Chapter 1
Non-tariff Measures: An Overview

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1. Introduction

This report describes non-tariff measures (NTMs) in six East Asian countries initially included in Regional Comprehensive Economic Partnership (RCEP) negotiations: Australia, China, India, Japan, Republic of Korea (henceforth, Korea), and New Zealand. This report also offers further analysis of the preliminary findings published in 2020, 'Non-tariff Measures in Australia, China, India, Japan, New Zealand and the Republic of Korea' (UNCTAD, 2020a). The countries apply thousands of NTMs, each affecting usually more than a hundred products at the tariff-line disaggregation level. Most NTMs are sanitary and phytosanitary measures (SPS) or technical barriers to trade (TBTs), a pattern also observed in the United Nations Conference on Trade and Development (UNCTAD) Trade Analysis Information System (TRAINS) global NTM database for other countries outside the region.

NTMs are an inseparable part of life, from cradle to grave, affecting the safety of our children's milk, setting maximum emissions allowed for vehicles, imposing technical standards on medical devices, amongst others. Because they have a non-trade objective, however, NTMs cannot be integrated easily into traders' business considerations and policymakers' analysis. The international trade community, therefore, has started to redefine, map, and classify NTMs to make them recognisable and measurable like tariffs and other trade-related instruments such as quotas, subsidies, and antidumping duties. The community must reach a consensus on NTMs and their properties.

NTMs are policy measures, other than customs tariffs, that potentially have an economic effect on international trade in goods, changing the quantities traded or prices or both (UNCTAD, 2019). This definition was presented by the Multi-Agency Support Team (MAST), comprising the Food and Agriculture Organization of the United Nations, International Monetary Fund, International Trade Centre (ITC), Organisation for Economic Co-operation and Development (OECD), UNCTAD, United Nations Industrial Development Organization, World Bank, and World Trade Organization (WTO), led by UNCTAD. To support transparency in trade, the team established the International Classification of NTMs, which was updated in 2019.

NTMs include not only technical regulations such as SPS or TBT measures, which assign characteristics to products or production processes, but also non-technical measures such as licenses and quotas or price-affecting measures, as well as financial or exchange rate regulations (Table 1.1).

The NTM classification is divided into chapters A to O for import NTMs, outlining technical and non-technical importing conditions or requirements. The export measures are in the last chapter, P.[1]

Table 1.1. Non-tariff Measure Broad Classification, based on M4

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Imports	Technical measures	A.	Sanitary and Phytosanitary Measures
		B.	Technical Barriers to Trade
		C.	Pre-shipment Inspection and Other Formalities
	Non-technical measures	D.	Contingent trade protective measures
		E.	Non-automatic import licensing, quotas, prohibitions, quantity-control measures, and other restrictions not including SPS or TBT measures
		F.	Price control measures including additional taxes and charges
		G.	Finance measures
		H.	Measures affecting competition
		I.	Trade-related investment measures
		J.	Distribution restrictions
		K.	Restrictions on Post-sales services
		L.	Subsidies and other form of support
		M.	Government procurement restrictions
		N.	Intellectual property
		O.	Rules of origin
Exports		P.	Export-related measures

Source: UNCTAD (2019).

Chapter working groups overseen by MAST have refined the highly complex NTM classification. A working group chaired by UNCTAD revised chapters A to I and P. Multiple agencies worked on chapters J to O. The working group chaired by the World Bank developed chapter J (post-sales services) and K (distribution restriction), the one chaired by WTO enhanced chapter L (subsidies), the one chaired by OECD amended chapter M (government procurement), the one chaired by UNCTAD revised chapter N (intellectual property) with help from the World Intellectual Property Organization, and the one chaired by ITC improved chapter O (rules of origin) with help from the World Customs Organization.

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[1] The country chapters use International Classification of NTMs, version M3, issued in 2012. At the date of publication of the report, version M4, published in 2019, was in use. The report presents the original data using the classification version in use when the data were collected, i.e., M3. UNCTAD, however, has converted all data collected before 2019 to the most updated classification version, M4, and shares it in M4 through dissemination portals. The main differences are found in chapters B, E, and P. M3 and M4 are the version of NTM classification based on MAST with the higher number denoting the later version. As of this publication, there are M1, M2, M3, and M4.

To increase NTMs' transparency globally, UNCTAD has cooperated with multiple regional agencies to build the NTM database, including Economic Research Institute for ASEAN and East Asia (ERIA) for Southeast and East Asia. The NTMs in the TRAINS database covered 109 countries in 2018 (Figure 1.1). ERIA's data collection for East Asia accounts for 20% of global measures collected. They do not, however, represent de-facto protectionism as their nature may greatly depend on regulations issued.[2]

Figure 1.1. Coverage of the Trade Analysis Information System Global Non-tariff Measure Database
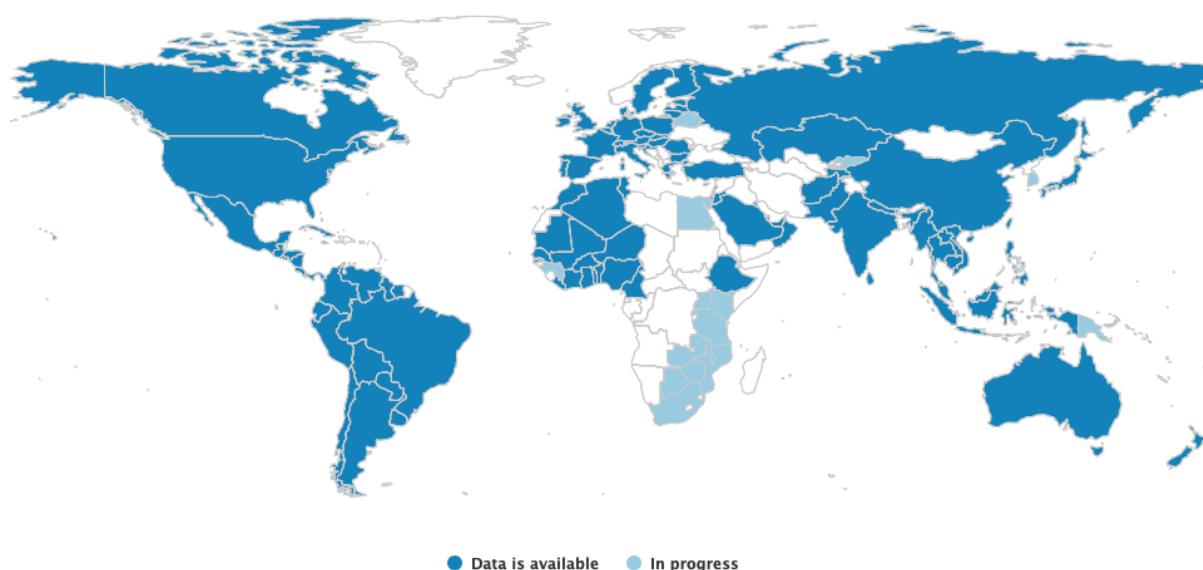
Source: UNCTAD (2020b).

Understanding NTMs is more relevant now than ever. Steadily increasing globalisation has spurred trade liberalisation amongst countries. Most WTO member countries have already decreased their tariffs and been restricted from using protectionist measures and are massively utilising regional and bilateral free trade agreements. The average most favoured nations tariff rate of WTO members is 4.17%, reduced in 2017 (weighted average) from 9.69% in 1994. More and more NTMs, however, are implemented year by year.

The trend is typical and can be explained by (i) the political-economy hypothesis (use of non-tariff barriers [which are NTMs] to replace tariffs) and (ii) the income-effect hypothesis (NTMs as additional cost resulting from consumers' preference for higher-quality and safer products as incomes rise) (Ing et al., 2015).

In general, the concept of NTMs is neutral and does not imply a negative impact on trade or any legal judgement. A regulation registered as an NTM does not mean that the requirement is considered a barrier to trade. NTMs are needed for consumer safety and environmental protection, amongst other legitimate purposes. Whilst most NTMs are perceived as impeding

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[2] For example, one measure applied to 90% of total tariff lines might be more significant than 10 different measures imposed on 1% of each total tariff line.

trade because they incur more compliance costs, NTMs can also facilitate trade, e.g., by providing information that attracts consumers to buy the product.

What companies and consumers need today are 'good' NTMs, i.e., regulations that meet policy objectives such as food safety, shield against the spread of pests, protect the environment, or ensure minimum quality for consumer safety, but that do not hinder trade more than necessary. Policy design and implementation need to ensure the minimum possible cost. The design of good regulatory practices is the ultimate objective of the NTM work programme.

2. Data Collection Process

The first stage was mapping NTMs and publishing in a single user-friendly online portal all regulations that are in force. The NTM database is comprehensive and the methodology for distinguishing and registering NTM requirements is the same across countries, which means that the information provided for each country is the same and, thus, comparable.[3] The guidelines to collect data on official NTMs (UNCTAD, 2020c) detail the principles steering the task. UNCTAD (2018) explains not only how NTM data are collected but also how they are disseminated.

The project collected data in several steps. First, data collectors looked for regulations related to trade in each country, i.e., legal text containing NTMs. Whilst most legal text is on the government agency's website, some data collectors needed to contact the agency's officers to access the text. The data collectors counted how many documents they found, then examined the regulations to identify the independent requirements for imports and exports – the NTMs. The data collectors reported how many NTMs they found, by type based on detailed classification and by issuing ministry or government agency. The last step was associating each NTM with the list of product codes. In each chapter, tables present the share of products that have one measure, two measures, and three or more measures. The largest share of products often has three or more measures applying simultaneously. All input data were then uploaded and stored in the TRAINS database and can be accessed publicly. The TRAINS database is updated regularly.

All NTM legal requirements in the database are associated with individual tariff line codes. No other database sheds light on all NTMs at the same time and signals which individual product codes are affected. The database is of immense value not only for traders who need to look up NTMs affecting their products but also for regulators who need to know what regulations are in force in a particular period for economic sectors of regulatory interest.

3. The Way Forward

The NTMs of the six countries are now included in the TRAINS database in a remarkable effort to achieve global trade transparency. The database can be used as the main source of information for a trade portal or repository. The data collection methodology ensures that all measures are

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[3] Some unavoidable differences remain in styles of issuing legislation and in the sources available for official legislation in each country. See details in UNCTAD (2018; 2020c).

included and makes possible comprehensive analysis and comparison across countries. Thanks to their joint effort with ERIA and UNCTAD, the six countries will benefit from the database.

The TRAINS database will make information about NTMs in each country available globally. The region, together with the Association of Southeast Asian Nations (ASEAN), is home to 48% of the world's population and accounts for 32% of global gross domestic product (GDP). Four countries have bilateral and Australia and New Zealand have trilateral free trade agreements with ASEAN. Implementation of the RCEP agreement has furthered integration despite India's withdrawal.

The globally standardised methods of classification in the NTM database help researchers and policymakers compare cross-country NTMs and advance standard harmonisation and mutual recognition agreements. ERIA and UNCTAD started the initiative by publishing a compilation of methodologies for utilising NTM data, including ad valorem equivalent to computable general equilibrium modelling, to resolve broad issues, including regulatory convergence, government procurement, and environmental issues (Ing et al., 2019). Some literature has proposed instruments using the database, e.g., a regulatory gap indicator between countries, by using 'regulatory distance' (Knebel and Peters, 2019) and 'regulatory dissimilarity' (Nabeshima and Obashi, 2019).

ERIA–UNCTAD joint projects are part of a long-term commitment to increase transparency in the region. The first project was the ASEAN NTM database collection in 2014–2015 (Ing et al., 2016), endorsed by the Senior Economic Official Meeting of ASEAN Member States. The data were updated in 2018 (Doan and Rosenow, 2019) and endorsed as the main source of official data for the NTM section of the ASEAN Trade Repository in 2019. The present project is an extension of the work on NTMs in ASEAN as requested by the six countries. Furthermore, Viet Nam will launch the Vietnam National Trade Repository (VNTR) in 2022. The data in the VNTR that relates to NTM is populated entirely from the latest data collection carried out in 2020, coordinated by UNCTAD.

This chapter introduces the general concept of NTMs, including the classification we use in the report and the process of data collection and how the NTM database can be relevant in international trade discourses.

Chapter 2 discusses trade in Australia, China, India, Japan, Korea, and New Zealand; how the countries work in RCEP and with ASEAN; and individual countries' NTM statistics.

Chapters 3 to 8 discuss each country's NTMs, explaining the collected NTMs by type, issuing agency, product affected, and number of measures affected, whilst discussing each country's specific issues.

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