

Navigating Non-tariff Measures towards Sustainable Development: United Nations ESCAP and UNCTAD

While applied tariffs in the Asia-Pacific region have halved over the past two decades, the number of non-tariff measures (NTMs) – policy regulations other than tariffs affecting international trade - has risen significantly, according to a new report launched by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and UNCTAD. Trade costs of non-tariff measures are now more than double that of tariffs

The Asia-Pacific Trade and Investment Report 2019 (APTIR) finds that NTMs are now affecting around 58 per cent of trade in Asia and the Pacific. One reason for the rise of NTMs is their growing popularity as weapons of trade policy in regional and global trade tensions. This can include government procurement limitations, subsidies to export and import restrictions as well as import and export bans through unilateral or multilateral sanctions. Meeting these complex and often opaque rules can require significant resources, affecting in particular SMEs.

However, the report also notes that NTMs as policy instruments can often be legitimate. Most of the NTMs are technical regulations, such as sanitary and phytosanitary requirements on food. The average cost of these measures alone amounts to 1.6 per cent of gross domestic product, roughly USD 1.4 trillion globally. But they also serve important purposes such as protection of human health or the environment; and can even boost trade under certain conditions.

While costly to traders, failure to have essential technical NTMs in place or their poor implementation may have serious detrimental impacts on sustainable development. For example, the report refers to the lack of NTMs covering illegal fishing and timber trade in many Asia-Pacific economies.

It also points to the high economic costs for the region associated with the African swine fever epidemic, which can be linked to deficient implementation of NTMs. At the same time, new regulations on trade in plastic waste arising from amendment to the Basel Convention are promising.

NTMs are often very different between countries, making it difficult for firms to move goods from one country to another. Regulatory cooperation at the regional and multilateral level and the use of international standards when designing or updating NTMs is therefore important in overcoming challenges related to the heterogeneity of regulations.

Looking ahead, the report also highlights that trade costs of NTMs can be significantly reduced by moving to paperless trade and cross-border electronic exchange of information. This could lower costs by 25 per cent on average in the region, generating savings for both governments and traders of over USD 600 billion annually.

Highlights of the Asia-Pacific Trade and Investment Report 2019

- Trade costs of NTMs are more than double that of ordinary customs tariffs
- NTMs are not inherently good or bad – they add to trade costs, but can be important instruments in achieving SDGs, and can even promote trade
- In Asia and the Pacific in 2018 the number of new technical NTMs notified to WTO reached 1,360 measures – a 15% year-on-year increase
- NTMs have a multifaceted effect on sustainable development through direct and indirect impacts
- Almost half of NTMs in Asia and the Pacific directly address SDGs
- Only 10% of the economies in Asia and the Pacific have NTMs addressing illegal, unreported and

unregulated fishing and illegal timber trade

- Well-intentioned NTM regulation addressing one dimension of sustainable development may inadvertently, negatively and severely affect other dimensions
- The average trade costs of NTMs in the Asia-Pacific region are 15.3%, which is higher than those in the United States and the European Union
- High average regulatory distances among economies in Asia and the Pacific strongly puts forward a case for regulatory cooperation.
- NTMs have a positive impact on FDI, on average, but detailed case-by-case impact assessments need to be carried out
- Domestic procedural obstacles are the primary reason why NTMs are perceived to be burdensome.
- To protect health, safety and the environment, NTMs need to be coordinated or harmonized rather than eliminated.
- International standards are aimed at assisting harmonization of measures, thereby facilitating international trade.
- Most countries in Asia and the Pacific divert from the recommendations of international standards and under-regulate.
- Sustainability and impact assessments of new and existing NTMs should be systematically conducted
- NTMs and related procedures should be made easily available, ideally through a national trade

portal providing comprehensive one-stop access to all relevant trade regulations.

- Digitalization of NTM-related procedures, such as issuing and exchanging certificates of origin electronically, could significantly reduce compliance costs.
- Trade facilitation measures should be inclusive, including ensuring that SMEs can benefit from Authorized Economic Operator schemes and enabling female traders to have a say in trade facilitation reforms
- Addressing NTMs in trade agreements and through regional initiatives should be considered, thereby deepening and facilitating implementation of existing multilateral rules in this area.”
- “Beyond NTMs on goods, policymakers should address barriers to trade in services as well as emerging ‘digital’ trade barriers.
- Enhancing regional cooperation is key to streamlining NTMs towards sustainable development

Please find enclosed the full Asia-Pacific Trade and Investment Report 2019 of UNESCAP and UNCTAD for your kind reference.

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