.
 - Majority of UK's exports to EU are either heterogeneous products with low elasticities or homogeneous products with low MFN tariffs.

(Based on newly collected NTM data and bilateral import demand elasticities and AVEs in Kee and Nicita (2016))

Measurement: Firm-level impact of agricultural standards

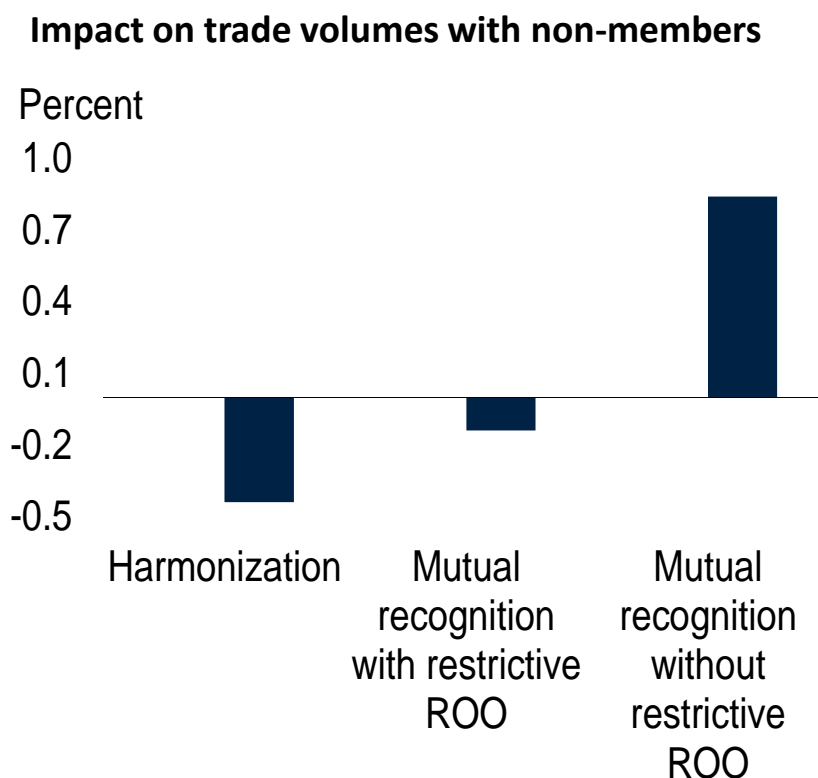
Restrictive product standards negatively affect the number of firms that export, dissuades entry, and promotes exit of firms in export destinations



Source: Fernandes, Ferro and Wilson (2016)

Reform: How regulatory convergence is achieved, e.g. in TPP and TTIP, will determine impact on insiders and outsiders

Mutual recognition without restrictive rules of origin promises the greatest benefits to third countries.



Source: Chen, Maggie Xiaoyang, and Aaditya Mattoo (2008), Regionalism in standards: good or bad for trade?, Canadian Journal of Economics, vol. 41, 838–863 .

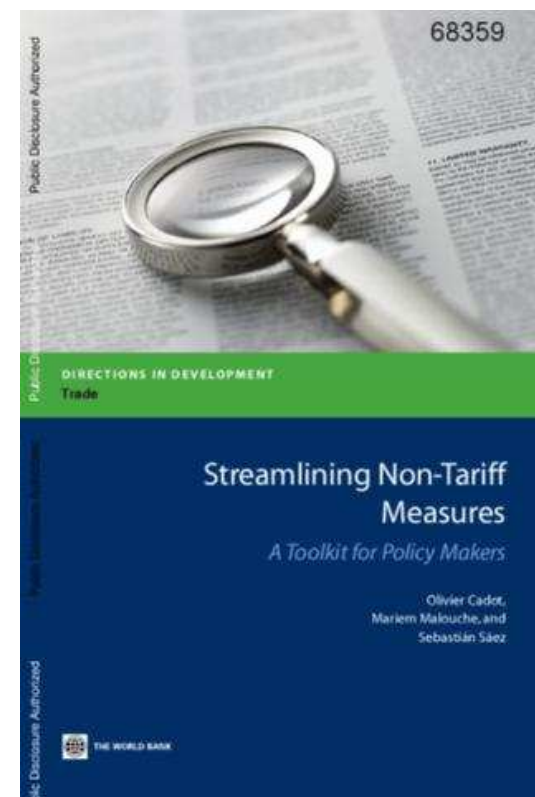
Reform: Operational work with ASEAN on NTMs

WBG has supported the ASEAN work program on non-tariff measures, including the ASEAN NTM database

Cambodia, Laos, Myanmar

Typical, ideal stages of a program to streamline NTMs:

- Supporting creation of an UNCTAD-style NTM database (done in Laos: Cambodia did this independently)
- Establishment of an inter-agency committee on NTMs
- Capacity building and private sector consultation
- Identification of a small number of priority NTMs for potential streamlining
- Analysis and implementation



The work ahead

- OTRI is currently measure blind and intensity blind
- NTMs are heterogeneous and vary in stringency e.g. TBT/SPS, TRIMs, ROO, subsidies, services and competition related...
- Need: better economic analysis and better data

E.g. Bank assistance for procurement analysis and reform

Good: shirts, 100% cotton; Quantity: 900;

Purchaser: Army; Margin: 9%

Bidder	Number of bids	Last Bids	Country	Winner or not
Bidder 1	7	100	Home	Winner
Bidder 2	3	110	Home	
Bidder 3	9	95	Foreign	