

"WTO activities on NTMs: Evidence from Specific Trade Concerns in TBT and SPS"¹

As tariffs have fallen, policy makers are increasingly moving attention towards the use of NTMs. Data available are still scarce, but recently the WTO and other international organizations have undertaken substantial efforts in classifying and collecting data on NTMs.

1. WTO Data Sources on NTMs

WTO internal sources include:

i) schedules of concessions/commitments. Both tariff and non-tariff commitments (such as tariff quotas, subsidies and export taxes) are available electronically in the Consolidated Tariff Schedules (CTS) database. However, these data is not ready to use for researchers. This is because, for example, tariff quotas are expressed in various quantity units and the in-quota and out-of-quota tariffs are often specific or mixed, and commitments on domestic support are expressed in national currencies from 1994.²

ii) notifications. The TBT and the SPS Information Management Systems provide information on TBT or SPS measures that Member governments have notified to the WTO, on specific trade concerns raised in the SPS or TBT Committee. This information is provided in a searchable format, but not ready to use for researchers.

The Integrated Trade Intelligence Portal (I-TIP), a new application that have been developed by the WTO Secretariat, will allow users to access via one portal all trade policy information notified to the WTO by its members.

iii) trade policy reviews. The trade policies and practices of all Members are subject to periodic review. The review covers a broad range of NTMs. However, information on NTMs and on measures affecting trade in services is not stored systematically in electronic format and thus is neither easily comparable across countries, nor readily usable for quantitative analysis.

iv) monitoring reports. They use information collected through a request for information sent to Members, informal reverse notifications and the press. This information is then submitted to the members for verification. For the time being, the data is made available in public reports and stored in spread-sheets, but not in a database. Like all the other information on trade and trade policy collected by the WTO, however, it will be made available through the new I-TIP portal.

v) information on specific trade concerns (STCs). Together with 2012 World Trade Report, the WTO will make available a new database on STCs, where information has been coded at the four-digit Harmonized System product codes.

vi) disputes. Disputes initiated by Members under the WTO dispute mechanism are another source of potentially interesting information on the effects of NTMs. The WTO Secretariat maintains a database on requests for consultations which as of 31 December 2011 had information on 427 such requests, but this is not publicly available.

1.a A new database on STCs available as of July 2012

The WTO Secretariat has recently codified information relating to over 600 specific-trade concerns (STCs) over the period 1995-2011 at the HS-4 level. Each STC corresponds to a concern raised by

¹ This presentation draws on the World Trade Report 2012 and 2011.

² Commitments in services are available at <http://tsdb.wto.org/selection.aspx>.

one or more members in relation to a TBT or an SPS measure maintained by one or more of their trading partners. Specific trade concerns point at obstacles faced by exporters of the country that raises the concern in a given export market. Therefore, they are a source of potentially interesting information to estimate the effects of NTMs on trade.

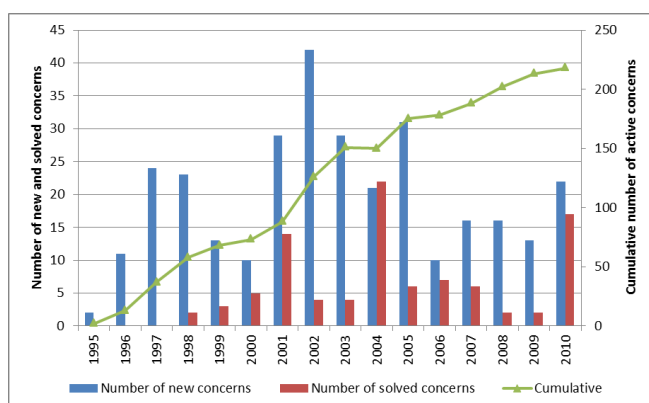
In July 2012, together with the launch of the WTR 2012, this new database will be made publicly available.

Stylised facts emerging from STCs

A simple descriptive analysis of this new database shows an upward trend of STCs both for SPS and TBT measures.

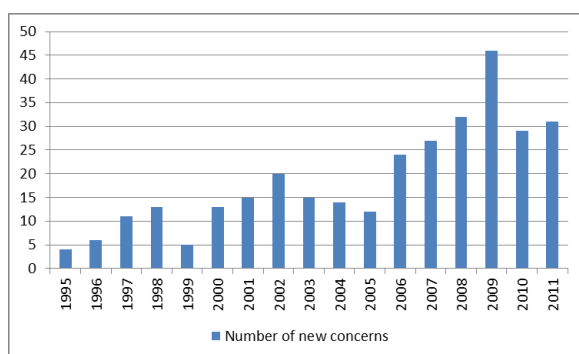
The evidence of an upward trend in the number of SPS and TBT measures notified is supported by complaint-based information contained in the Specific Trade Concerns (STCs) dataset. In Figure 1a and 1b, the left axis represents the number of SPS concerns initiated and solved per year. The right axis represents the cumulative number of concerns.

Figure 1a: Number of specific trade concerns in SPS 1995-2010



Source: WTR, 2012.

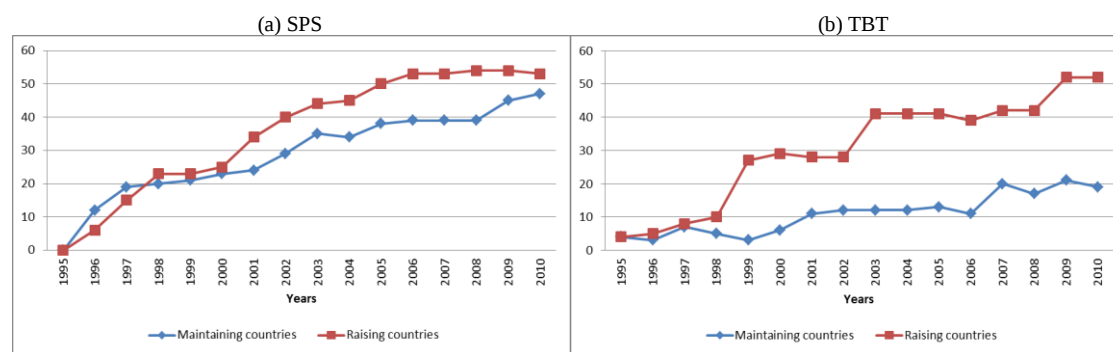
Figure 1b- Number of specific trade concerns in TBT 1995-2010



Source: WTR 2012.

There is also indication that an increasing number of countries are involved as maintaining or raising countries in STCs (Figure 2). Data also show an increasing amount of trade and number of product line covered by STCs over time.

Figure 2 - Number of countries involved in STCs, 1995-2010



Source: WTR 2012

Note: In the TBT dataset, a concern is assumed to be "solved" if not re-raised for two or more years.

1.b A database on the content of 132 PTAs freely available on the web

The increasing importance of NTMs for trade also reflects in a call for a deepening of integration, beyond mere co-operation on tariffs.

In last year World Trade Report, the WTO has undertaken a substantial effort to collect data on the content of preferential trade agreement.

Using a sample of almost 100 PTAs, the PTAs content database classifies the provisions in PTAs into WTO+ areas and WTO-X areas.³ WTO+ areas refer to policies covered by the WTO and WTO-X refers to policy areas not covered in WTO agreements. WTO+ provisions include industrial and agricultural tariffs, provisions on technical barriers to trade, services, intellectual property and trade-related investment measures. WTO-X provisions commonly include competition policy, investment and the movement of capital, environmental laws, labour market regulations and measures on visa and asylum. The PTAs content database also distinguishes whether these measures were legally enforceable or not under the dispute settlement mechanism of the PTA.

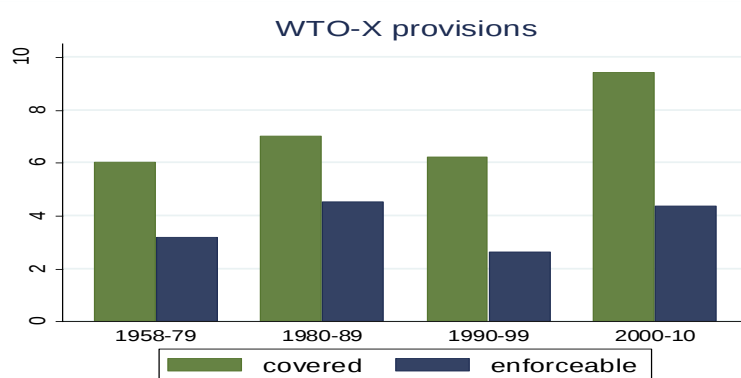
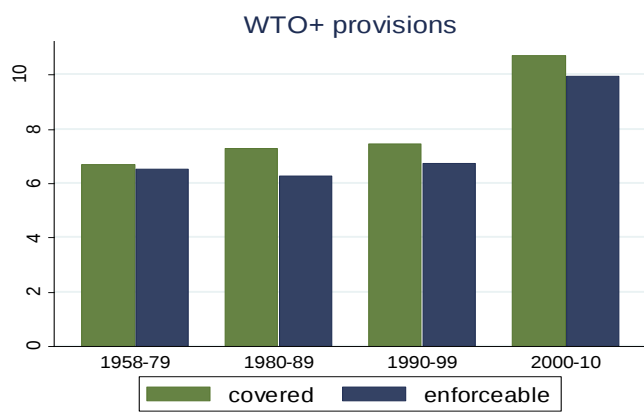
The WTO database on the content of PTAs can be found at http://www.wto.org/english/res_e/publications_e/wtr11_dataset_e.htm.

Stylised facts emerging from PTAs

For WTO+, a tendency for the number of provisions to increase over time, and to be justiciable. For WTO-X, also an increase over time, but less of a tendency to make them enforceable

³ This follows the method outlined in Horn et al (2010).

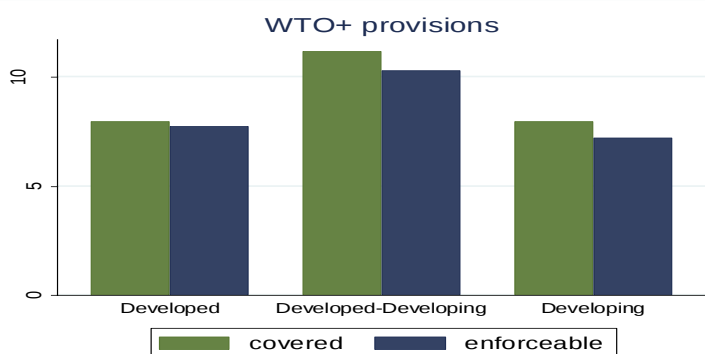
Figure 3: Evolution of WTO+ and WTO-X provisions

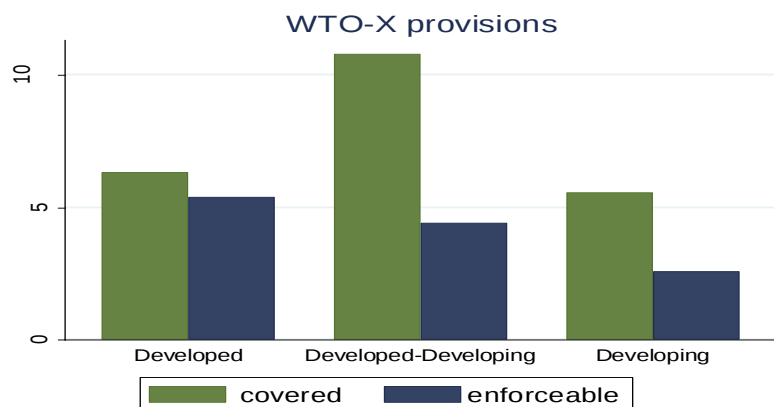


Source: WTR 2011

A higher number of WTO+ provisions in developed-developing country (north-south) agreements, with most of them being enforceable. Perhaps a reflection of the relative level on barriers in developed and developing countries. Given that developed countries have already low tariff rates, developing countries are getting better market access in exchange of their effort to reduce tariffs.

Figure 4: WTO+ and WTO-X provisions by income group





Source: WTR 2011

1.c Two detailed databases on regional rules on trade remedies and TBT

Following a collaborative effort between WTO and IDB a mapping, WTO Staff have also codified information on the specific provisions on safeguards, antidumping, countervailing duties and technical barriers to trade (TBTs) on a subset of 70 preferential trade agreements. These databases are available upon request from the authors.⁴

Stylised facts emerging from TBT databases

An interesting result emerging from the analysis of the provisions in preferential agreements is that there are families of RTAs, characterised by a similar approach to integrate non-tariff measures. But, there are differences across families. For example, with regard to TBT integration as figure 5 shows different types of measures predominate across regions.

Figure 5: Patterns of TBT integration across regions

Provisions	EU	North America	East Asia	South Central America	Africa
MR Standards	13	7	8	6	0
MR Technical Regulations	13	40	31	41	0
MR Conformity Assessment	67	73	69	76	70
Harm. Standards	80	20	31	47	60
Harm. Technical Regulations	73	27	54	59	50
Harm. Conformity Assessment	80	20	31	47	60
Transparency Requirements	20	67	62	65	20
Administrative Body	20	67	62	76	40
Dispute settlement body	20	33	46	47	20
Common policy	7	0	15	6	20
Technical Assistance	40	40	23	65	40
Metrology	47	13	8	47	60

⁴ A database on PTA commitments in services is available at http://www.wto.org/english/tratop_e/serv_e/dataset_e/dataset_e.htm

Note: Numbers indicate the percentage of PTAs that has a certain provision in place by region. Blue is used for below 40%, orange for between 40 and 60 per cent, pink for above 60 per cent.
Source: WTR, 2011

2. TBT and SPS-related research in WTO

The newly built database on specific trade concerns and PTA content of trade have been used for a number of studies that have been prepared for the WTR.

One study (Fontagné *et al*, 2012) uses specific trade concerns as an index of the degree of restrictiveness of product standards. Using a detailed dataset of French firms exports for the period 1995-2005 and a new database on specific trade concerns raised in the TBT and SPS committees at the WTO, this paper analyses the trade effect of restrictive product standards on the extensive and the intensive margin of trade. The advantage of using specific trade concerns as an index of the degree of restrictiveness of product standards is that it focuses only on those product standards that are perceived to represent a barrier to trade, thus overcoming a measure limitation of existing measures of non-tariff measures. We analyse the effects of product standards on three trade related aspects: (i) probability to export (firm-product extensive margin), (ii) value exported (firm-product intensive margin) and (iii) pricing strategy (upgrading versus pricing to market). Moreover we look at how firms' market shares, orientation of French exports, and comparative advantage modify the effect of SPS. The authors find that SPS concern discourages the presence of French firms in SPS-imposing foreign markets, this effect is amplified for big firms. On the other hand, intensive margin is not significantly affected.

Another study (Crivelli and Groöschl) uses the STCs database on SPS and additionally split SPS measures into requirements related to (i) conformity assessment, and (ii) product characteristics. Both types of measures are implemented by policy makers to achieve a desired level of health safety, yet, entail diverse trade costs. They find that conformity assessment measures hamper not only the likelihood to trade but also the amount of trade, while measures related to product characteristics do not affect the market entry decision, but have a strong positive impact on the trade volume. This suggests that trade outcomes crucially depend on the measure policy makers decide to implement.

A third study (Orefice, Piermartini, Rocha 2012) uses the database on the content of PTAs to investigate the impact of TBT-integration on trade. This paper analyses the effect of harmonization and mutual recognition of standards on trade flows. Although harmonization and mutual recognition are commonly believed to reduce trade costs towards freer trade, their impact on trade is more complex, and little is known about their actual effects. In order to assess which approach has the greatest impact on trade, this paper looks at the evidence stemming from regional trade agreements. Not all regional trade agreements cover TBT area and among those that do, some favour harmonization, others favour mutual recognition. Using a gravity model, the authors estimate the effects on trade of harmonization and mutual recognition on the patterns of trade. Results show that standards harmonization and mutual recognition enhance trade. Moreover, mutual recognition has a higher positive effect on trade than harmonization, and this is due to mutual recognition of conformity assessment. These results are shown to be robust to endogeneity.

References

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