Issue 3
IMPROVING THE BUSINESS ENVIRONMENT FOR TRADE
tackling non-tariff measures

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Importing and exporting enterprises in the textiles and clothing sector, which were interviewed during the NTM survey in Morocco, reported a number of burdensome NTMs related to product registration and inspection. © ITC
During the past decades bilateral and multilateral trade agreements have led to a reduction in tariff-related barriers to global trade. But during the same period the world has experienced a steady rise in the number of non-tariff measures (NTMs). These NTMs can provide major challenges to local, regional and global trade in both goods and services as many companies struggle to comply with an increasingly complex web of polices and at times opaque technical standards. Today NTMs are among the biggest barriers to international trade.

Many, if not most, NTMs are applied for legitimate reasons, such as to protect consumers. But even these well-intended NTMs can have negative consequences for enterprises’ ability to trade, in particular in developing countries with a modest supportive infrastructure.

Less known is the fact that many barriers to trade in developing countries are domestic, and to a large extent a direct result of poor infrastructure and poor or adverse regulations. Hence, many of these barriers to trade are within control of the governments themselves – they hold the key to expanding exports from their countries.

Identifying barriers to trade and ensuring transparency in NTMs are therefore a precondition to taking action at both the national and international level. Pinpointing NTMs and understanding their effect on trade are key steps towards addressing the challenges posed by their proliferation.

Over the past few years, ITC has been systematically addressing NTMs. From 2007 to 2009, ITC was part of an international working group, initiated by UNCTAD Secretary-General Dr. Supachai Panitchpakdi, to establish a contemporary classification of NTMs. Based on this work, ITC has implemented an NTM programme covering 20 countries. Funded by the United Kingdom Department for International Development, this programme identifies barriers to trade as seen from a business perspective and provides advice to governments on how to overcome and reduce them.

As a result of this programme, policymakers, trade support institutions and enterprises are now better able to understand where compliance with NTMs can pose difficulties and how to overcome them.

Equally important, the programme has used the responses of the enterprises to provide trade negotiators and policymakers with the evidence necessary to decide on where best to take action. These actions can be supported through technical assistance programmes conducted by ITC and other organizations to address quality management, trade facilitation or sector competitiveness issues.

International action through the harmonization or mutual recognition of standards is another important means to assist countries in overcoming technical barriers to trade. One such initiative is the Standards and Trade Development Facility (STDF), a partnership between the World Trade Organization, Food and Agriculture Organization, World Organization for Animal Health, World Bank and national institutions, which supports developing countries in building their capacity to implement international sanitary and phytosanitary standards. Sri Lanka and Burkina Faso have both participated in ITC’s NTM programme and have subsequently requested support from the STDF.

This edition of International Trade Forum identifies various kinds of NTMs and introduces the work being carried out to mitigate them.

ITC’s NTM programme is not a magic wand that can bring down the barriers to trade in the immediate future. But it has indeed contributed to the recognition that for developing country economies to expand, NTMs have first to be identified and then remedies put in place. For this to happen on a larger global scale, a more substantial effort and greater cooperation are needed, both at the national and international level. Understanding and overcoming barriers to trade will not only benefit individual countries, it will also contribute to getting global economic growth back on track.

Patricia Francis
Economists propose introduction of right to trade

Columbia University Professor and Nobel Laureate Joseph Stiglitz and London School of Economics Economist Andrew Charlton reiterated their proposal that the World Trade Organization (WTO) integrate a right to trade in its dispute settlement system at a roundtable discussion hosted by the Commonwealth Secretariat in London in August 2012.

The economists contend that a right to trade mechanism could rebalance the global trading system and make trade work for poor people. Using the right to trade concept, developing countries would be able to bring action against an advanced country when a trade or trade-related policy affected poor people or their ability to trade. Remedies would include elimination of or change to an offending policy or bilateral sanctions.

The right to trade would be complemented by a Global Trade Facility funded by advanced countries and administered by the United Nations Conference on Trade and Development. The facility would provide resources to support developing countries’ actions under the WTO dispute settlement system and fund Aid for Trade assisting countries to help those countries maximize the benefits of new market access won through the system.

ASEAN ministers call for reduction in obstacles to trade

Members of the Association of Southeast Asian Nations (ASEAN) have been urged to reduce obstacles to trade and ensure a free flow of trade in the region. The 44th ASEAN Economic Ministers Meeting held in August 2012 in Siem Reap, Cambodia, raised concerns about intra-regional trade as rising numbers of non-tariff measures (NTMs) could hamper trade liberalization. It also called for ASEAN countries to jointly set up a single, region-wide set of standards for trade similar to those applied in the European Union.

ASEAN Secretary-General Surin Pitsuwan said only 25% of ASEAN’s worldwide trade is carried out within the region and suggested member countries should encourage more regional trade and investment, particularly among small- and medium-sized enterprises. With tariffs already reduced to almost zero under the ASEAN Free Trade Agreement, this could be achieved by reducing obstacles to trade such as NTMs. Members at the meeting noted that without limitations on obstacles to trade, ASEAN will not reach its regional trade liberalization targets.

WTO reports rising G-20 trade restrictions

The World Trade Organization (WTO) has warned G-20 countries that they must redouble their efforts to resist protectionist pressures and take active steps to keep markets open and advance trade liberalization. In its seventh Report on G-20 Trade Measures, which studied the period from mid-October 2011 to mid-May 2012 and was published on 31 May 2012, the WTO notes no slowdown in the imposition of new trade restricting measures by G-20 economies in the timeframe under review.

The report states that during those seven months, some 124 new trade restrictive measures were recorded. These new measures add to trade restrictions put in place since the out-break of the global financial crisis in 2008, an accumulation of trade restrictions aggravated by a recent slowdown in the removal of existing measures.

Describing these trade restrictions as ‘a matter of concern’, the report warns: ‘Some governments are facing particularly difficult economic conditions domestically; they must resist the temptation to move towards more nationalistic and inward-looking policies. This kind of policy will not solve their problems and they risk generating tit-for-tat reactions by their trading partners.’

OECD recommends measures to boost fisheries

Governments planning to boost their fisheries sector should review policies and create incentives for economically and environmentally sustainable fisheries. According to Rebuilding Fisheries: The Way Forward, a report by the Organisation for Economic Co-operation and Development (OECD), while many of the world’s fisheries are in poor condition, rights-based management (RBM) measures, including catch quotas and property rights, can act as economic incentives and support ecological goals such as replenishing fishing stocks.

The report was introduced in July 2012 during OECD Day at EXPO 2012 in Yeosu, Korea. It outlines the importance of fisheries and aquaculture to the global economy, and notes that fishery products are the most traded food commodity in the world and sustain millions of jobs in developed and developing countries.

Recognizing uncertainty in the sector caused by increasing demand for food and pressure on natural resources, the report calls for dialogue between fishers, managers and other stakeholders to support rebuilding plans and overcome resistance to RBM proposals. It also sets down recommendations for policymakers ranging from defining objectives, targets, harvest control rules and assessment indicators to taking into account by-catch and discards.
non-tariff measures
A KEY ISSUE IN EVOLVING TRADE POLICY

PETKO DRAGANOV
Deputy Secretary-General
United Nations Conference on Trade and Development

In today’s world trade, the relative importance of non-tariff measures (NTMs) vis-à-vis tariffs for developing countries’ exports has grown significantly. This is because the ability of developing countries to gain reliable market access depends on their compliance with an increasing number of regulatory measures that go beyond the realm of traditional trade policies. NTMs include a diverse array of policies and can have different purposes. Some are manifestly employed as instruments of commercial policy, such as quotas, trade-related subsidies, trade defence measures and export restrictions, but most stem from non-trade policy objectives, such as technical measures that ensure quality, safety, performance and environmental protection.

The increasing importance of NTMs in determining market access conditions is due to two main factors. First, modern societies require an increasing number of product standards and regulations to respond to growing societal demands for health, safety and environmental protection. Second, traditional forms of trade policy have lower significance. In most product lines other than agricultural products, tariffs are generally low as they have been liberalized first under the auspices of the General Agreement on Tariffs and Trade and the World Trade Organization (WTO), and subsequently in the context of regional and bilateral preferential trade agreements. For developing countries, tariffs have also become less of an impediment because of Generalised System of Preferences programmes and other preferential schemes. The fact that tariff liberalization alone has generally proven insufficient in providing genuine market access for developing countries’ exports suggests that addressing NTMs, especially those with discriminatory and protectionist intentions, is now a key element in an effective and fair integration of developing countries in the world economy.

The importance of NTMs in restricting international trade has recently been quantified in a number of studies by the United Nations Conference on Trade and Development (UNCTAD) and other organizations. The results are striking as they show NTMs have a large impact on the cost of cross-border transactions and that many of the policies have a much higher restrictive effect than traditional tariffs.

In some extreme cases, NTMs are far more important than tariffs in restricting access to markets. For example, although existing systems of preferences grant low-income countries a relatively low tariff for their agricultural exports, about 5% on average, once the ad valorem equivalent effect of NTMs is taken into consideration the total restrictiveness becomes much larger, at about 27%.

UNCTAD has long been at the forefront of efforts to address non-tariff barriers to developing countries’ trade. Indeed, some of the issues related to NTMs were highlighted in the 1960s as priority topics of UNCTAD intergovernmental discussions and reports such as the 1968 UNCTAD

TAIRFFS AND AD VALOREM EQUIVALENTS OF NTMs FACED BY EXPORTERS

Source: UNCTAD, 2012
document Liberalization of Tariffs and Non-tariff Barriers. UNCTAD also has a long history of collecting, organizing and disseminating data on NTMs. It developed the first comprehensive NTM classification and started collecting and organizing data on NTMs in the early 1990s. Recently, a much improved classification of NTMs embracing forms of NTMs that were of lesser importance decades ago, such as technical barriers to trade and sanitary and phytosanitary measures, has been developed. This new classification has been adopted by UNCTAD for official NTM data collection and by the WTO for its existing notification mechanisms.

Over the past few years, other international and regional organizations, including ITC, joined UNCTAD in its effort to address the issue of NTMs and their effect on international trade, particularly under the aegis of the Group of Eminent Persons convened by the Secretary-General of UNCTAD in 2006. Most recently, UNCTAD, ITC, the World Bank and the African Development Bank launched the Transparency-in-Trade initiative (TNT), pledging resources to improve trade policy data collection procedures and to freely provide this data through the agencies’ respective data dissemination platforms. The TNT initiative spans several areas of trade policy, including tariffs, NTMs, trade defence measures and services regulations. UNCTAD is the coordinating agency for data on NTMs.

Such unique multi-agency initiatives are instrumental in ensuring transparency, increasing awareness and providing information to both policymakers and entrepreneurs on the changing trade policy landscape. Governments as well as private enterprises need to be constantly aware of the specific trade barriers and regulations that prevail in potential export markets. They also need to understand which of these are most restrictive so that trade negotiations and trade facilitation mechanisms can be centred on addressing those of higher priority. Moreover, the TNT initiative is valuable in identifying and containing a possible protectionist backlash in trade policy, especially in periods of economic crisis.

Although improving transparency is important, policy research and analysis are also essential to a better understanding of the implications of NTMs for developing countries. UNCTAD has produced a variety of analytical documents on NTMs, such as reports for its intergovernmental meetings and policy research and working papers. The most recent report, published in 2012 and entitled Non-tariff measures to trade: Economic and policy issues for developing countries, provides an analysis based on new evidence of the impact of NTMs on developing countries’ trade. It shows how the use of various types of NTMs has evolved over the past decade and how these measures disproportionally affect trade in agricultural products and other sectors of substantial export interest to developing countries, such as textiles and clothing. Moreover, the report highlights that the effects of NTMs are dependent not only on regulatory frameworks per se, but also on their implementation procedures and administration mechanisms. The report goes on to deal with designing practical policy responses to streamline and harmonize NTMs. In this regard, the report highlights how the multilateral policymaking process, although complex, is critical in minimizing the possible trade restrictive and discriminatory effects of NTMs.

Although recent research and analysis, both at UNCTAD and elsewhere, have contributed to a better understanding of NTMs and their effects, many important policy questions remain open. One key issue needing more thorough analysis is related to the likely discriminatory effects of NTMs. More specifically, although nominally non-discriminatory, NTMs can have discriminatory effects on developing countries, as well as on small- and medium-sized enterprises (SMEs). There are various reasons for this. First, developing countries and SMEs often have more limited capacity to incur higher costs to meet the requirements of some types of NTMs, especially those of a complex technical nature. This is due to less advanced production technologies, weaker trade-related infrastructure, inadequate export-related services, or simply a lack of economies of scale to cope with the fixed costs required to meet many NTMs. Discrimination may also result from an informational problem. Smaller firms may not have the resources to fully understand the nature and implications of the NTMs that their exports face, or even less so how to comply with them. Finally, discriminatory treatment can also be caused by the more rigorous administrative procedures that are often applied on imports originating from developing countries, especially from least developed countries.

Besides the discriminatory element, there are wider development issues in which NTMs can have a critical impact and require further analysis. One issue of particular interest from a development perspective is the effect of NTMs on poverty and inequality. NTMs may not only preclude SMEs or small farmers from accessing international markets, but also constrain small players in supplying domestic markets. This may have major repercussions on employment and consequently on income distribution.

Food security is another important issue inherently related to NTMs. This applies not only to export restrictions, but also to standards and technical regulations and their international harmonization processes. Standards may lead to a segmentation of international and domestic markets resulting in food surplus and food deficit areas.

Most importantly there is a need to develop comprehensive and coherent international approaches to effectively address NTMs in a policymaking context. In this regard, one important task is to identify the ultimate purpose of specific NTMs. This affects how the NTMs should be addressed both domestically and internationally. Domestically, this would require a balanced approach to ensure that NTMs can maintain their legitimate purposes, but at the lowest possible costs and restrictiveness. Internationally, while explicit protectionist policy instruments with protectionist intent, such as export subsidies, quotas and local content requirements, are generally dealt with within the WTO framework, policies serving legitimate objectives, such as protection of health or the environment, need to be evaluated through a careful cost-benefit analysis. Regional and bilateral trade agreements could be a good testing platform to conduct such assessments. Another approach may be through plurilateral agreements on harmonization, or mutual recognition of technical regulations and standards.

In summary, UNCTAD sees the increased transparency and better understanding of the effects of non-traditional trade policies as an essential issue on the trade agenda of the 21st century. UNCTAD will continue working on NTMs, as mandated by its thirteenth conference in Doha in April 2012, by improving data collection and dissemination, and by strengthening its research and analysis. As the task of tackling NTMs is enormous, UNCTAD is pursuing a strategy of collaboration with other international and regional agencies, and is confident that this work will lead to a better understanding of the issue of NTMs for the benefit of all member states.
CREATING CLARITY OUT OF COMPLEXITY
defining obstacles to trade

Over several decades, trade liberalization has been used as a development tool based on evidence that benefits accrue to countries actively engaged in world trade. Multilateral, regional and bilateral trade negotiations, as well as non-reciprocal concessions, have led to a remarkable reduction in global tariff protection. With favourable market access conditions, international trade has soared to previously unseen levels, raising overall welfare and standards of living. However, trade barriers related to non-tariff measures (NTMs) may undermine the impact of falling tariffs. Although the sound use of NTMs to ensure consumer health, environmental protection or national security is legitimate, evidence suggests countries are also resorting to NTMs as alternative mechanisms to protect domestic industries.

Being ‘defined by what they are not’, a phrase coined by Alan Deardorff and Robert Stern of the University of Michigan in a 1998 publication entitled Measurement of non-tariff barriers, NTMs comprise a myriad of policies other than tariff duties. They are complex legal texts specific to a product and applying country and they are thus more difficult to quantify or compare than tariffs. Conceptually, the term NTM is neutral and does not necessarily imply a trade barrier, while the term non-tariff barrier (NTB) implies a negative impact on trade. As such, NTBs are a subset of NTMs with a protectionist or discriminatory intent.

NTMs particularly concern exporters and importers in developing and least developed countries (LDCs) that struggle with complex requirements. Firms in these countries often have inadequate domestic trade-related infrastructure and face administrative obstacles. Therefore, NTMs that would not normally be considered as very restrictive can represent major burdens in LDCs. In addition, the lack of export support services and insufficient access to information on NTMs put pressure on the international competitiveness of firms. Hence, both NTMs applied by partner countries and domestic burdens have an impact on market access and keep firms from seizing the opportunities created by globalization.

ITC was one of eight organizations – along with the United Nations Food and Agriculture Organization, International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations Conference on Trade and Development (UNCTAD), United Nations Industrial Development Organization, the World Bank and World Trade Organization – that final-
NTM CATEGORIES

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<thead>
<tr>
<th>TECHNICAL MEASURES</th>
<th>NON-TECHNICAL MEASURES</th>
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<tbody>
<tr>
<td>Sanitary and phytosanitary (SPS) measures</td>
<td>Pre-shipment inspection and other formalities</td>
</tr>
<tr>
<td>Technical barriers to trade (TBTs)</td>
<td>Price control measures</td>
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Conceptually, the term NTM is neutral and does not necessarily imply a trade barrier, while the term non-tariff barrier (NTB) implies a negative impact on trade. As such, NTBs are a subset of NTMs with a protectionist or discriminatory intent.

ized a new international taxonomy of NTMs in November 2009. This classification covers the diversity of NTMs and is used to collect, classify, analyse and disseminate information on NTMs received from official government sources and for working with perception-based data.

NTM categories

Within the classification there are two broad categories of NTMs: technical measures and non-technical measures. Technical measures include product-specific requirements such as tolerance limits of certain substances, labeling standards and transport conditions. They also include sanitary and phytosanitary (SPS) measures, which cover standards and procedures to protect human, animal or plant life or health from risks such as pests, diseases, additives and toxins, and technical barriers to trade (TBTs), which refer to the technical specification of products or production processes as well as related conformity assessment requirements.

Non-technical measures include charges, taxes and other para-tariff measures in addition to ordinary customs duties; quantity control measures such as non-automatic licences or quotas; pre-shipment inspections and formalities such as automatic licences; rules of origin; finance measures such as terms of payment or exchange rate regulations; and price control measures.

Beyond NTMs, a richer picture of the problems companies face can be created by examining procedural obstacles, essentially practical challenges directly related to the implementation of NTMs such as a lack of adequate testing facilities to comply with technical measures or excessive documentation in the administration of licences. The trade-related business environment can also be taken into account. It can cause difficulties similar to procedural obstacles, but these problems are unrelated to specific NTMs and could, for example, be delays and costs caused by poor infrastructure or inconsistent behaviour of officials at customs or ports.

Business issues

The diversity of NTMs, NTBs and other obstacles to trade is complicated by how they are applied in different countries and how burdensome they are perceived to be by companies that must comply with them. These issues are exacerbated by national policymakers who often lack a clear picture of what their business sector perceives as predominant obstacles to trade, making it difficult to develop appropriate trade-related policies.

ITC has responded to the needs of business and government to gain a better understanding of NTMs, build capacity to meet NTM requirements, demonstrate compliance at reasonable cost and inform policymakers with a major programme based on large-scale country surveys covering NTMs and other obstacles to trade, and the collection of government regulations on exports and imports. The surveys help countries identify specific non-tariff obstacles to trade that their business sectors face and the extent to which these obstacles burden different sizes and types of businesses. They identify the predominant obstacles at product, sector and partner country level. These obstacles include not only NTMs imposed by partner countries, but also potential bottlenecks in the home country’s capabilities and shortfalls in technical facilities needed to meet regulations and demonstrate compliance with NTMs. The collection of official data on NTMs is carried out jointly by ITC, UNCTAD, the World Bank and the African Development Bank. The information collected is being used to populate ITC’s new version of Market Access Map, which was released in March 2012. For more information on Market Access Map, refer to page 38.

The three-year ITC programme on NTMs started in March 2010 with funding from the United Kingdom Department for International Development. So far, surveys have been started in 22 countries, but more are planned, with ITC expecting to conclude 30 surveys by the close of 2013 and, as a result, ease the flow of imports and exports for developing countries building business in foreign markets. For more information on the country surveys, refer to page 14.
non-tariff obstacles to trade
THE BUSINESS PERSPECTIVE

non-tariff measures (NTMs) can be a major impediment to international trade and market access, particularly for exporters and importers in developing countries. Exporting companies seeking access to foreign markets and companies importing products need to comply with a wide range of NTMs, including technical regulations, product standards and customs procedures. NTMs vary across products and countries, and can change quickly, leaving the business sector lacking the information, capabilities and facilities to meet their complex requirements and demonstrate compliance at reasonable cost. While NTMs are a challenge for businesses in developing countries, national policymakers often lack a clear understanding of what their business sectors perceive as predominant obstacles to trade, making it difficult to develop the most appropriate trade-related policies.

The ITC programme on NTMs
ITC aims to increase transparency and assist countries to better understand the non-tariff obstacles to trade faced by their business sectors. In close collaboration with national and regional stakeholders, ITC is engaged in a multi-agency initiative that assists countries in finding solutions tailored to their specific needs. A sound understanding of the business perspective of NTMs is critical to identifying and defining national strategies and policies that help overcome barriers to trade. Businesses are best placed to inform decision makers on developing policies as they have first-hand experience in dealing with the key challenges.

ITC conducts large-scale surveys of companies in developing countries to improve knowledge of NTM barriers. Building on the experience and knowledge of export and import businesses in dealing with these barriers, the surveys are a viable and proven mechanism to deepen understanding of the perception of NTMs, which by their nature are hard to quantify. The surveys identify, at product, sector and partner
country level, the predominant obstacles the business sector faces when complying with NTMs, as well as potential bottlenecks at the national level with regards to the capabilities and technical capacity to meet regulations and demonstrate compliance. The surveys enable targeted capacity building and better formulation of national strategies and policies. In particular, they identify:

- The most challenging NTMs by sector, company size and partner country;
- The existing national procedures and facilities that need to be strengthened in order to better support the business sector in exporting and importing goods;
- Gaps in understanding specific measures applied by certain countries or to specific products and resulting from a lack of access to relevant information.

The survey methodology includes a representative sample at the national and sector level, and covers exporting and importing companies, as well as forwarding agents. The sample is surveyed through phone screenings and in-depth, face-to-face interviews. Typically, the two-step approach of the survey includes 400 to 600 phone interviews and 150 to 300 face-to-face interviews per country. To support country specific requirements, each survey is implemented by a local partner in close collaboration with government officials, business associations, chambers of commerce and other stakeholders.

The survey methodology was tested in a pilot phase in six countries throughout 2008 and 2009. Since then, it has been successfully implemented in many developing countries, including least developed countries, land-locked countries, countries in sub-Saharan Africa and small island developing States. The programme aims to complete 27 surveys by the end of 2013. As of January 2012, more than 16,000 companies had been contacted and 6,300 have been interviewed, enabling domestic companies to voice their concerns and needs with regards to NTMs. At the same time, ITC has trained some 120 local experts and interviewers on the classification of NTMs and ITC’s survey methodology, providing capacity building in this area.

First results
Survey results suggest a large proportion of companies are affected by NTM-related problems, most of which are technical measures. The impact is greatest on companies exporting from landlocked least developed countries. Surprisingly, many difficulties are related to NTMs applied by partner countries within regional trade agreements. Likewise, across countries, domestic impediments constitute a large share of reported obstacles.

Upon completion of a national survey, ITC, in close collaboration with national partners, provides an in-depth analysis of survey results. Local economists and specialists are engaged in the preparation of the country report, bringing in their expertise on country specificities and drawing attention to local particularities. The survey results are discussed in a national workshop that initiates and fosters a continual dialogue among different stakeholders, including the private sector, trade support institutions, government agencies and academics. The dialogue helps to identify needs for concrete action by policymakers in different export sectors, while trade support institutions and business associations better understand sector-specific challenges, enabling targeted support for businesses and the fostering of more transparent and dynamic commercial activity.

The European Union has very strict requirements for toy imports. A lack of requisite facilities in Sri Lanka forces companies to send samples abroad for testing and certification, increasing both the cost and time required to export.

Sri Lankan toy producer

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<th>Selected NTM survey countries</th>
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<tbody>
<tr>
<td>Burkina Faso</td>
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<td>Egypt</td>
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<td>Jamaica</td>
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<td>Kenya</td>
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<td>Madagascar</td>
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<td>Mauritius</td>
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<td>Malawi</td>
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Source: ITC survey on NTMs

<table>
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<th>An NTM survey in Sri Lanka</th>
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<tbody>
<tr>
<td>2,000 companies contacted</td>
</tr>
<tr>
<td>514 phone interviews completed</td>
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<tr>
<td>69% of companies reported NTMs and other obstacles to trade</td>
</tr>
<tr>
<td>180 face-to-face interviews completed</td>
</tr>
<tr>
<td>Major concerns: conformity assessment, export-related measures and technical regulations</td>
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Regional integration in Africa has long been recognized as essential to addressing issues related to the small economic size of many countries and the often arbitrarily drawn borders that pay little attention to the distribution of natural endowments. But as is frequently noted, at least to the extent that it is recorded in official customs statistics, Africa trades minimally within itself. For example, according to a 2011 World Bank report by Acharya et al entitled Preferential Trade Agreement Policies for Development: A Handbook, the share of intraregional goods trade in total imports is around 5% in the Common Market for Eastern and Southern Africa, 10% in the Economic Community of West African States and 8% in the West African Economic and Monetary Union. This compares to over 20% in the Association of Southeast Asian Nations, around 35% in the North American Free Trade Agreement area and more than 60% in the European Union. On the other hand, intraregional trade in South America’s Mercosur trading bloc is about 15% of total imports and less than 8% in the Central American Common Market.

It is often argued that regional integration can only play a limited role in Africa because of the similarity of endowments between countries. However, various contributions to the World Bank’s 2012 report, De-fragmenting Africa: Deepening regional trade integration in goods and services, highlight the enormous scope for increased cross-border trade in Africa. Regional trade can bring staple foods from areas of surplus production across borders to growing urban markets and rural areas with food deficits. Similarly, rising incomes in Africa create emerging opportunities for cross-border trade in basic manufactured goods, such as metal and plastic products that are costly to import from the global market. The potential for regional production chains to drive global exports of these goods, such as those in East Asia, has yet to be exploited. Thus cross-border trade in services offers untapped opportunities for exports and better access for consumers and firms to goods and services that are cheaper and provide a wider variety than those currently available.

The question is: Why is Africa not achieving its potential for regional trade? While there has been some success in eliminating tariffs within regional communities, a range of non-tariff and regulatory barriers raise transaction costs and limit the movement of goods, services, people and capital across borders. The end result is that Africa has integrated with the rest of the world faster than within itself. This is of particular relevance as traditional markets in Europe and North America are stagnating and recent export growth in Africa is being driven primarily by commodities that have limited impact on employment and poverty.

The costs of non-tariff and regulatory barriers
Non-tariff and regulatory barriers to regional trade fall most heavily and disproportionately on poor, small traders, preventing them from earning a living in activities that give them a comparative advantage, such as catering for smaller, local markets across borders. Most small-scale, poor traders are women and their trading activities provide an essential source of income to their households. Profit margins are small and reduced by every delay or extra charge. These traders are also vulnerable to abuse. For example, and as noted in the World Bank’s 2012 report, the majority of traders who cross from the Democratic Republic of Congo to Burundi, Rwanda and Uganda are women carrying staples. Some 85% report having to pay a bribe and more than 50% report physical and sexual harassment. One trader reports, ‘I buy my eggs in Rwanda. As soon as I cross to Congo I give one egg to every official who asks me. Some days I give away more than 30 eggs!’ This experience is not unique to this group of countries.

In southern Africa, a truck serving supermarkets across a border may need to carry up to 1,600 documents as a result of permits, licences and other requirements. Slow and costly customs procedures and delays caused by other agencies operating at the border, such as standards agencies, raise the costs of trading. For example, the supermarket chain Shoprite reports that each day one of its trucks is delayed at a border costs US$ 500 and it spends US$ 20,000 per week securing import permits to distribute meat, milk and plant-based goods to its stores in Zambia alone.

Companies that have access to professional services, such as accountancy, engineering and legal services, tend to have higher productivity, but many governments in Africa limit the pool of services that are available to companies through restrictions on the movement of professionals across borders and regulations that constrain the conduct of service providers.
The non-tariff barriers associated with the design and implementation of regulations continue to limit trade growth throughout Africa, imposing unnecessary costs on exporters that curb trade and raise prices for consumers, undermine the predictability of the trade regime and reduce investment in the region. To deliver integrated regional markets that will attract investment in agro-processing, manufacturing and new services activities, policymakers need to move beyond simply signing agreements that reduce tariffs and drive a more holistic process towards deeper regional integration.

A regulatory reform agenda

An approach is needed that reforms policies that create non-tariff barriers, puts in place appropriate regulations that allow cross-border movement of service suppliers, delivers competitive, regionally integrated services markets, and builds the institutions necessary to allow small producers and traders to access open regional markets. This is different to an approach that proceeds through specific sequential steps to integration and creates a free trade area, customs union, common market or economic and monetary union. For example, there are enormous opportunities from trade in services in Africa that are not dependent on a common external tariff being in place. Countries can work to improve trade facilitation at the border and to remove non-tariff barriers with neighbours while free trade agreements are being designed and implemented. Countries that are not members of the same free trade agreements can work to disseminate information on market prices to producers and traders.

This approach is consistent with recent work that shows that the ingredients and recipe for successful regional integration in the 21st century are quite different from those used in the 20th century. The old regionalism focused on the mutual exchange of tariff preferences and trade in goods. The new regionalism concerns a wide range of regulatory issues and is about the ‘trade-investment-services nexus’, according to a 2011 World Trade Organization working paper by Richard Baldwin entitled 21st Century Regionalism: Filling the gap between 21st century trade and 20th century trade rules.

The returns from a regulatory reform agenda for trade will be substantial, while the direct financial costs are small relative to other Aid for Trade interventions and investments in infrastructure. However, a large information gathering and knowledge building agenda is needed to support regulatory reform. Better information on non-tariff barriers and their impact is required in many countries to identify priorities for reform. Effective regulation typically requires sector-specific knowledge. The knowledge required to regulate open markets for accountancy services is quite different to that required to define standards for milk. This knowledge agenda can be enhanced by learning from other countries and regions about what has and has not worked for them.

However, in addition to being sector specific, regulation must take into account local demand and supply conditions; simply importing standards from outside may not be appropriate. Finally, the regulatory reform process must be open and inclusive to ensure all stakeholders are involved and that regulatory outcomes are not unduly influenced by particular stakeholders, such as incumbent companies.

A successful policy reform programme that seeks to address these constraints to intraregional trade in Africa will have to confront powerful interests that may be adversely affected by any changes to the status quo. While measures to open up African markets to regional trade will increase opportunities for businessmen and women, and particularly help poor traders to earn higher returns from their activities and at the same time reduce prices for consumers, some often politically well-connected individuals will lose the high profits they are able to earn from the relative lack of competition. In some cases there may be important distribution impacts that will need to be addressed if poor people are employed in activities that were previously protected. At present, there is limited analysis of political economy issues and there are few mechanisms in existing agreements for supportive policies, such as retraining schemes for affected workers. The appropriate metric for successful regional integration is not the extent of tariff preferences, but rather reductions in the level of transaction costs that limit the capacity of Africans to move, invest in and trade goods and services across their borders.
surveying the scope of non-tariff measures

* Affected sectors – Agricultural exporters seem, on average, more affected by burdensome NTMs than exporters of manufactured products.
* A high incidence of procedural obstacles – Linked to the majority of NTMs that are reported as challenging are procedural obstacles, such as administrative delays or inappropriate facilities that render compliance with the underlying NTMs difficult. The NTMs in themselves are not problematic, but are rendered problematic by associated circumstances.
* Burdensome NTMs – Most burdensome NTMs reported by exporters are technical barriers to trade (TBTs) and sanitary and phytosanitary (SPS) measures. Specific measures reported include those of conformity assessment, such as certification, testing and technical inspection requirements. These burdensome NTMs are followed by NTMs covering rules of origin, pre-shipment inspections and charges and taxes.
* Partner countries – Countries exporting to developed countries report that nearly three quarters of NTMs applied by the partner countries concern SPS measures and/or TBTs. When partner countries are developing, this share drops to about half and other types of measures gain in importance and are perceived as comparatively more challenging.
* Sector importance – Exporters of agricultural products report more challenges related to SPS measures and TBTs than exporters of other products. However, shipment inspections, charges and taxes, and rules of origin are comparatively more challenging for exporters of non-agricultural products.
* Types of procedural obstacles – The most frequently mentioned procedural obstacle is delay in administrative procedures. This is followed by unusually high fees and charges, large numbers of documents, inconsistent or arbitrary behaviour of officials, and limited or inappropriate facilities, for example for testing.

As well as specifying facts around NTMs, the ITC survey results make clear that membership in regional trade agreements does not insulate countries from NTM-related problems. Even where provisions exist to remove tariffs and harmonize regulations, it is not a given that these provisions are fully implemented and all obstacles removed. For example, in the East African Community, ITC NTM surveys in Kenya and Rwanda reveal a significant share of burdensome NTMs reported by exporters that concern partner countries in the community. Further, many problems are homemade when an NTM is applied by a partner country. For example, in Burkina Faso it appears that national laboratories are not accredited to issue certifications required by the European Union (EU).
“SRI LANKA”
A company exporting coconuts described the large number of documents involved in exporting and problems at inspection points. X-ray machines are available, but are rarely used for cargo examination. Instead, physical examination is undertaken, which is time consuming and expensive. It can also damage perishable cargo that is carefully packed, but is subject to rain, water, dust and insects when opened for inspection.

Source: ITC survey on NTMs, 2010

“SENEGAL”
‘We lose a lot of time obtaining the certificate of origin requested by importing countries. It takes around one week for the Ministry of Trade in Senegal to deliver the certificate,’ reported a Senegalese exporter of fish to Côte d’Ivoire, the Congo and Cameroon.

Source: ITC survey on NTMs, 2012

“PARAGUAY”
Several products exported to Argentina and Brazil must be registered and approved by government authorities in these countries. In the case of pharmaceuticals, the process can take six to twelve months. Approval for the export of insecticides to Brazil takes up to 12 months. The export of plastic products to Argentina endures delays of two months.

Source: ITC survey on NTMs, 2010/11

“BURKINA FASO”
A Burkinabe exporter of Shea butter to the United States said: ‘We must obtain a phytosanitary certificate and an attestation of quality to export our products to the United States, but these certificates are too expensive.’

Source: ITC survey on NTMs, 2010

“MOROCCO”
‘In order to obtain sanitary attestation we have to pass by several customs entities, which creates delays. Because of these administrative constraints we were not able to export last year,’ reported a Moroccan exporter of seafood to Italy.

Source: ITC survey on NTMs, 2010/2011

“MAURITIUS”
An exporter of books from Mauritius reported that the Seychelles imposes a quota on foreign exchange currency. Therefore the client has to come to Mauritius to make the payment in order to bypass this measure, which represents a major obstacle for potential buyers.

Source: ITC survey on NTMs, 2011

“MALAWI”
Almost a third of companies exporting agro-based products reported challenges with export licences. The licences are required for most agricultural products and applied irrespective of the destination country of the exports. They are issued by the Ministry of Industry and Trade and Ministry of Agriculture and Food Security, and are designed to guarantee food security as well as the health and safety of people, animals and plants. Exporters reported unpredictable delays, ranging from one week to two months, in obtaining licences from the respective ministries.

Source: ITC survey on NTMs, 2011

“JAMAICA”
‘Our company manufactures and exports souvenir candles to the Netherlands Antilles, using the United States as a transit country. When candles are exported to the United States, each shipment is detained and inspected for contraband. On many occasions, at least 30% of the candles in the shipment are destroyed by the United States customs and the importing customer receives a shipment that is damaged by melted wax. Customers are not comfortable with the state of the shipment and purchase is reduced or stopped. Thus the company incurs losses.’

Source: ITC survey on NTMs, 2011

“CAMBODIA”
A company exporting aluminium wires to South Korea reported that the partner country required it to obtain a certificate of origin from the Ministry of Commerce in Cambodia. To get a certificate the company normally has to wait two to three weeks because there is not enough staff at the ministry to handle the job.

Source: ITC survey on NTMs, 2012

“MOZAMBIQUE”
“Almost a third of companies exporting agro-based products reported challenges with export licences. The licences are required for most agricultural products and applied irrespective of the destination country of the exports. They are issued by the Ministry of Industry and Trade and Ministry of Agriculture and Food Security, and are designed to guarantee food security as well as the health and safety of people, animals and plants. Exporters reported unpredictable delays, ranging from one week to two months, in obtaining licences from the respective ministries.”

Source: ITC survey on NTMs, 2011
ITC NTM survey in Peru

The ITC survey in Peru and its part in creating workable policy options around NTMs provide a benchmark for further surveys and follow-up activity. Expanding the scope of discovery beyond NTMs and towards procedural obstacles and inefficiencies in the trade-related business environment provides an even richer picture. The combined assessment of regulations and their implementation is the essential basis for further evaluation of government action and effects on welfare.

The survey in Peru reveals that both exporters and importers face NTMs and other trade impediments. Exporters of agricultural products tend to be more affected than exporters of manufactured goods. While NTMs were identified on the side of partner countries, exporters have also encountered obstacles domestically in Peru. Domestic costs of NTMs and other obstacles reduce the commercial viability of Peruvian companies when competing with foreign companies that may face lower costs at home. The same holds true for additional costs on the import of inputs for domestic production and subsequent export. To boost the competitiveness of Peruvian companies in international trade it is not only essential to address trade policies with foreign partners, but also to minimize any unnecessary costs and frictions at home.

In line with the ITC NTM programme objective to identify policy options together with national stakeholders, the preliminary conclusions of the Peru survey were supplemented by interviews with Peruvian trade and sector experts. A stakeholder meeting was convened in February 2012 to present and validate the survey results, discuss the public sector perspective, and explore short- to long-term policy recommendations. Policy options were then confirmed at both the domestic and international level.

Policy options for domestic action
1. Strengthen specialized technical agencies and establish a national system of quality

Technical requirements and conformity assessment procedures are the predominant type of NTMs reported by Peruvian exporting and importing companies in all sectors. The increasing application of such measures and growing export as well as import quantities have created more demand for testing and certification services. The Peruvian government aims to double exports within the next five years, so institutional capacities need to be strengthened.

The NTM survey identified bottlenecks in specialized technical agencies that are responsible for emitting technical and sanitary certificates. At the stakeholder meeting, two of these agencies confirmed a lack of financial and human resources. More resources for the technical agencies are indispensable. The Ministry of Foreign Commerce and Tourism (MINCETUR) needs to take a proactive approach in working with the Ministry of Economy and Finance (MEF) and with the ministries that govern the specialized agencies. The MEF Competitiveness Agenda 2012-2013 proposed a National System of Quality that delivers a basis for cooperation.

The National Institute for the Defense of Competition and Protection of Intellectual Property (INDECOPI) is an important player in this initiative and in the areas of normalization/harmonization, metrology and accreditation. At the stakeholder meeting, INDECOPI pointed out that the national accreditation body is itself not internationally accredited. Efforts to obtain international accreditation need to be intensified. The technical agencies and INDECOPI may seek to harmonize domestic and international standards. This will facilitate trade by lowering the barrier companies experience when moving from domestic sales to exports. The agencies should also aim to increase participation in the international definition of standards.

2. Further integrate procedures into Peru’s Single Window for Foreign Trade

Customs is the agency in Peru where most procedural obstacles were reported as every trading company deals with customs procedures. After the NTM survey, the National Superintendence of Tax Administration (SUNAT) implemented the Single Window to reduce paperwork and integrate procedures through electronic networks. Integrating certificates of origin is scheduled for the second half of 2012. Discussions at the stakeholder meeting acknowledged improvements, but stressed that the survey results are still valid. While the Single Window is a fundamental platform for cooperation, agencies need to work together more closely to reach its potential.

3. Streamline import and export inspections

Procedural obstacles related to inspections in Peru represented a major share of private sector complaints. Companies lamented delays and that container checks were often performed at night or at dawn, making it difficult for company staff to attend. Responsible agencies hinted at their own bottlenecks; only 5% of export and 7%-8% of import consignments undergo physical inspection. The Peruvian Sanitary and Phytosanitary Agency (SENASA) controls all restricted sensitive goods and checks cargo between 8 am and 5 pm. Customs and the Peruvian Sanitary Agency for Fisheries (SANIPES/ITP) pointed out that the fast pace of international trade required a round-the-clock schedule of inspections. Justifying export inspections in Peru, experts who were surveyed stated that the level of rejected cargo in destination countries was high for some products, for example for agricultural products exported to the United States. Rejection in a partner country is costly and can harm the reputation of Peruvian exporters.

More financial and human resources are required as trade growth puts further pressure on institutions. Customs and specialized technical agencies also need to collaborate better to streamline inspections. The Peruvian social security agency (SNP) said the history of compliance of an exporter should be taken more readily into account, suggesting public agencies should also seek dialogue and closer collaboration with the private sector.

4. Improve access to NTM-related information and extend company-level capacity building

The stakeholder meeting confirmed that companies lack access to information about NTMs and procedures. SUNAT reported that 97% of infringements found during inspections are due to the ignorance of the trading company and are not an attempt at trafficking. SENASA and SANIPES/ITP said their customers are unaware of exact technical requirements until they ask for
certification for a market. Improving trade information systems is key. The Integrated Information System on Foreign Trade (SIICEX), which PromPerú, the Commission on the Promotion of Peru for Export and Tourism, introduced after the survey period, is an excellent basis for this. Integrating additional information sources to SIICEX, such as the information portals of SANIPES/ITP and those of partner countries, is a next step. The NTM module of the ITC Market Access Map application is also a valuable source of information.

A systematic and extended programme of capacity building at the company-level should accompany information improvement. With appropriate resources, PromPerú can lead capacity building. Private sector participation in SIICEX and capacity building is also needed, while exporters’ associations can provide information and training that public agencies are less capable of supplying.

**5. Strengthening the role of the regions and decentralization**

Many problems reported by enterprises in regions other than the Peruvian capital of Lima refer to a lack of trade-related infrastructure. In Lima, specialized technical institutions, ports and logistics infrastructure are overloaded. The regions have massive export potential, but are hindered by the centralized system that in many instances requires going through Lima. Beyond strengthening institutions and infrastructure in general, a better balance between Lima and the regions is crucial. Decentralization will benefit the regions and alleviate bottlenecks in the capital.

**Policy options for international negotiation**

While domestic action can alleviate the challenges of many NTMs, some measures require negotiation with partner countries. Trade agreements provide bilateral, regional and multilateral platforms for negotiation of general and specific NTM issues and policy options.

1. **NTM provisions in trade agreements and the multilateral trade system**

Trade agreements should incorporate provisions on mutual recognition of TBTs and SPS measures. In recent years, Peruvian authorities have signed phytosanitary protocols that have opened market access for Peruvian export products. While the Ministry of Foreign Relations and MINCETUR deal with international negotiations, the organized private sector can work with partner companies in destination markets to lobby for trade facilitation and transparent rules. Peru should also continue its participation at the multilateral level, taking part, for example, in World Trade Organization (WTO) committees on SPS measures and TBTs.

2. **Two examples of specific NTMs and venues for solutions: Novel food and restrictions applied by the Bolivarian Republic of Venezuela**

Market access for natural products unknown to the EU market is restricted under the ‘novel food’ regulation. Products originating from Peru’s biodiversity have great export potential, as high growth rates in other markets have demonstrated. In a joint effort with other Latin American countries, Peru has achieved some success in contesting the regulation at the WTO SPS committee. Despite changes in the EU regulation, the issue has not been resolved. PromPerú continues to work on the issue with a public-private group at the committee.

The Bolivarian Republic of Venezuela demands a ‘certificate of no national production or insufficient production’ to grant market access for several products. Further, the issuing of foreign exchange licences by the Commission for the Administration of Currency Exchange (CADIVI) is reported to be unpredictable. Both measures entail long delays, excessive documentation and informal payments. MINCETUR recently raised these issues during negotiation of a partial-scope trade agreement with the Bolivarian Republic of Venezuela.

3. **Regional priorities**

Priorities of political attention should be the largest markets of the United States and EU, and regional partner countries, especially the Bolivarian Republic of Venezuela and MERCOSUR (the Southern Common Market made up of Argentina, Brazil, Paraguay, Uruguay and the Bolivarian Republic of Venezuela). While the United States and the EU are crucial due to their market size, the Bolivarian Republic of Venezuela and MERCOSUR partners are destination markets in which NTMs were frequently reported. Less restrictive markets are in the Andean Community of Nations and emerging China.

**Outlook**

The NTM survey analysis provides a comprehensive picture of the challenges that Peruvian exporters and importers encounter. The stakeholder meeting then initiated public-private dialogue and led to policy options that now need to be implemented. This requires ministries, public agencies and the private sector to work together. Cooperation should be close, continuous and institutionalized to ensure policy actions are well defined and their outcomes regularly monitored and evaluated.
KAZAKHSTAN

In August 2011, an exporting company in South Kazakhstan sent copper alloys to Turkey by automobile transportation via Uzbekistan. Due to a new regulation in Uzbekistan the transit of non-ferrous metals was prohibited. A licence to transit non-ferrous metal needed to be obtained at the Ministry of Defense of Uzbekistan, but this was a long and difficult procedure. Information on the regulation was not adequately published and disseminated. The goods were blocked at the border. To resolve the situation, the company prepared the necessary documents to re-import the metals into Kazakhstan. In Kazakhstan, the product was loaded onto railroad wagons and sent to Turkey via Russia. The company suffered significant losses.

Source: ITC survey on NTMs, 2012

CÔTE D’IVOIRE

‘We need to get a phytosanitary certificate in order to export our product. Unfortunately it takes about a week for our Ministry of Trade to deliver it, which is way too long,’ reported an Ivorian exporter of cashew nuts to India and China.

Source: ITC survey on NTMs, 2012

KENYA

A company exporting coffee and tea to the United Kingdom, Pakistan and the Islamic Republic of Iran reported: ‘Before we are allowed to export, we must register our coffee with the Coffee Board of Kenya and our tea with the Kenya Tea Development Authority. This is a way of guarding the quality and value of the product in order to be able to compete with the same product from other countries in the international market. This registration must be made every time we export, making the exercise of exporting costly as we must pay for registration.’

Source: ITC survey on NTMs, 2011

MADAGASCAR

A Malagasy export of spicesto the EU said: ‘The regulations imposed by EU countries are too heavy for us. Product standards are too strict and we do not have enough time to comply.’

Source: ITC survey on NTMs, 2011

TUNISIA

‘Canada requires pallets to be fumigated before export. The Canadian customs did not inform Tunisia about this requirement so our product was rejected and sent back. To avoid losing our client we were obliged to buy expensive installations to get our pallets fumigated,’ reported a Tunisian exporter of olive oil to Canada.

Source: ITC survey on NTMs, 2011/12

GUINEA

A Guinean exporter of logs, tropical hardwoods and lumber to China, Japan and India reported: ‘Since 30 December 2010, a decree signed by the government of Guinea prohibits the export of wood.’

Source: ITC survey on NTMs, 2012

TRINIDAD AND TOBAGO

A company exporting ice cream to Barbados reported: ‘For certain countries we need an export sanitary certificate for dairy products. This is obtained from the Ministry of Food Production, Land and Marine Affairs at a cost of TT$ 20. It should take two days to get, but usually takes up to a week. When the documents are prepared they are usually full of errors. Every time we request corrections we are charged for a new certificate.’

Source: ITC survey on NTMs, 2011

EGYPT

Egyptian exports of impregnated birds’ eggs are prohibited in markets including the United Arab Emirates, the Sudan, Somalia, Nigeria and Libya because of Avian Flu risk. Similarly, Egyptian exports of sugar confectionery products containing bovine gelatine are prohibited in markets including Morocco, Palestine, Syria and Jordan because of Swine Flu or Foot and Mouth Disease risk. Companies believe these restrictions are burdensome because they do not involve a specific time limit and remain even if the perceived problem is proved to be contained.

Source: ITC survey on NTMs, 2011
The World Trade Organization's (WTO) World Trade Report 2012 takes a fresh look at non-tariff measures (NTMs). NTMs are nothing new, they have existed since countries started to trade and been subject to General Agreement on Tariffs and Trade disciplines since 1947. As tariffs have come down, however, NTMs have acquired growing importance. At the same time, changes in the trading environment have brought about a transformation of NTMs, raising new challenges in the multilateral trading system. This transformation and the challenges it raises are the topic of this year's World Trade Report.

The report focuses on technical barriers to trade (TBTs) and sanitary and phytosanitary (SPS) measures. Trends in the use of NTMs in the past 20 years are difficult to establish due to data limitations, but there is considerable evidence that TBTs and SPS measures have become more important, both in absolute terms and relative to other measures. The number of notifications of both TBTs and SPS measures has followed an upward trend and, at least in the case of TBTs, the number of specific trade concerns raised in the WTO TBT committee has increased.

There is now clear evidence of the predominance of SPS measures and TBTs over other NTMs, both in new data collected by the United Nations Conference on Trade and Development from official sources, such as government and international organization publications, and in responses to business surveys conducted by ITC. According to ITC, surveys of firms in 11 developing and least developed countries show that about half of the NTMs considered to be burdensome are TBTs and SPS measures. For exporters, business surveys also show that more than 70% of burdensome NTMs raise a procedural obstacle.

The growing importance of TBTs and SPS measures relative to more traditional measures, such as quotas or contingent protection, reflects a trend whereby NTMs increasingly address concerns about health, safety, environmental quality and other social imperatives. Given that these concerns are taking a more central role in policy as economies develop and incomes grow, the trend is unlikely to weaken in coming years. Moreover, with the expansion of global production sharing, product and process standards are becoming increasingly relevant in linking various stages of international production chains. This suggests public policy related NTMs will not decline in importance.

Trade effects of NTMs
TBTs and SPS measures can be burdensome for exporters, but they are not ordinary trade restrictions. Their trade effects, which can be positive or negative, depend on various factors. First, the trade impact varies according to how measures are applied or administered. The procedural obstacles most commonly mentioned by developing and least developed country exporters in ITC business surveys are time constraints, including delays related to regulations and short deadlines to submit documentation. These constraints represent 35% of obstacles reported. Issues of time are followed by unusually high or informal payments, which represent 22% of obstacles reported. Second, even more than the measures themselves, differences between national policies can substantially raise trade costs and reduce or distort trade flows.

The actual trade effects of NTMs are difficult to assess. Economists often calculate ad valorem tariff equivalents of NTMs. This can be done either by using the so-called price-gap approach, or by comparing observed imports with an estimate of what imports would be under free trade and converting the quantity gap into a price gap using the price elasticity. This approach does not allow for decomposition by specific measure of the aggregate.

While public policies need not be trade distorting or trade restricting in and of themselves, they may be designed to create an intentionally protectionist effect while serving a public policy objective. Assessing the purpose of a measure like this, or measures that assume a dual purpose, is even more difficult. This is because it is necessary to discover the share of the trade effect needed to achieve the legitimate purpose.

Challenges to cooperation on public policies
International cooperation on NTMs, and in particular on those related to public policy, is
The growing importance of TBTs and SPS measures relative to more traditional measures, such as quotas or contingent protection, reflects a trend whereby NTMs increasingly address concerns about health, safety, environmental quality and other social imperatives.

complicated by a number of factors. One factor is that many NTMs raise acute transparency issues. Several are intrinsically complex and opaque, and available information is limited and of generally low quality. The opacity of measures makes international cooperation difficult as it creates rule-making inefficiencies, reduces the capacity to enforce agreements, impedes regulatory improvement and fails to correct governments’ lack of commitment. Opacity imposes costs on certain firms, typically exporters, but it may benefit others, perhaps import-competing firms. Depending on circumstances, politically motivated governments may have a preference for opaque rather than transparent policy instruments.

Considerable efforts have been made by the WTO and other international organizations to enhance the quantity, quality and accessibility of NTM information, but much remains to be done. The WTO’s Integrated Trade Intelligence Portal (I-TIP), which will be launched at the end of 2012, will provide unified access to all WTO databases and information on NTMs collected through notifications. Improving the quantity and quality of information is more difficult. The WTO Secretariat and other agencies have revamped the existing international classification to facilitate the integration of all available sources of information. The multi-agency Transparency in Trade initiative can also play an important role, boosting the collection and dissemination of data, and putting in place a sustainable governance mechanism for transparency. Ultimately, however, the key to sustainable improvement in the level of transparency is in the hands of national governments.

A second factor that complicates international cooperation in the case of public policies is an intrinsic tension between the achievement of legitimate policy objectives and trade restrictiveness in the design and implementation of measures. This tension is reinforced by information problems. WTO members may not know which measure will be most efficient in striking this balance. In this respect, setting an internationally agreed benchmark of efficient regulation for a particular policy objective can help. Accordingly, WTO TBT and SPS agreements encourage the alignment of measures with relevant international standards. This is not a panacea as countries differ with respect to risk preferences and tastes. Further, defining relevant international standards in the areas of TBTs and domestic regulation in services is not straightforward. Most important, due to a lack of regulatory capacity, developing and least developed countries may face particular challenges in influencing the standards development process.

Another information problem is that members may not know how best to design and implement TBTs and SPS measures within the regulatory lifecycle. The use of an agreed set of regulatory steps that define an efficient regulatory intervention may be beneficial. Sharing a common regulatory language increases transparency and predictability of measures, and provides common criteria against which to judge them. The work of the TBT and SPS committees is relevant in this context, encouraging members to follow common approaches such as good regulatory practice when drafting TBTs and SPS measures.

The multiplication of private standards constitutes another challenge to expanding cooperation on public policies. These standards address a range of perceived or actual consumer-driven instances related to environmental protection, social values or food safety. Although cast as voluntary in nature, because they are imposed by private entities, private standards often become a de facto condition for market access. Developing countries have often raised concerns that these requirements are more stringent than regulations imposed by governments, that private standards are proliferating and that there is no recourse to discipline them. The impact of such standards is being voiced in the TBT and SPS committees, yet there is uncertainty on what the role of the WTO should be, if any.

Poorer countries often find it impossible to meet standards in major markets as it can be too costly for firms to adapt to the stringent standards required to access rich countries’ export markets and for governments to supply the appropriate infrastructure for conformity assessment. Regulatory capacity building is a vital element in improving international cooperation on public policies to benefit poorer countries. The Standards and Trade Development Facility has proven relevant to building the necessary capacity for poorer countries in the SPS area, but so far there is no similar tool to address standard implementation in the area of TBTs.

Future challenges in adapting to a world beyond tariffs

For the reasons outlined above, public policies are here to stay and they will only grow in importance. Inevitably, the WTO will have to deal with trade frictions that are more complicated to adjudicate than those related to classical barriers to trade. A number of high-profile disputes, such as the beef hormones case, have already arisen around public-policy measures. This means WTO adjudicators may be increasingly required to assess the legitimacy of the objectives of public policies. Some question whether it should be the prerogative of WTO adjudicators to decide on the legitimacy of a stated public-policy objective and to strike the balance between the pursuit of such an objective and the pursuit of gains from trade.

Lastly, trade opening in the case of public policies involves regulatory convergence. The WTO promotes some forms of convergence, for instance encouraging members to align their TBTs and SPS measures with relevant international standards. Transparency provisions, Aid for Trade and encouragement to follow best practice in the regulatory process also promote convergence. However, differences in preferences, levels of development and the capacity to ensure good governance can act as formidable obstacles to multilateral convergence. Instead, it may be achieved more easily through regional cooperation agreements between similar countries. The potential for trade-diverting effects on outsiders and regulatory lock-in cannot be overlooked. This is yet another challenge in adapting the WTO to a world beyond tariffs while keeping its relevance at the heart of the multilateral trading system.
THE LEAGUE OF ARAB STATES
a regional perspective

The League of Arab States has one of the lowest levels of intraregional trade in the world despite preferential market access and significant cultural homogeneity. Trade potential exists, but is as yet untapped. ITC analysis shows that by reducing obstacles to trade, there is potential to increase the total trade of member states by 10% and create at least two million jobs.

Members of the League have signed a number of trade agreements on preferential market access, most notably creating the Greater Arab Free Trade Area (GAFTA) that comprises all League members except Comoros, Djibouti, Mauritania and Somalia. Within GAFTA, the six Gulf countries of the Gulf Cooperation Council and Egypt, Jordan, Morocco and Tunisia are party to the Agadir agreement establishing a Mediterranean free trade area. At the same time, a number of bilateral agreements between Arab states, most of which were implemented before GAFTA, still exist and are sometimes used for preferential trade even though they have, in principle, been superseded by GAFTA.

In spite of these ongoing efforts to cut tariffs and implement preferential agreements, regional trade integration among the member states of the League is moderate compared to other common markets, such as the European Union (EU) and the Association of Southeast Asian Nations. In fact, the share of total trade that takes place inside the League amounts to a mere 11%, a fraction of the trade conducted with member states of the Organisation of Economic Co-operation and Development or with other developing countries, and a small share compared with other regions such as the EU, where more than 60% of total trade is among member states.

Breaking down trade conducted between member states shows considerable variety across individual members. The share of the League in each country's total trade ranges from 0.9% in the case of Comoros to 42% in the case of Palestine. Although some League members trade substantially within the region, particularly Jordan, Somalia, Oman and Bahrain, most trade is directed towards non-League countries. For example, with the support of free trade agreements, most of the Mediterranean countries in the region and particularly Algeria, Morocco and Tunisia direct trade heavily towards the EU.

Considering the general evolution of the League's intraregional and extraregional non-oil imports and exports over the past 15 years, the region has experienced strong growth since 1995 irrespective of the source and despite an expected dip in trade in 2009 due to the global economic crisis. Despite overall growth, the EU share of League members' imports and exports remains high, but has declined over time. The decline is especially striking in exports, where the share of exports directed to EU member states fell from 40% in 1995 to 18% in 2010, yet intraregional trade did not step up and remained a small fraction of total trade in 2010, as it is today.

With declining EU trade shares and almost unchanged intraregional shares, the rest of the world, comprising the fast-growing emerging market economies, has been able to substantially increase its weight as a trading partner to...
the League. The export share going to the rest of the world has even outpaced the import share. Starting from 37% in 1995, the share of League exports directed towards the rest of the world surged to 61% in 2010.

To evaluate regional integration, it is not sufficient to compare trade inside the region to trade outside the region. Instead, regional imports must be put in perspective with the total supply of the region. Following this approach, over the entire period from 1995 to 2010, regional integration has decreased and the share of the League in its total supply was below the 1995 level in 2010. As the opposite is true for the share of the League in the total supply of the rest of the world, it is clear that regional integration has decreased.

Despite this overall decline, some product groups and countries are worth highlighting. Textiles and textile articles show the best performance in terms of regional integration, followed by animal and vegetable fats, prepared edible fats and mineral products. For most manufacturing products, the League’s trade integration has substantially declined.

This negative trend can also be observed at the country level, where out of all League members only Qatar, Lebanon and Mauritius managed to build closer links within the group than with other non-League countries. The link between regional integration and tariff preferences is also interesting and raises the issue of whether changes in preferential market access translate into deeper trade integration. In fact, for the Arab League, this has not been the case.

Such modest evidence of regional integration among League trading partners hints at factors other than conventional tariffs hindering the free exchange of goods across League markets. In a global context of increasing economic liberalization and falling tariffs, the relative importance of trade barriers resulting from non-tariff measures (NTMs) has risen in recent years and is apparent in the League region as a whole, the survey results for these three countries identify obstacles faced by exporters when trading with other League members.

While a significant share of challenging measures affecting exports in Egypt, Morocco and Tunisia is applied by the home country, the majority of burdensome NTMs faced by exporting businesses in the three countries are applied by partner countries, in particular EU and League members. This is despite existing free trade agreements with both and suggests trade agreements providing preferential market access do not insulate against problems related to NTMs. In the agriculture sector, more NTM cases concern the EU than League members, whereas in the manufacturing sector, the share of cases related to League members is higher. In both sectors, only 15% of cases reported by businesses in Egypt, Morocco and Tunisia concern NTMs applied by the rest of the world.

Obstacles to exporting

When exporting agricultural products to other League members, companies report sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBTs) as the most burdensome NTMs. More than half of the NTM cases fall into the TBTs category, which comprises technical regulations, product standards and customs procedures. Most of these regulations do not have protectionist objectives and are instead meant for the preservation of health or the environment. Sometimes, however, compliance with the requirements may be beyond the reach of companies, particularly small- and medium-sized enterprises.

The ITC NTM programme has conducted large-scale business surveys to discover the types of NTMs that are in place and their effects on trade in more than 20 countries, including countries in the League. To date, surveys covering all major export sectors have been finalized in Egypt and Morocco. In addition, survey data for the agricultural sector in Tunisia is available. While being unrepresentative of the League region as a whole, the survey results for these three countries identify obstacles faced by exporters when trading with other League members.

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panies exporting agricultural products to other League members. While GAFTA and numerous bilateral agreements between League states have, in principle, established tariff-free market access, to benefit from tariff preferences companies must prove the origin of their products. As such, trade agreements replace a tariff with an NTM. This is not necessarily problematic. Referencing the EU, only 2.7% of reported NTM-related problems concern rules of origin, but these rules do seem to be a major challenge when trading with League countries.

Other burdensome measures reported when exporting to League partner countries include quantity control measures, charges and taxes, and finance measures such as regulations regarding terms of payment for imports and official foreign exchange allocation. These measures together represent about 30% of challenging NTMs applied by League members. In countries outside the League they represent only 10% of challenging NTMs.

The types of NTMs reported by exporters in the manufacturing sector are predominantly rules of origin and TBTs. In comparison with agricultural exporters, companies in this sector report fewer problems related to conformity assessment when exporting within the League. However, challenges related to rules of origin are much more pronounced, with 37% of NTM cases concerning this type of measure. This is not limited to partner countries in the League as the same problem is identified when exporting to EU countries and, even more so, to the rest of the world. Again, finance measures as well as charges and taxes are relatively more problematic when exporting to League trading partners than to partners in other countries.

Reducing obstacles will create jobs
Along with low intraregional trade shares aggravated by NTMs, a major challenge in the League is high unemployment. Finding new export opportunities for companies is one possible way to create jobs. If non-tariff barriers are the main impediment to exporting, their impact can be quantified using econometric techniques and it becomes possible to predict the benefits of reducing obstacles to trade. This is best done using a Computable General Equilibrium (CGE) model of the world economy, the so-called Mirage model, which takes into consideration not only trade data, but also production capacity and global demand in measuring the possibility of trade expansion and, therefore, job creation. Analysis based on a CGE model allows welfare and trade consequences of trade liberalization to be inferred for individual economies. It also allows measurement of the possibility of creating jobs in export sectors.

Top-level results from an ITC analysis using the CGE model indicate that reducing obstacles to trade in the League would deliver new export opportunities and help create jobs in export sectors. In total, trade could be boosted by 10% and more than two million unskilled jobs and 80,000 skilled jobs could be created by 2025 in the League’s export sectors. This analysis focuses on the elimination of trade impediments within the League and the impact this would have on trade and employment. Looking towards a world integration process, prospects are even brighter. As NTMs are reduced and intraregional trade increases, so too will trade barriers to other regions be reduced and trade will increase extraregionally, compounding the probability of job creation.

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**AGRICULTURAL EXPORTS: TYPES OF BURDENSOME NTMs APPLIED BY PARTNER COUNTRIES**

- **League of Arab States countries**
  - Technical regulations: 37%
  - Conformity assessment: 11%
  - Charges, taxes and other para-tariff measures: 9%
  - Quantity control measures: 18%
  - Finance measures: 8%
  - Rules of origin: 17%
  - Other: 3%

- **Non-League of Arab States countries**
  - Technical regulations: 40%
  - Conformity assessment: 6%
  - Charges, taxes and other para-tariff measures: 42%
  - Quantity control measures: 3%
  - Finance measures: 2%
  - Rules of origin: 6%
  - Other: 6%

Note: ITC staff calculations. Data comes from ITC NTM surveys in Egypt, Morocco and Tunisia. League: Simple average of types of challenging measures applied by League partner countries that were reported by companies in Egypt and Tunisia (no cases in Morocco). Non-League: simple average of types of measures applied by non-League partner countries that were reported by companies in Egypt, Morocco and Tunisia.

Source: ITC

**MANUFACTURING EXPORTS: TYPES OF BURDENSOME NTMs APPLIED BY PARTNER COUNTRIES**

- **League of Arab States countries**
  - Technical regulations: 40%
  - Conformity assessment: 22.7%
  - Pre-shipment inspection and other formalities: 37.3%
  - Charges, taxes and other para-tariff measures: 4.7%
  - Quantity control measures: 0.9%
  - Finance measures: 0.2%
  - Anti-competitive measures: 16.2%
  - Rules of origin: 0.4%
  - Price control measures: 0.4%
  - Intellectual property: 10.7%

Source: ITC
The West African Quality Programme (WAQP) implemented by the United Nations Industrial Development Organization (UNIDO) and funded by the European Union (EU) has been running for 10 years. Over the past five years, it has covered all 15 Economic Community of West African States (ECOWAS) and Mauritania. International Trade Forum talked to UNIDO’s WAQP programme manager, Bernardo Calzadilla-Sarmiento, about why the West African Economic and Monetary Union (WAEMU) and ECOWAS sought UNIDO’s support, and the extent to which WAQP is tackling non-tariff barriers and improving West Africa’s business environment. The discussion also reviewed how a capacity-building programme such as WAQP can improve competitiveness and overcome technical and sanitary barriers to trade.

TF: What was UNIDO’s initial role in WAQP?

Calzadilla: UNIDO’s involvement in West Africa’s quest for quality stems from the Common Industrial Policy (CIP) adopted by WAEMU at the end of 1999. The policy focussed on improving competitiveness, harmonizing standards and improving intraregional trade. It recommended development of quality infrastructure in West Africa so exporters could comply with World Trade Organization agreements on technical barriers to trade and sanitary and phytosanitary measures. In turn, this would allow them to access international markets.

A quality infrastructure analysis undertaken by WAEMU at the beginning of the programme revealed that none of the countries, all of which are least developed countries (LDCs) with the exception of Côte d’Ivoire, had accreditation bodies. Some did not have a formal structure to support a standards system. Only one testing laboratory complied with international standards and health and safety regulations. Most companies did not follow any production or management standards and only 23 were certified to ISO 9001 quality management standards. There was no regional harmonization of standards and in six countries standards bodies were unable to provide local industries with international standards.

UNIDO first looked at what could be done at the regional level to optimize quality infrastructure and deliver economies of scale to regional institutions. One of the problems faced by small countries, particularly LDCs, is that while they can be assisted individually with the development of national quality infrastructure, they may not have the resources to maintain it. The rationale behind building regional quality infrastructure was that a focus on selected institutions would be both more efficient at the regional level and more sustainable. To achieve this WAQP incorporated the subsidiarity principle, ensuring that nothing would be done at the regional level that was better done at the national level, or at the level of the private sector or the consumer level.

On this basis, the UNIDO programme promoted a regional approach to metrology and accreditation. It also suggested other activities, such as standardization, in which national stakeholders need to be involved, and which should be a focus at the national level. The development of an understanding of the need for quality was undertaken by the private sector and consumers. WAQP took care to ensure the private sector had a role in developing quality infrastructure and that bridges were built between the public and private sectors. For example, many public sector laboratories did not have good links with the private sector because they were not commercially minded and took too long to carry out tests that were not always accurate. Bridge building has helped these laboratories develop a private sector mentality and respond better to demand.

Essentially, these are the three elements that have been central to the success of WAQP: a focus at the regional level to ensure economies of scale and therefore sustainability; the subsidiarity principle to ensure a balance be-
between work at the regional and national levels; and bridge building between the public and private sectors.

TF: What were the early outcomes of the programme?
Calzadilla: At the end of phase one, WAEMU had a Regional Coordination Committee on Quality and three permanent regional structures, namely the West African Accreditation System, the Regional Secretariat of Standardization, Certification and Quality Promotion, and the West African Secretariat for Metrology. These regional structures were the first of their kind in the world. In terms of numbers, 24 testing laboratories in WAEMU were assisted towards accreditation and 46 laboratories across the region received and commissioned equipment that improved their testing capacities. Enterprise certification increased by 40% and an additional 72 enterprises were assisted towards certification.

In addition to capacity building outcomes, there were two practical sectoral outcomes, one at the national level, the other at the regional level. In July 2003, a self-imposed ban was placed on the export of shrimp from Benin to the EU. In August 2004, EU representatives in Benin requested that the ban be reviewed and this was done by an EU mission that arrived in Benin towards the end of the year. In February 2005, the government of Benin lifted the ban as WAQP had improved the quality of exports by assisting companies and inspectors to introduce the Hazard Analysis & Critical Control Points management system that addresses food safety, upgraded three relevant laboratories and strengthened the competent authority.

In the cotton sector WAQP developed a standard for western and central Africa. During the first phase of WAQP, most WAEMU cotton was tested manually against two or three parameters, although state-of-the-art testing included seven parameters. By the end of the first phase, a cotton standard had been put in place that enabled cotton producers to market five different classes of cotton graded according to colour, length and presence of foreign material. Previously they could offer only one class.

TF: How did phase two of WAQP develop?
Calzadilla: The positive achievements of the first phase of WAQP in WAEMU led the European Commission to provide additional funding of €16.5 million so that the programme could be extended to cover all 15 ECOWAS members and Mauritania. The implementation of phase two started in September 2007 and will end on 31 December 2012. It has opened up new challenges as it has included Mauritania and seven ECOWAS countries that had not been part of phase one in the WAEMU region. As well as dealing with established regional structures and three languages, phase two had to close the gap between the foundations of quality infrastructure in the additional countries and the improved quality infrastructure in the WAEMU countries.

By the time phase two started, demand for conformity assessment services, particularly laboratory accreditation, had increased in response to an increasing rate of rejection of exports brought about by export growth and increasingly stringent scrutiny. To resolve the problem, the second phase of WAQP has focussed on laboratory accreditation. Some 30 testing laboratories have carried out mock assessments for accreditation and, so far, seven have been accredited by internationally recognized accreditors. An equally important achievement is the strengthening of metrology services in the ECOWAS countries and Mauritania.

TF: What benefits has the programme delivered?
Calzadilla: The improvement in company and consumer quality consciousness in ECOWAS and Mauritania as a result of WAQP has been significant. More laboratories want to go for accreditation. 25 companies have been upgraded to apply for ISO 9001 and ISO 22000 certification, and more would like to be part of the programme. Quality consciousness at the government level has also improved, with a number of countries requesting support for a national quality policy. Another encouraging outcome of the second phase is that a number of countries have started to develop what we call National Legs. In addition to regional activities, these countries have developed large, national quality technical assistance programmes with other partners, an indicator that quality is at the highest level of the competitiveness agenda.

Future technical assistance programmes still need to develop top-level institutions, such as reference laboratories and sectoral centres of excellence, and to work more closely with the technology intensive parts of the regional quality infrastructure system. Looking at the big picture, the most important outcome of WAQP is the establishment of a foundation for competitiveness infrastructure. These will help regional countries access global markets, securing income and protecting jobs.
The history of trade policy since World War II is one of remarkable success in terms of reducing tariffs. In industrialized countries, tariffs have fallen to about one-tenth of what they were, largely as a result of negotiations fostered by the General Agreement on Tariffs and Trade (GATT). In developing countries, progress came later and has been less, but most developing economies have seen the wisdom of reducing tariffs quite substantially. Progress in reducing tariffs has, in part, exposed existing non-tariff barriers (NTBs) and, more so, prompted countries at all levels of development to invent new NTBs to serve the purposes that could no longer be achieved through tariffs. Thus, today, NTBs are by far the largest impediment to trade.

Some expansion of NTBs has been deliberately protectionist, but more has been the unintended or even unexpected by-product of policies pursued for other purposes. Regardless of these purposes, NTBs can severely hamper trade and interfere with countries’ abilities to prosper by integrating with the world economy. This raises the question of whether today’s international trading system is capable of dealing adequately with NTBs. One hope for doing so was the Doha Round of trade negotiations that began in 2001 under the auspices of the World Trade Organization (WTO). The Doha Development Agenda was intended to reduce or remove many forms of barriers to trade as well as cut back subsidies that are often just as disruptive, even though they may expand trade. The Doha Round has entered its eleventh year of negotiations and there are no signs that it will accomplish very much, if indeed it ever concludes. So, there seems to be no hope that NTBs will be reduced or constrained by multilateral negotiations.

This does not mean the WTO has lost its relevance. On the contrary, the WTO Dispute Settlement Mechanism (DSM) continues to
function well and effectively, and is expected to continue to do so. To the extent that it is able to address NTBs, the DSM is expected to become more important for this purpose over time.

At the same time that multilateral negotiations within the WTO have languished, negotiations outside the WTO to form Free Trade Areas (FTAs) and other preferential trading arrangements have proliferated. One might imagine that attempts to address NTBs will shift from the WTO to FTAs; and to some extent that may occur. Similarly, there has been some success in addressing trade issues outside the full multilateral context and independently of FTAs through plurilateral negotiations among groups of countries with a shared interest. This form of negotiation promises scope in addressing particular NTBs.

To understand how these various mechanisms may or may not work in addressing NTBs, it is helpful to distinguish NTBs by their purpose. Attempts to curtail NTBs are bound to fail if they do not take into account what countries are trying to accomplish when they are created. There are three categories of NTBs: protectionist policies; assistance policies; and non-protectionist policies.

- **Protectionist policies** are used by countries for the avowed purpose of helping their own firms and industries at the expense of those in other countries. This purpose has been the most common reason for levying tariffs, and preventing it has been the fundamental aim of the GATT and WTO. NTBs that serve this purpose, such as import quotas, local content requirements and public procurement practices, are often very similar to tariffs in their economic effects. GATT, which was conceived to counter such explicit protectionist motives, and the WTO have worked very well to constrain tariffs and at least moderately well to constrain these types of NTBs.

Countries that use such explicitly protectionist NTBs know they will be subject to disputes in the WTO and will likely lose. For this reason, they may pull back from the brink of such overt protectionism. An example is the United States stimulus policy of 2008, which as originally drafted would have limited government expenditure on imports. President Obama was able to get the legislation modified to prevent such limits when they would run afoul of the United States’s trade obligations under the WTO and North American Free Trade Agreement.

- **Assistance policies** aim to help domestic firms and industries, but not explicitly at the expense of foreign counterparts. Domestic subsidies fit the description as do most of the bailouts seen during and after the global financial crisis. Undeniably, these policies have adverse effects on foreign firms, but that is not their purpose. WTO international rules find these policies harder to deal with than protectionist policies. Sovereign governments will not give up their right to assist their own constituents and WTO international rules cannot simply prohibit such policies. In the past, rules have only permitted adversely affected countries to respond to protect themselves. This is the rationale behind WTO countervailing duties that work reasonably well for the narrow category of policies, essentially subsidies, to which they apply.

Unfortunately, tools do not exist to allow countries to protect themselves from the adverse effects of many other assistance policies. For example, if a bailout of a car company makes it easier for the company to compete in markets to which both it and another country export, the other exporting country has no way, aside from costly subsidies of its own, to protect its companies.

- **Non-protectionist policies** are, perhaps, the most interesting. They are not meant to help domestic industries and instead have other distinct purposes. Most common are policies to protect the health and safety of people, animals and plants, and policies to improve the environment. These are purposes that most would agree are legitimate and are shared by many governments, but policies put in place to achieve these objectives often turn out to cause economic harm to other countries. For example, if the health of consumers is protected by requiring food products to be inspected in a country, that creates a barrier to providers from outside even if they have similar provisions for inspection in their own countries. Similarly, from an environmental standpoint a country may seek to protect endangered sea turtles by prohibiting methods of fishing for shrimp that harm them, but as that prohibition cannot be enforced abroad, the country bans imports of shrimp from countries that do not enforce a similar prohibition. In neither case is the purpose of the policy to help domestic industry, which actually incurs increased costs as a result of the policy, but the effect of the policy harms foreign exporters.

Like assistance policies, non-protectionist policies cannot be addressed by simply banning them because their purposes can be viewed as legitimate and important. The trick is to find a way to reduce their adverse effects on other countries. For some policies, this may be achieved by agreeing common standards or gaining mutual recognition of different standards. For other policies, reliance on the WTO DSM may be effective, particularly if it can put pressure on countries to find alternative means of achieving their legitimate objectives. This is precisely what happened in the shrimp and sea turtle case: a WTO decision against the United States induced the country to remove its ban on imports and replace it with technical assistance to help foreign shrimp fishers avoid harm to turtles.

This all adds up to tempered optimism that NTBs can be dealt with largely by existing institutions. With some exceptions as noted above, the WTO DSM is capable of constraining countries from the use of policies that adversely affect other members too much. Such constraint has been, and will continue to be, at least moderately effective in stopping countries from doing significant economic damage to one another. Wherever possible, the constraint of the WTO should be combined with negotiation in FTAs and plurilateral groups to achieve coordination of policies that would otherwise interfere with trade. These approaches will not solve all NTB-related problems, but they can prevent the international trading system from reverting to chaos.

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gathering evidence on BARRIERS TO TRADE

Despite a global decline in tariff rates to historically low levels, trade is far from being free. Factors such as technical regulations, product standards and customs procedures still prevent limitless exchange of goods across countries. Such non-tariff measures (NTMs) are less visible and more complex than tariff protection measures, and are particularly burdensome for companies in developing countries that do not have the capacity to comply with the imposed rules and regulations. The business sector and trade policymakers are concerned that NTMs pose real obstacles to trade and any preferential international market access that companies from developing countries might enjoy could easily vanish without delivering the desired effect.

Existing studies use data at the country level to consider the effects of NTMs, but do not capture the experiences of exporters in their daily operations. In recent years, research has shown convincingly that there is substantial heterogeneity across companies. There is also robust evidence that only the most productive companies within an industry are able to serve difficult markets that are geographically remote and feature unfavourable economic conditions or a lower level of institutional quality. Similar reasoning applies to how companies experience NTMs. Whether a company manager considers a measure to be burdensome or not depends to a large extent on the situation of the particular company. In other words, even though NTMs are applied by countries, the perception of NTMs as burdensome in export markets may be subject to company-specific characteristics.

Since 2010, ITC has been conducting surveys on NTMs at the company level. Trading companies in developing countries are asked about the barriers they face in their daily business as well as the reasons why they experience a particular measure as burdensome. The resulting dataset is unique as it provides comparable and consistent cross-country and cross-sector information on companies from developing countries. It also identifies at the product level the measures these companies perceive as barriers when doing business in foreign markets.

Company types affected by NTMs

A few company characteristics were determined at the telephone screening stage of the ITC surveys. These characteristics can be used to study variations in the likelihood that an individual company will face a cumbersome NTM. For example, companies were asked to specify their number of employees, export status, location and main activity, essentially ‘producing’ or ‘other’, which mostly entailed trading and forwarding. As these variables were not all available for each of the 12 countries surveyed, ITC focused on information from three countries, namely Egypt, Madagascar and Mauritius. In these countries it was possible to identify the entity responsible for managing export and import procedures.

Based on survey information from exporters that are responsible for dealing with their own export procedures, the share of companies facing at least one NTM while exporting can be shown in relation to the size, export status, geographic location and activity of the companies. Surprisingly, the graph related to company size shows a U-shaped pattern, with the largest share of companies reporting burdensome NTMs among both the smallest companies, with fewer than 11 employees, and the biggest ones, with more than 250 employees.

Likewise, differing export status does not indicate a significant difference in the share of companies facing at least one NTM, suggesting that pure exporters and companies that simultaneously export and import are affected to a similar extent. Both of these results are
likely to be influenced by the observation that large companies and two-way traders serve more products and more markets. Therefore, the probability that they will encounter at least one obstructive NTM is high, even though they have greater capacity than small companies to deal with export procedures.

In addition to company size and export status, location may play a role in the effect of NTMs on companies. As government and public agencies are often clustered in the capital of a country, establishing headquarters in the capital could facilitate access to information. Challenging this argument, the graph showing NTMs relative to company location reveals that the share of NTM-affected exporters is slightly higher for companies located in the region of the capital city than for those located elsewhere in the country. Finally, differences occur in relation to the activities of companies. On the one hand, trading companies may be more specialized and have more experience in dealing with export procedures than producing companies. On the other hand, producers have detailed knowledge of their products and production processes, which may facilitate their compliance with international standards. Further, customs issues affect a larger share of traders' and forwarders' activities. On this basis, a producing company’s interviewee may perceive NTMs to be less burdensome. The graph covering company activity suggests that the share of producers facing burdensome NTMs is considerably lower than the share of other types of companies, including traders.

The results of the study covering company size and export status may hinge on the difficulty of distinguishing company-level capabilities to overcome bottlenecks caused by confrontation with at least one NTM when a product and market dimension is not taken into account. Considering the ratio of NTMs to product-markets in relation to company characteristics, the share of NTMs is highest for micro companies and pure exporters, which face an average of 0.74 and 0.68 burdensome NTMs per product-market respectively. In contrast, large companies and two-way traders face an average of 0.55 and 0.60 burdensome NTMs per product-market respectively.

The types of burdensome NTMs differ by company size. Technical requirements, which represent a fixed market-entry cost, are particularly troublesome for micro companies as their small export volumes translate into large per-unit costs of compliance with the requirements. In turn, charges, taxes and para-tariff measures, which represent variable costs that increase relative to the export level of a company, account for a significant share of large companies' reports on obstructive NTMs. Although this information is not available for all firms interviewed at the telephone screening stage of ITC surveys, it does support the perspective that how companies are affected by NTMs varies depending on their characteristics.

**Policy implications**
The elimination of NTMs has gained importance on the international trade agenda. In the light of low overall levels of tariff protection, there is a fear that NTMs could represent major trade obstacles and influence market access conditions.

These company-level findings have important policy implications that complement earlier insights on NTMs gained at the country or sector level. Clearly, an attempt to mitigate NTMs should not be tackled merely at an aggregate level. While a sector or a country-wide approach may be a useful starting point, it will not be suitable for every company. Instead, the ITC findings stress the need to design policies that moderate the impact of trade obstacles on different types of companies.
Morocco is steadily progressing toward greater internal modernization and globalization. Located on the Strait of Gibraltar, it is increasingly seen as a regional hub for shipping logistics, assembly, production and sales in North Africa. Although the greatest barriers to trade in Morocco are similar to those any small- and medium-sized enterprise (SME) would face in a developing economy, the country has a dynamic economy. In the World Bank’s 2012 Doing Business Report, Morocco shot up 27 slots from its 2011 position to 94th out of 183 economies in the overall ‘Ease of Doing Business’ ranking. It is thus profitable to do business in Morocco and to extend business to foreign markets.

Asmàa Missa, manager of a small agro-food enterprise in Casablanca, is taking on the challenge of both local and foreign markets. Missa has managed the family business, WASSA Agro-Group, since 1995 and with increasing success. What is her secret? Does she have to struggle with non-tariff barriers like so many other SMEs? Why is it a privilege to be a business woman in Morocco? The answers to these questions can be found in exporting and understanding the needs of clients, explains Missa in an interview with International Trade Forum.

**TF: What is WASSA Agro-Group?**

**Missa:** WASSA Agro-Group goes back to the 1950s, when my father Ahmed Missa left his hometown Agadir to do business in Casablanca. In 1959, he acquired his first market stand at BAB Marrakech, where he traded in canned food and fresh produce, particularly in fresh olives. One year later, he and his brother co-founded Olives Massa, a company specializing in the treatment of olives from harvest to end product.

From 1960 to 1970, Morocco experienced an economic boom that enabled my father to acquire about 3,000 square metres of land and meet the growing demand for the company’s products. In the 1980s, he bought another 15,000 square metres and created Missa Ahmed to disassociate himself from his brother. This space allowed him to store annual purchases of olives and condiments. In 1990, a new kind of market emerged in Morocco with the first shopping centre, Marjane Bourregreg, in Rabat. To ensure that his brand of olives was represented in every supermarket, my father hired some 90 permanent merchandisers. A new design distanced his products from more traditional ones and now, during high seasons, the company employs between 90 and 150 people.

As the business grew it changed its name to WASSA Agro-Group and in 1995 my father asked for my help. I was the only member of the family who had gone to university and I felt responsible even though I had started a career as management controller at the multinational corporation Sanofi three years earlier and felt too young to take over the family business at the age of 25. But I knew that I could support my father in matters of marketing and finance, and getting the company to the next level.

**TF: Was it a difficult task?**

**Missa:** It wasn’t easy. I needed to learn each stage of production and undergo training like
the rest of the staff. My experience at Sanofi helped me understand the processes and use rigor as well as courage to advance. The staff knew I would take over the family business one day, but I earned their respect and this was important to me.

Being a woman doesn’t make a lot of difference in the Arab business world, but business with external parties such as banks and insurance companies can be easier for women than men as they trust women to handle investments and money in a responsible manner. Also, Arab women are known to be credible, hard working and passionate about their work.

**TF: What is your product range and where do you export to?**

**Missa:** We concentrate on olive products, offering over 26 varieties, either loose or packed in various forms. For diversity, we also produce other goods, particularly condiments such as preserved lemons, pickles, onions, capers, pickled peppers, mixed vegetables and harissa. Production is aimed primarily at the local market, especially the retail segment that now represents about 80% of turnover. Our export turnover is just 25%, but it increased from about US$ 222 in 2007 to US$ 1,219 in 2011 despite challenging economic conditions and lower exports of Moroccan food. Most of our exports go to the European market, which is Morocco’s primary trading partner, while the rest are dispatched to Saudi Arabia, Canada and Palestine.

Interregional trade in the Maghreb region is more developed than intraregional trade because of insufficient investment and because of the similarity between some Maghreb countries, for instance Morocco and Tunisia. Export structures are inadequate for intraregional demands and priority is given to a North-South strategy.

**TF: What obstacles do you face when trading?**

**Missa:** For one, risks of competition. The traditional market represents about 80% of our annual volume, but the informal nature of this market creates unfair competition among manufacturers due to factors such as the non-application of value added tax and non-compliance with hygiene standards and food safety. Our company operates with production tools and manufacturing processes similar to those of the largest operators in the sector, which significantly reduces competition.

With regard to canned olives and international competition, the competitiveness of Moroccan products is linked to the supply cost of olives, which is based on annual crop levels and on supply costs recorded in Spain, the largest producer of olives worldwide and the number one competitor of Moroccan canned olives. Efforts made by Moroccan authorities to increase the area planted with olives will hopefully ensure adequate crop levels, and the proximity of Morocco to the Spanish market promotes correlation with costs in Spain, thus limiting gaps in competitiveness.

Supply risks can also be a problem as controlling the supply of olives and quality condiments is a key requirement for the business. Modernization, market organization and weather conditions can disrupt the regularity of supply in quantity and quality and affect local market prices. To reduce the risks, we maintain long-standing relationships with suppliers of raw materials, continuously observe tariffs on the Moroccan and Spanish markets, and make purchases of raw materials based on market opportunities.

Production risks can also be an obstacle to trade. As an industrial food enterprise, we risk non-compliance if we produce and market products that are unfit for consumption. To guard against this, we are implementing quality control throughout the manufacturing process and are training to obtain certification that will improve the hygiene and food compliance of our products. This need is accentuated by strict health regulations applied to food products sold in Europe.

**TF: How is ITC helping you?**

**Missa:** I was aware of the potential of export markets and was interested to learn more. The ITC EnACT (Enhancing Arab Capacity for Trade) programme helps us brand and market products for foreign markets. It also helped me hire an international consultant who taught me about exports and arranged a visit to the SIAL (Salon international de l’alimentation – the international food and beverage exhibition) Canada trade show in Montreal in May 2011. We will be part of the SIAL trade show in Paris in October. I plan to expand our export share as I know the company’s success lies in exports.

**TF: What are your plans for the future?**

**Missa:** We have five key objectives. We will direct sales towards export, producing a differentiated offering that meets the requirements of the international market; we will diversify our range of olive oil and condiments; and will invest in the branding of the company. We will also execute our investment programme covering the renewal of equipment and increased production and storage, and we will establish the HACCP/ISO 22000 quality management system to meet national and international market requirements.
STATISTICS OF DISTORTION
trade policy intervention during the crisis

Simon J. Evenett
Professor of International Trade and Economic Development
University of St. Gallen

Since the outbreak of the global financial crisis in August 2008 and the ensuing G20 summit in November, governments have resorted to less transparent forms of commercial policy intervention. While tariff changes account for only a fifth of all interventions and while the use of trade defence measures has risen over time, many other forms of non-tariff measures (NTMs) have been deployed.

Trade negotiators, exporters and analysts have been interested in NTMs for decades. During much of the post-war era the concern was that as the swamp of tariff measures was drained, the effects of NTMs, some of which impede or discourage international commerce, would become apparent. Since the 1970s, certain analysts have argued that governments might be tempted to substitute NTMs for tariff measures, a temptation made stronger as successive trade accords lowered tariffs. During the global financial crisis and its associated growth slowdown, defenders of open borders have been concerned that governments might resort to NTMs to delay or prevent job losses at, or closure of, domestic firms and shift the burden of adjustment on to foreign companies and rivals.

As deliberations at the World Trade Organization (WTO) and United Nations Conference on Trade and Development have long recognized, it is worth bearing in mind that NTMs can take many different forms. Indicative lists are useful, but governments can create new types of NTMs or blend different measures. As a result, it is better to examine whether a policy measure alters the relative treatment of domestic and foreign rivals, rather than to confine analysis to measures on an indicative list or measures covered by WTO agreements. This is the approach taken by the Global Trade Alert (GTA) team, a group of independent trade analysts around the world that I coordinate. The data reported here summarizes their reports on nearly 2,500 state announcements made since November 2008.

The table reports on the frequency that different types of NTMs have been resorted to since the G20 summit in November 2008. To provide a useful point of comparison, data on tariff measures is also included. The measures are listed in descending order of the total number of times governments have employed each measure in a way that would almost certainly discriminate against a foreign commercial interest. As can be seen, the use of bailouts and state aid measures that tilt the level playing field, as well as trade defence measures, has been more frequent than the use of tariff measures. Even if all financial sector bailouts are excluded, the use of state aid for manufacturing, agriculture and other service sectors occurred more frequently than tariff changes. Overall, more than 80% of the state measures reported in the Global Trade Alert database are NTMs.

However, governments did not only harm foreign commercial interests during the recent global financial crisis; nearly 600 measures were taken that either improved the transparency of trade policy regimes, liberalized those regimes, or did not affect the relative treatment of domestic versus foreign commercial interests. Still, for every such measure there were almost 2.5 measures that harmed foreign commercial interests. Among the five measures most used during the crisis, there is considerable variation in the use of measures that harm foreign commercial interests. For example, for every tariff hike there were approximately 1.5 measures that lowered tariffs or improved transparency in the national tariff regime. The reverse is true of the most used NTMs; here beggar-thy-neighbour measures outnumbered trade-promoting measures by more than two to one. In the case of discriminatory bailouts and state aid, the number of beggar-thy-neighbour measures outnumbered commercially neutral measures by more than one hundred to one.

When the history of the first four years of the global economic crisis is written, do not be surprised if bailouts, many of which did not grab headlines like those in the financial sector, get prime billing. Protectionism in the 1930s may have been associated principally with tariff increases and in the 1980s with voluntary export restraints, but now beggar-thy-neighbour measures have taken a different form. The important
The number of trading partners, tariff lines and sectors affected varies considerably across NTMs, as shown in the table. Trade defence measures may be numerous, and given the number of anti-dumping and countervailing duty investigations in the pipeline, they will soon overtake subsidies in a frequency count. However, trade defence measures affect far fewer jurisdictions, tariff lines and economic sectors than bailouts. This is because anti-dumping and countervailing duty measures target specific products from specific trading partners and are, therefore, more surgical in effect. This is not to downplay the impact of such duties, but rather to argue that the scale of commerce affected by subsidies is likely to be greater.

Export subsidies and competitive devaluations affect large numbers of products too. Measures relating to trade finance and export taxes and restrictions affect a large percentage of trading nations, but not necessarily a large percentage of product categories. Such findings provide a preliminary assessment of the relative importance of different types of NTMs; more definitive assessments will require empirical analyses of the major interventions taken during the crisis. Given that more than 2,000 NTMs have been implemented since November 2008, waiting for the effect of each to be studied in detail may be akin to making the perfect the enemy of the good.

Naturally, there is interest in which jurisdictions have been implementing NTMs. Generally, as documented in previous Global Trade Alert reports, the percentage of worldwide totals of protectionist measures implemented by G20 countries has risen every year since 2009. Since November 2008, G20 countries have implemented 47% of the world’s harmful NTMs. For comparative purposes it is worth noting that the G20 is responsible for 42% of the world’s tariff hikes. More generally, governments that have resorted to protectionism the most have done so by circumventing WTO rules, typically imposing NTMs that are not, or are less stringently, covered by WTO rules rather than relatively transparent trade policy measures such as tariffs.

Although the use of beggar-thy-neighbour policies during the global economic crisis has not reached the scale seen during the 1930s, the substantial implementation of NTMs is disturbing. While governments have not sought to blatantly violate WTO rules, the incompleteness of such rules has been laid bare. Looking forward, perhaps fiscal pressure will induce governments to phase out subsidies and bailouts; but even if these are withdrawn, precious little prevents governments from employing other measures that can distort international commerce.

<table>
<thead>
<tr>
<th>Total number of measures in GTA database</th>
<th>Number of non-discriminatory and liberalizing measures (green in GTA database)</th>
<th>Number of almost certainly beggar-thy-neighbour measures (red in GTA database)</th>
<th>Ratio of non-discriminatory and liberalizing measures to beggar-thy-neighbour measures</th>
<th>Number of pending measures</th>
<th>Jurisdictions implementing specified measure type</th>
<th>Jurisdictions affected by measures of specified measure type</th>
<th>Tariff lines affected by measures of specified measure type</th>
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| 2720                                   | 594                             | 1439                            | 923                            | 0.3271                    | 5.2                      | 39.1            | 14.2            | 36.7            |
The gradual disappearance of tariffs since the 1948 birth of the General Agreement on Tariffs and Trade has been counter-balanced by a growing presence of non-tariff measures (NTMs) in international trade. The World Trade Organization Agreement on Technical Barriers to Trade (WTO/TBT) recognizes that access to markets can be impeded by the use of technical regulations and standards that can vary from country to country and, if set arbitrarily, can be used or perceived as disguised market protection in the form of non-tariff barriers to trade. It is important to differentiate technical regulations from standards (see definitions page 35).

To avoid this scenario, countries should consider, for example, using international standards as one way of describing how to implement technical regulations, a process supported by the non-governmental International Organization for Standardization (ISO). While ISO standards are not mandatory, as they are developed as voluntary documents, they distil international consensus from the broadest possible base of stakeholder groups with expert input coming from those closest to the need for standards and the results of implementing them. In this way, ISO standards are widely respected and accepted by public and private sectors internationally.

The WTO, established in 1995, is an international organization that effectively lays down legal ground rules for international trade. Of particular interest and importance to standardizers are WTO agreements on technical barriers to trade (TBTs) and the application of sanitary and phytosanitary (SPS) measures. It is widely recognized that lack of capacity to implement WTO agreements, particularly those on TBTs and SPS measures, can constitute a major hindrance to trade. Considering growing emphasis on trade as a means to underpin economic development, especially in developing countries, this means there is an urgent and crucial need to address the issue of standards and technical regulations to allow countries to participate effectively in the multilateral trading system.

In the case of the WTO SPS agreement, international standards are defined as those developed by the Codex Alimentarius Commission, the International Plant Protection Convention and the World Organization for Animal Health. There are no such definitions of international standards as a result of the WTO TBT agreement and no organizations have been named as developers of international standards under the agreement. There are ongoing discussions within the WTO TBT committee about the need to provide greater clarity around the definition of international standards so that countries, in particular developing countries, can decide where to channel scarce financial and technical resources to participate in the work of international standardizing bodies.
The TBT and SPS cases demonstrate that WTO agreements can have a significant influence on standardization, both at the national and international level. The WTO has published a Code of Good Practice for the Preparation, Adoption and Application of Standards as annex 3 to the WTO/TBT Agreement. Ensuring compliance with the code should be a major part of the operations of a national standards body (NSB).

In its second triennial review of the TBT agreement in 2000 and reaffirming its position in the fifth review in 2009, the WTO TBT Committee agreed on principles that should be observed when international standards are elaborated. There are six principles covering transparency, openness, impartiality and consensus, effectiveness and relevance, coherence, and addressing the concerns of developing countries. These principles should be observed by all international standardizing bodies as well as NSBs. In a joint paper by the ISO and International Electrotechnical Commission (IEC) that was submitted to the WTO TBT committee in March 2012, both organizations state that the six TBT principles are fundamental pillars on which international standardization should be built. The principles are embodied in ISO and IEC work, and are part of best standardization practices for both systems. They are also used by the organizations’ national members.

It is extremely important that the principles on which a standard has been developed be understood. Simply put, not all standards are developed using the above principles. This may be fine if the need is for consortia standards, but where broad issues or interest are involved only standards developed using the above principles should be considered. It would be helpful if such differentiation was made in databases of standards, such as the one maintained by ITC.

As well as working with organizations such as IEC, ISO works closely with its members to develop and sustain standards. It has observer status in the WTO TBT Committee and is attentive to the needs of its members in terms of the development of international standards. Essentially, the organization is a federation of the national standards bodies of 164 countries, including developed and developing countries as well as countries with economies in transition. Each ISO member is the body most broadly representative of matters of standardization in its country. Members propose new standards, participate in their development and provide support in collaboration with the ISO Central Secretariat for the 3,300 technical groups that develop standards. ISO members appoint national delegations to standards committees and more than 50,000 experts voluntarily contribute annually to the work of the organization. When work is published as an ISO international standard, it may be adopted as a national standard by ISO members and translated. Standards are developed through a double layer of consensus, first among the technical experts who participate in the work of the ISO technical committee, then at the level of the ISO members who vote on draft standards.

Developing countries constitute three quarters of ISO membership. Therefore, the organization has developed technical assistance and training packages tailored to the various needs of its members and particularly to developing countries. These packages are critical in keeping the ISO system primed and operating at maximum efficiency for the benefit of an international community that expects quick, credible and consensus-based solutions in an increasingly complex world. ISO technical assistance and training is provided in the context of the ISO Action Plan for Developing Countries 2011-2015 with the objective of achieving the following outputs:

- Increased participation in ISO technical work;
- Capacity building in standardization and related matters for ISO members and their stakeholders;
- Improved awareness of the role and benefits of international standards;
- Strengthening ISO members in developing countries at the institutional level;
- Strengthening regional cooperation;
- Introducing the subject of standardization as part of educational curricula.

The involvement of both developed and developing countries in the ISO system ensures the global relevance of ISO standards, which constitute consensus-based tools for business, consumers and society at large. As ISO standards are developed on the basis of consensus, their use to help explain and amplify countries’ technical regulations can be expected to alleviate the potential to introduce technical barriers to trade. For example, in the area of conformity assessment and accreditation it is widely accepted that ISO standards are the reference. This allows mutual recognition of conformity assessment procedures and accreditation among countries, thus facilitating international trade.

**DEFINITIONS**

A **standard** is a document established by consensus and approved by a recognized body that provides, for common and repeated use, rules, guidelines or characteristics of activities or their results aimed at the achievement of the optimum degree of order in a given context. A standard is normally for voluntary use. Voluntary standards are not technical regulations unless and until they are referenced by a regulatory authority.

A **technical regulation** is a regulation that provides technical requirements, either directly or by referring to or incorporating the content of a standard, a technical specification or a code of practice. It is normally mandatory. Technical regulations may be developed directly by regulatory authorities without making reference to standards, in which case any documents or requirements are not consensus based.

**Non-tariff measures (NTMs)** are policy measures that have an effect on trade flows. They can be imposed at a border, for example on imports or exports, or applied in a domestic economy. When NTMs have a protectionist effect they are referred to as non-tariff barriers.

**Conformity assessment** is a collective term covering all the services needed to provide evidence that a product or service complies with a standard or technical regulation. Conformity assessment can be provided by independent third parties or by a supplier depending on the purchaser or regulatory authority requirements. Conformity assessment includes inspection, testing, product certification, system certification or any relevant combination of these.
EXPORT HELPDESK
an online guide to accessing european markets

Countries with which the EU has concluded preferential trade agreements:
- Mexico - Chile - Colombia - Peru - Panama - Costa Rica - El Salvador - Guatemala - Nicaragua - Honduras - Morocco - Algeria - Tunisia - Egypt - Jordan - Israel - Occupied Palestinian Territory - Lebanon - Syria - Former Yugoslav Republic of Macedonia - Albania - Serbia - Montenegro - Bosnia-Herzegovina - Croatia - Ukraine - Switzerland - South Africa - Republic of Korea (South Korea) - Antigua* - Barbuda* - Belize* - Bahamas - Barbados* - Dominica* - Dominican Republic* - Grenada* - Guyana* - Haiti* - Jamaica* - Papua New Guinea* - St Kitts and Nevis* - St Lucia* - St Vincent and the Grenadines* - Seychelles* - Suriname* - Trinidad and Tobago*

Countries with which the EU is currently negotiating preferential trade agreements:

Countries with which the EU is considering opening preferential negotiations:
- Japan - Azerbaijan - Brunei Darussalam - Indonesia - Philippines - Thailand - Ecuador - Bolivia - United States of America

*Economic Partnership Agreements

Source: Export Helpdesk
How can developing countries best access the European Union (EU) market? A good starting point is the European Commission’s Export Helpdesk, which provides a free online service covering all import rules in force in the EU on a product-by-product and country-by-country basis. With a share of around 20% of global imports and exports, the EU is the world’s largest single market. It needs the products it imports, be they mineral oil products; intermediate products for various industrial sectors such as electronic equipment, motor vehicles and chemicals; or agricultural products such as fruits, vegetables and other foods. It is also committed to helping developing countries tie their economies more firmly to global trade flows. In practical terms, it does this through preferential trade arrangements. Although it is possible for exporters in developing countries to export to the EU without quota restrictions or duty payments, some specific technical requirements remain. The Export Helpdesk is a single access point for the information business needs to fully benefit from opportunities in the EU.

No customs duties within the single market
The EU is a customs union and its 27 member countries form a single territory for customs purposes. This means: no customs duties are paid on goods moving between EU countries; all countries apply a common customs tariff for goods imported from outside the EU; and goods that have been legally imported can circulate throughout the EU with no further customs checks.

Exporting products to the EU
When exporting to the EU, companies access a single market of 27 countries with over 500 million consumers. The principle of free movement of goods, allowing goods to be transported and sold anywhere in the EU, is a cornerstone of the EU market. To a significant extent, complex and varied national laws have been replaced by a single set of European rules, cutting down on costs and inconvenience for businesses wanting to trade in other EU countries. The EU market for goods is already highly integrated and harmonized among the 27 countries. However, to make the EU market work efficiently, businesses have to respect a number of rules and compete fairly. Anti-competitive behaviour, such as abuse of a dominant market position, price-fixing agreements and distorting public support, are prohibited. To take part in EU trade, it is necessary to know the procedures to follow. These cover:

- Classifying products and finding the correct product codes;
- Completing a customs declaration with the necessary documents, including a single administrative document, commercial invoice, freight documents, insurance papers and a packing list;
- Calculating applicable tariffs and quotas, for example, for agricultural products, value-added tax rates and excise duties in EU countries;
- Preparing a product so that it complies with product-specific requirements related to public, plant and animal health, safety, packaging and labelling, and marketing standards;
- Finding the relevant national authorities and border inspection posts.

Information on these processes is provided by the Export Helpdesk and is based on current EU law. Where there is no EU law applicable to a specific product, national law in the importing country will apply and the authorities of the destination country should be contacted.

Preferential trade agreements
Preferential trade agreements the EU has concluded with countries or regions, along with their specific sets of rules, are integral to the Export Helpdesk. These agreements include:

- Customs unions;
- The Generalised System of Preferences;
- The preferential duty regime for African, Caribbean and Pacific States;
- Free trade agreements;
- Autonomous trade preferences.

For imports under a preferential regime it is important to prove that the product de facto originates from a country that benefits from preferential arrangements. The Export Helpdesk explains which rules of origin apply and which proofs of origin are required to qualify for a preferential tariff.

The Helpdesk also integrates antidumping law, providing information on additional duties that may be temporarily applied according to the findings and decisions of the EU Antidumping Committee.

Figures on trade flows
Before deciding to access foreign markets, the Export Helpdesk can be used to look at current trade flows. The statistics section of the website provides trade statistics between any country and the EU as a whole and between any country and individual EU countries. Figures are available from 2002 to 2011 and can be exported to Microsoft Excel spreadsheets.

Using the Export Helpdesk
A computer and Internet access are required to use the Export Helpdesk, and once an Internet connection is made all the necessary export data is available and can be searched. The service is provided by the European Commission and has been set up specifically for developing countries. It is free of charge, available around the world and a large part of the information is available in six languages: English, French, Spanish, Portuguese, Arabic and Russian. Very specific information is available only in English. For further information on the Export Helpdesk visit http://exporthelp.europa.eu
ITC has redeveloped the Market Access Map analysis tool, making market entry costs and rules more transparent. The upgraded version of the tool was developed with financial support from the European Commission, World Bank and ITC Trust Fund donors, and has been available online since 30 June 2012 at macmap.org. Essentially, Market Access Map is a free of charge interactive analytical web tool designed to help exporters, trade support institutions, trade policymakers and academic institutions in developing countries prioritize and analyse export markets, as well as prepare for market access negotiations. The redeveloped Market Access Map provides information on:

- Non-tariff measures (NTMs) – this is a new area providing technical, health, environmental, safety and other regulations by product and market with links to further information about national regulations;
- Tariffs, including trade agreement preferences, applied by 191 countries and faced by 239 countries and territories; current tariffs are available together with historical time series data;
- Tariff rate quotas;
- Trade remedies;
- Rules of origin for preferential trade agreements;
- Bound tariffs of World Trade Organization members;
- Trade flows.

Users can also find ad valorem equivalents for all non ad valorem duties and perform aggregations of products and countries as well as simulate tariff reduction scenarios.

Patricia Francis, Executive Director of ITC, explains: ‘It is very clear that smaller companies find NTMs more burdensome than do big companies. Researching and complying with market requirements is mostly a fixed cost for a company. The smaller the company, the bigger the cost as a proportion of the company’s turnover. ITC is providing Market Access Map to assist developing countries in analysing both market opportunities and market requirements. Ultimately, the analysis tool facilitates business integration into international markets and provides policymakers with concrete, timely data to support their decision-making processes.’

MARDHER MIMOUNI
Chief
Division for Market Development, Market Analysis and Research
ITC
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*New technical paper*

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**01**

PERU: COMPANY PERSPECTIVES — AN ITC SERIES ON NON-TARIFF MEASURES

A recent ITC survey of 960 Peruvian companies shows that 40% face challenges related to non-tariff measures, mostly in their major export markets in the United States, the European Union and some countries in Latin America. This report outlines survey results and policy options discussed at a national roundtable in Peru in February 2012.

While Peru’s exports doubled in five years, the resources of specialized technical agencies have not increased accordingly. Certification and inspection have thus become a bottleneck. Information systems about NTMs need strengthening, as many issues faced particularly by small- and medium-sized enterprises emerged from their lack of knowledge about regulations. Peru has started simplifying export and import procedures through a Single Window for Foreign Trade. Relevant authorities and specialized agencies have yet to further integrate processes and improve cooperation. Decentralization of technical and logistical infrastructure can alleviate the strain on capacities in the capital and drive export growth in the regions.

(available in English, will be available in Spanish)

*New publication*

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**02**

COMBATING ANTI-COMPETITIVE PRACTICES — A GUIDE TO DEVELOPING ECONOMY EXPORTERS

Anti-competitive practices can hurt developing country businesses. This book outlines cases and suggestions for reform. It focuses on state monopolies and abuses of dominant positions in infrastructure markets, anti-competitive practices in the international distribution and retail sector, and international cartels. The role and response of the private sector is discussed, as well as the scope for enhanced international cooperation to address these issues. By addressing anti-competitive practices and market structures, businesses in developing countries will have stronger export potential.

(available in English, will be available in French and Spanish)