



Asian Council on Trade Facilitation Newsletter

Volume 2

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ACTF to co-organize Breakout Session in KL Conference

The Asian Council on Trade Facilitation (ACTF) will co-organize one of the breakout sessions that will be held during the 28th CACCI Conference on September 17-19, 2014 in Kuala Lumpur, Malaysia. Scheduled to take place on the morning of September 19, (08:45 AM-10:45 AM), the two-hour breakout session will focus on the topic "Promoting Trade Facilitation and Trade Generation"

CACCI members recognize the importance and necessity of trade facilitation to develop and expand trade between and among businessmen in the region. They agree that simplification and harmonization of documents within the region is of prime importance, and that non-tariff barriers should be minimized. It helps move goods faster and cheaper across borders. It delivers win-win situation for traders (competitiveness), governments (efficient and transparent procedure,

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Asian Council on Trade Facilitation for Trade Development

R. B. Rauniar
Chairman, ACTF, CACCI



Asian Council on Trade Facilitation (ACTF) was created during the 26th CACCI Conference on October 2012 in Kathmandu, with the prime objective to promote trade among CACCI member countries.

The newly established Asian Council on Trade Facilitation, after 27 years of CACCI formation, recognizes the need for cooperation to develop trade among member countries, overcome the impediments of trade transaction, minimize non-tariff barriers, harmonize of trade procedures, and adopt measures at the borders for faster clearance and cutting costs of trading. It aims to deliver win-win situation for (a) traders (competitiveness) (b) government (efficient and transparent procedure, better resources) and (c) consumers (not paying hidden costs that are finally passed to them).

ACTF held its first breakout session on 14th March 2013 in Cebu City, Philippines. To recall, the suggestions raised during the discussions, included the following:

1. Identification of contact person for matters pertaining to trade facilitation in each member country;
2. Setting up a website to provide a platform for getting information from member countries;
3. Issuance of CACCI Business Card to CACCI members;
4. Publication of membership directory to be distributed among members;
5. Adoption by CACCI of the rules of Kyoto convention and circulate information of Kyoto Rules to members;
6. Requesting member chambers to nominate representatives to the ACTF; and

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ACTF to co-organize

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better use of resources), and consumers (avoidance of hidden costs).

While there have been increasing global inter-linkages, rapid developments in technology and transport, and speedier movement of goods, much work still needs to be done to achieve the end of a perfectly harmonized, transparent, consistent and expeditious international trade facilitation network.

The breakout session to be co-organized by ACTF and the Asian Council on Trade Generation (ACTG) aims to provide a platform for delegates to discuss trade facilitation issues and exchange views on measures to overcome impediments to intra-regional trade, with time-bound action plan if possible, in order to make Asia-Pacific region a global leader in trade, commerce, and investment.

The session will be co-chaired by Mr. Rash Bihari Rauniar, ACTF Chairman and Managing Director of Interstate Multi-Modal Transport Pvt Ltd from Nepal, and Mr. Stewart Forbes, ACTG Chairman and Executive Director of Malaysian International Chamber of Commerce and Industry (MICCI).



The panelists who have confirmed their participation in the breakout session include: (1) Y Bhg Datuk Dr. Rebecca Sta Maria, Secretary General, Ministry of International Trade and Industry (MITI); (2) Y Bhg Dato' Dr Wong Lai Sum, CEO, Malaysia External Trade Development Corporation (MATRADE); (3) Mr. Jose Prunello, Chief, Trade Support Institutions Strengthening Section, International Trade Centre; and (4) Mr. Guido Bolatto, Secretary General, Torino Chamber of Commerce and Industry. ■

Asian Council on Trade

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7. Creation of a council on Trade Generation.

The delegates agreed that the creation of the ACTF was timely and important to develop trade between members in the region.

Trade Facilitation

The Cebu meeting of the ACTF also discussed the following agendas:

1. Objectives on formation of the council;
2. Why regional trade integration was necessary;
3. Request to member countries to provide trade information;
4. Identify impediments of trade growth;
5. Focus on trade facilitation measures of member countries;
6. Plan annual work schedule; and
7. Other pertinent issues.

The Council meeting was held in a very cordial atmosphere and great enthusiasm was shown by the country representatives and was well responded by members. The participatory response made by country representatives of Malaysia and Australia was commendable.

Why Trade Facilitation Matters?

1. International trade is a complex process, involving a large number of factors, regulations, procedures and documents.

2. With falling tariff & quotas under GATT/WTO and RTAs, improving the efficiency of trade has become essential to enhance trade competitiveness of developing countries.

3. There is a need to reduce complexities and costs of trade, thus enhancing countries' international trade competitiveness, particularly very important for less developed countries and land-locked less developed countries.

WTO defines Trade facilitation as "the simplification and harmonization of international trade procedure" covering the "activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade".

So what is Trade Facilitation?

So in a nutshell if it is to be described, then it is a combination of the following: Simplification of trade procedures and documents; Non-tariff measures; At-the-border measures; Infrastructure; Behind-the-border measures; Customs procedures; and Trade and Security.

What does Trade Facilitation do?

It helps move goods faster and cheaper across borders. It delivers Win-Win situation for:

- Traders: means competitiveness
- Government: means efficient and transparent procedure, better use of resources
- Consumers : means not paying hidden costs that finally passes to them

Way Forward

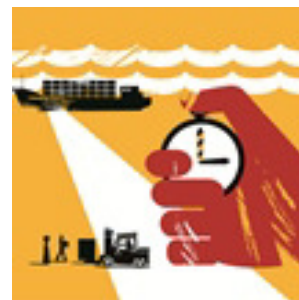
Going forward, the ACTF proposes to organize two-day brainstorming workshop with the executives of the country chambers at a designated venue recommended by CACCI Secretariat. The agenda will cover various issues of the region and specific country-related issues to overcome the impediments of intra-regional trade. It will also aim to format time-bound action plan. This may include within origin country issues and/or destination country.

It is the goal of ACTF to make Asia Pacific region the 21st century trade, commerce and investment leader in the global scenario.

A trade facilitation agreement to increase LDC exports

ITC's experts explain how the agency assists developing countries and least developed countries in making the most of the new deal on trade facilitation to enhance their export competitiveness.

*Rajesh Aggarwal, Chief for Business and Trade Policy;
Benjamin Czapnik, Adviser for Business and Trade Policy; and
Alexander Riveros, Associate Expert, International Trade Centre*



Trade facilitation has important implications for a country's export competitiveness. The benefits of 'fluid borders' are particularly critical in today's environment in which increased global production sharing within value chains means that goods cross borders several times during the production process.

Competitive exporting requires efficient access to imported raw materials, intermediate goods and capital goods. For landlocked developing countries (LLDCs), the need for effective trade facilitation is even greater because inputs are also dependent on the efficiency of the transit mechanisms in neighbouring countries. Trade facilitation measures can be used to reduce costs linked to cross-border trade, and many of these are being addressed in multilateral negotiations on a Trade Facilitation Agreement under the auspices of the World Trade Organization (WTO).

However, many developing countries, particularly least developed countries (LDCs), will need assistance to implement many of the measures and take advantage of the opportunity this Agreement would offer to grow their exports.

The International Trade Centre (ITC) already provides technical assistance to developing countries and their small and medium-sized enterprises (SMEs) on trade facilitation on issues ranging from supply logistics and transit for landlocked countries to enabling SMEs to comply with border management requirements and generating awareness of WTO rules.

ITC has extensive experience working with the private sector, especially aiding SMEs in understanding WTO and other trade agreements and in taking the appropriate steps to benefit

from new rules. ITC has also worked closely with government officials by facilitating dialogue with the private sector to assist governments in amending laws and regulations relating to trade agreements in order to ensure that new rules are implemented in a way which enhances business competitiveness.

ITC's non-tariff measure surveys and feedback from exporters and trade support networks show that SMEs need better services to navigate at-the-border and behind-the-border barriers when moving their goods through regional and international supply chains. ITC has developed a full range of support services in mainstreaming inclusiveness and sustainability into trade promotion and export development by using trade facilitation measures to enable SMEs to connect with global value chains.

ITC's role in the implementation of transparency provisions

The Trade Facilitation Agreement includes commitments relating to the publication and transparency of trade regulations and customs procedures. To assist LDCs in meeting this commitment, ITC would make SMEs aware of the new rules and their benefits, what information is available and how it can be accessed.

ITC would provide advisory services and training for government officials on what information needs to be made available and how to deal with technical and legal issues, such as confidential information. It would also facilitate dialogue between the public and private sectors to give SMEs an opportunity to explain what information they need to facilitate exports and how it should be presented to them.

ITC would also assist LDCs in constituting and operationalizing public-

private committees to monitor the implementation of laws and related practices and procedures at the border. These committees would address appropriate remedial measures and would prepare targeted business guides on rules and procedures which affect importers and exporters in developing countries.

Making WTO's Trade Facilitation Agreement work for regional integration

The Trade Facilitation Agreement contains a number of provisions to facilitate 'transit' trade, such as new rules relating to transit formalities, documentation requirements and the treatment of traffic in transit. These provisions are particularly important for LLDCs. For example, 16 out of 54 countries in Africa are LLDCs, and they are looking to address some of the economic challenges they face through tighter regional integration. Indeed, regional integration is at the top of Africa's trade agenda, and improved rules on transit in WTO's Trade Facilitation Agreement can facilitate deeper integration. ITC will use this opportunity to spur the implementation of the new transit rules in supporting regional integration projects.

In addition, ITC's trade facilitation advisory services promote SME and private sector compliance with trade facilitation procedures and formalities. Advisory services are delivered alongside customized training, public-private dialogues and networking activities. Targeted beneficiaries include exporters' associations, licensing authorities, trade logistics service providers, customs authorities, and selected trade approval agencies and policymakers.

Source: International Trade Centre, December 01, 2013 ■

TRADE FACILITATION FACTSHEET

“Trade facilitation” means streamlining customs and administrative procedures for international trade transactions. The aim of a World Trade Organization (WTO) Agreement on Trade Facilitation is to ease border procedures and to facilitate the movement, release and clearance of goods.

A WTO trade facilitation agreement would increase trade opportunities by:

Lowering transaction costs through harmonization, mutual recognition, and easier access to information

Reducing time to deliver products to markets and customers

Enhancing market access

Boost world economy by US\$1 trillion and create 21 million jobs

Greater trade efficiency could increase global trade in manufacturing by up to US\$ 377 billion a year and triple the benefits for consumers from tariff reductions. The gains would be from streamlining customs, reducing bribery and corruption, better infrastructure and more efficient cross-border services, and speeding up business through use of the Internet.

Significant improvements in trade facilitation could increase exports of developing countries by approximately US\$570 billion and exports of developed countries by US\$475 billion. Taken together this would translate into more than US\$1 trillion world export gains. Trade facilitation improvements could result in global job gains of 21 million, with developing countries gaining over 18 million jobs and developed countries increasing their workforce by 3 million.

Reduce the cost of doing business by at least 10%

Complicated border processes and excess red tape raise costs, which ultimately fall on businesses, consumers and national economies. Simply reducing this red tape by half would have the economic effect of removing all tariffs. The costs of trading across borders is estimated at US\$ 2 trillion. A WTO trade facilitation agreement that would remove these barriers to trade and cut red tape in half would reduce total trade costs by 10% in advanced economies and by 13-15.5% in developing economies.

Biggest winners: small- and medium-sized enterprises in developing countries

The gains from trade facilitation are most likely to benefit small- and medium-sized enterprises (SMEs) in developing countries because SMEs suffer more from higher trade administration costs than larger enterprises. SMEs make up the vast majority of the business sector especially in developing countries. The costs for SMEs from developing countries are made higher by the fact that they generally have less access to information and less experience with the customs authorities in developed countries. They are also seen as high-risk firms and flows involving developing economies are subject to numerous physical checks.

Recommendation

A WTO agreement on trade facilitation should be concluded by the 9th WTO Ministerial Conference in Bali, Indonesia in December 2013.

Source: World Chamber Federation, ICC

Trade facilitation at work in Hong Kong

Exploring how Hong Kong's business-friendly environment has helped to make the city the world's ninth largest trading economy, writes Simon Galpin of Invest Hong Kong.

Simon Galpin

Director-General of Investment Promotion, Invest Hong Kong

Hong Kong, China is undisputedly one of the world's leading financial and logistics hubs. An economic policy of free enterprise and free trade, rule of law, and an emphasis on and investment in education and commercial infrastructure have all been key contributing factors to its success. The opening of the vast Mainland market following China's accession to the World Trade Organization (WTO) in 2001 has provided further impetus to bolster Hong Kong's role as an international services and trading hub, making the city the world's ninth largest trading economy and its 11th largest exporter of commercial services. In fact, over the past two decades, Hong Kong has seen a remarkable structural transformation, with the services sector constituting a 93.1% share of its gross domestic product (GDP) in 2011 and accounting for 88.4% of total employment in 2012.

Although it provides the infrastructure both through direct services and by cooperation with public utility enterprises, the Government's major role is to provide a suitable and stable framework for commerce and industry to function efficiently and effectively with minimum interference. There is no protection or subsidization of manufacturers in Hong Kong. Simply put, in the context of the free market and free enterprise economic framework, the Hong Kong Government strives to provide a business-friendly environment based on macro-economic stability, a low and simple tax regime, the provision of excellent infrastructure, investment in education, training and human re-

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Trade facilitation

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sources, and the effective protection of individual and property rights through Hong Kong's sound legal system.

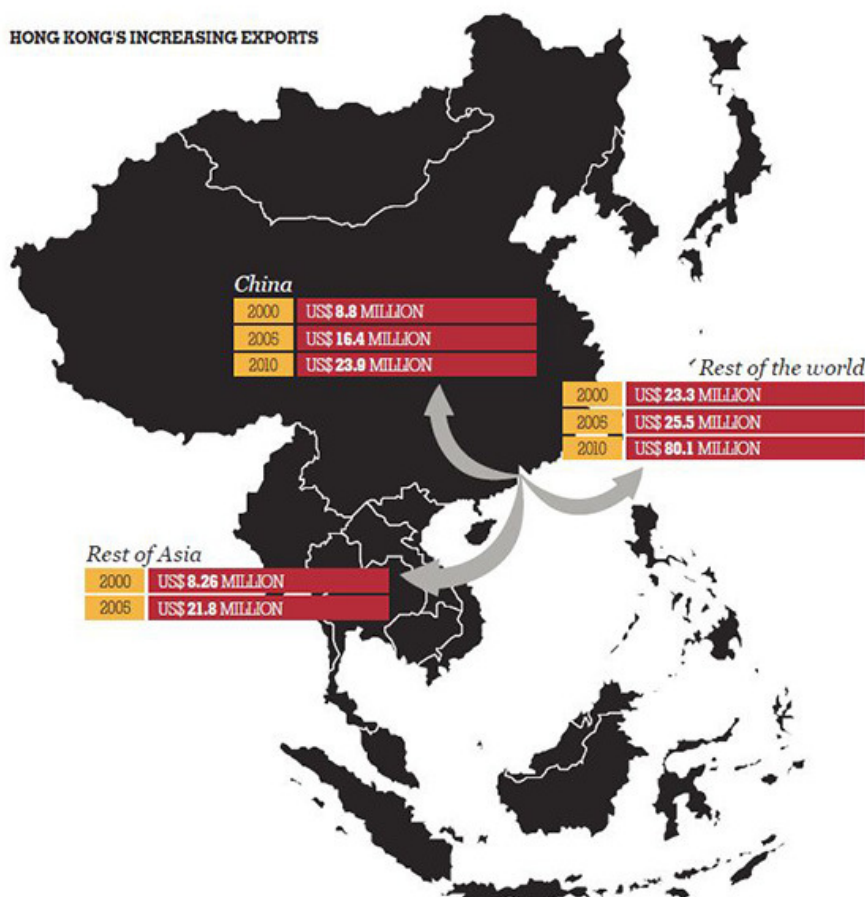
Hong Kong is a full member of the WTO and home to the largest community of shipping, freight forwarding and logistics providers in Asia. The city has one of the world's busiest container ports, with nine terminals and 24 berths supporting a multitude of practical and reliable multi-modal logistics solutions. Warehouse and distribution centres are springing up close to Hong Kong's container ports, with easy road connections to the international airport and via major highways to Mainland China.

Round-the-clock border crossings and one-stop customs clearance allow for the efficient transfer of goods to and from Mainland China. The introduction of key trade facilitation measures has further increased efficiency: an electronic cargo clearance platform, an improved customs clearance scheme, as well as the Hong Kong Authorised Economic Operator (AEO) programme, a customs-to-business partnership to enhance international supply chain security and facilitate the movement of legitimate goods.

From the trade perspective, finance is paramount to this activity. Hong Kong is home to 71 of the world's 100 largest banks. Many of them provide trade finance, and the environment for this is competitive, with multiple institutions providing complete trade finance solutions, including import and export loans, cash advances, finance for open account trading, packing credit, export documentary credit negotiation and export finance. In short, comprehensive solutions that allow small and medium-sized enterprises to capitalize on new business opportunities and negotiate better deals with suppliers.

Facilitating intra-Asian trade

The impact on intra-regional trade has been significant. As strong, stable growth in the West has subsided, regional markets in Asia have become



more attractive, highlighting the importance of enhanced integration. Currently, more than half of world trade takes place between members of regional trade agreements, and Asia is no exception. South-East Asia is shoring up its economic integration efforts through the Association of Southeast Asian Nations (ASEAN) Economic Community for 2015. Hong Kong is keen to be part of this trade and economic growth. A free trade deal between the city and ASEAN is planned to be concluded by early next year. ASEAN as a bloc accounted for about 10.2% of Hong Kong's total trade in 2011, surpassing trade with the European Union. Hong Kong is also an important entry port of trade between Mainland China and ASEAN, with average annual growth for re-export trade reaching 12% in 2011.

Hong Kong's appeal for trade is multiple: as well as its position as a dynamic city with strong growth prospects, as China's global financial centre and as an international asset management, shipping and trade centre,

it is also a gateway to opportunities in Mainland China, a regional base for expansion across Asia and the first stepping stone for Mainland Chinese companies going global.

At Invest Hong Kong, we help a broad range of companies, from entrepreneurs involved in the development of technology solutions for the supply chain management industry to the largest multinationals running global shipping or aviation businesses. For retailers or wholesalers involved in sourcing, buying or trading, Hong Kong offers the dual advantages of proximity to source and access to consumers. Shopping is the number one leisure activity of Hong Kong's seven million residents; many of its 48.6 million visitors a year also come to the city expressly to shop. With no sales tax and no import tariffs on almost all products, it is no wonder that shoppers spend more than US\$ 3.8 billion a month in Hong Kong stores.

Source: International Trade Centre, December 01, 2013

Enhancing trade in landlocked countries through the private sector

Landlocked developing countries can overcome trade barriers through improved transport systems and trade facilitation.

Andrew Huelin, Consultant, Business and Trade Policy, International Trade Centre

Businesses located in countries with poor trade facilitation are seriously inhibited from attaining great trading opportunities in this era of heightened globalization and trade intensification. Trade facilitation is critically important to small and medium-sized enterprises (SMEs), as they have lower turnovers than large multinational firms, and thus a lower capacity to absorb trade transaction costs. SMEs frequently have less financial means to deal with administrative burdens, which often leads them to forego opportunities to enter new markets or raise trade volumes in existing markets.

This situation is exacerbated for SMEs located in landlocked developing countries. 'Landlockedness hinders full participation in international trade and minimizes comparative advantage,' said Heidi Schroderus-Fox, Director, Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and the Small Island Developing States (UN-OHRLS), at a meeting about transport and logistics innovation held at the United Nations Conference on Trade and Development (UNCTAD) from 22 to 24 October in Geneva, Switzerland. 'A recent study by UN-OHRLS revealed that landlocked developing countries' (LLDCs) trade was just 61% of the trade volume of coastal countries, while transport costs of LLDCs were 45% more than in a representative coastal country. Because of the landlockedness, the level of development in the LLDCs is on average 20% lower than what it would be were the countries non-landlocked. Improved transport and trade facilitation are still key to reducing the high trade and transport costs for LLDCs.' This was a key message given by Schroderus-Fox at the meeting, which aimed to prepare for the comprehensive 10-Year Review Conference on the implementation of the Almaty Programme of Action, in 2014.



In order to address the trade facilitation challenges of landlocked countries, the Almaty Programme of Action calls for joint efforts by landlocked and transit developing countries – with substantial technical and financial assistance from partners – to establish a new global framework for the development of efficient transit transport systems. The aim is to overcome the specific problems of the LLDCs that result from their lack of territorial access to the sea and their remoteness and isolation from world markets.

Participants of the Geneva event, mostly diplomats representing LLDCs and transit countries' missions in Geneva, as well as high-ranking officials from Azerbaijan, the Democratic Republic of the Congo and Nepal, recognized that there has been significant progress in transport development and trade facilitation during the last decade, but there is still a long way to go to optimize connectivity.

Unleashing the private sector

As recognized by participants at the event, the private sector can play a crucial role in tackling trade facilitation issues. Participants frequently stressed the need for governments to work in collaboration with the private sector to identify stumbling blocks, propose solutions, finance trade-facilitation infrastructure (a particular concern in resource-constrained countries), address

policy shortfalls, and provide a competitive domestic environment for trade logistics service providers.

One way to unleash the role of the private sector is the effective utilization of consultative mechanisms to coordinate with public and private stakeholders on a range of measures that need to be undertaken. Rukia Shamte, Executive Secretary of the Central Corridor Transit Transport Facilitation Agency, explained that since the initiative began in 2006, public-private collaboration among Burundi, the Democratic Republic of the Congo, Rwanda, the United Republic of Tanzania and Uganda has greatly improved in parallel with improvements made in trade facilitation among them. The initiative has encouraged feedback from the private sector regarding problems it faces and solutions it has found in carrying out economic and trading activities.

In her address, Schroderus-Fox explained that recent developments in the Almaty Programme of Action have led to the incorporation of a private sector track along with the already established intergovernmental and inter-agency tracks.

'The purpose of the private sector track is to ensure that private sector representatives are actively engaged during all stages of the preparatory process and at the Conference itself, in particular with a view to helping identify concrete, action-oriented proposals addressing LLDC-specific problems and challenges in the area of trade and trade facilitation, transport, investment and enterprise development,' Schroderus-Fox said. Ultimately, she added, the private sector can contribute to the formulation of innovative strategies and policy recommendations that will form the new development framework to be adopted at the conference.

Source: International Trade Centre, December 01, 2013 ■

The role of trade facilitation in addressing non-tariff measures

ITC encourages policymakers to support home-grown businesses by tackling burdensome barriers to trade imposed by national authorities and partner countries.

Ursula Hermelink, Associate Market Analyst and Julia Spies, Associate Market Analyst, International Trade Centre

Cumbersome administrative procedures, rather than just strict standards and regulations, pose a major burden for exporters in developing countries, according to a survey of more than 10,000 businesses by the International Trade Centre (ITC). Furthermore, many of the obstacles occur in exporters' home countries and could be addressed through trade facilitation measures.

ITC's programme on non-tariff measures (NTMs) aims to increase transparency and assist countries in better understanding the obstacles to trade faced by the business community. In close collaboration with national and regional stakeholders, ITC has conducted surveys in 23 countries,¹ examining trade barriers related to NTMs that companies face in their day to day operations. Procedural obstacles and NTMs tend to hit small and medium-sized enterprises (SMEs) particularly hard as they often lack the appropriate resources to deal with these obstacles.

The results point to a perhaps surprising conclusion. Policymakers can address a large part of the burdensome NTMs, even partner-imposed NTMs, and facilitate trade for enterprises in their own country.

More than three quarters of the reported cases relate to procedural obstacles to trade (figure 1). These include complex procedures and inadequate facilities linked to certification, sudden changes in regulations, as well as delays with permits and at customs. Such obstacles occur mostly in the home country, even when the underlying regulations are imposed by partner countries. For example, an enterprise that manages to comply with a regulation often faces additional delays or costs due to administrative inefficiencies in documenting its compliance. An impor-

tant aspect of trade facilitation in developing countries thus becomes addressing such procedural obstacles by, for instance, simplifying paperwork, ensuring information on rules and procedures is well understood by exporters, and increasing access to accredited testing laboratories.

Types of obstacles

Administrative delays represent the largest hurdle exporters face, followed by high fees and charges and administrative procedures (see figure 2).

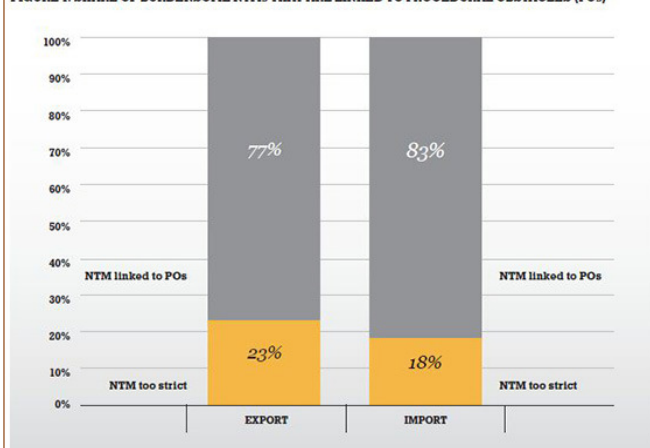
'It is a very repetitive and heavy process to get the certificate of origin,' reported one Tunisian exporter, adding that the Chamber of Commerce requires a complete dossier, including technical notes and other details, for each shipment, even though the shipment may contain the same produce and be headed for the same destination as prior shipments – leading to unnecessary delays.

In another country, exporters must apply for a letter of consent from the Ministry of Agriculture, which reviews each application. Next the exporter must then apply for an export license from the Ministry of Trade. While tech-

nical staff generate the license quickly, domestic legislation requires the Minister of Trade to personally approve each license. In cases where the Minister is absent or pressed for time, export licenses are, as a result, not issued. In addition, because cases of forgery of the paper-based licenses have been reported, the country's Revenue Authority now verifies licenses with the Ministry of Trade once a consignment

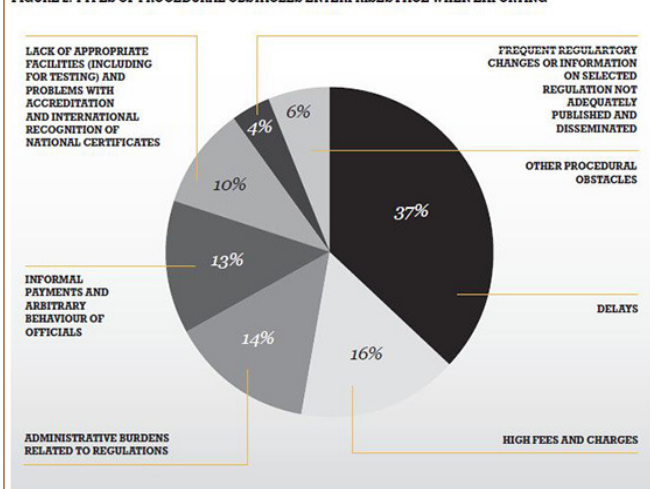
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FIGURE 1: SHARE OF BURDENSOME NTMs THAT ARE LINKED TO PROCEDURAL OBSTACLES (POs)



Source: ITC calculations. Data from ITC business surveys on NTMs in 20 countries (2010-2013).

FIGURE 2: TYPES OF PROCEDURAL OBSTACLES ENTERPRISES FACE WHEN EXPORTING



Source: ITC calculations. Data from ITC business surveys on NTMs in 20 countries (2010-2013).

The role of trade

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reaches the border, adding several more days to the export process. These procedures represent an important burden for exporters, leading to unpredictable delays of up to two months. In the current competitive environment, this can lead to the loss of contracts and business opportunities.

Informal payments and the arbitrary and unpredictable behaviour of national officials, which includes changes in the valuation or classification of goods, represents another 13% of export-related obstacles, ranging from 3% in Jamaica to nearly 35% in Guinea.

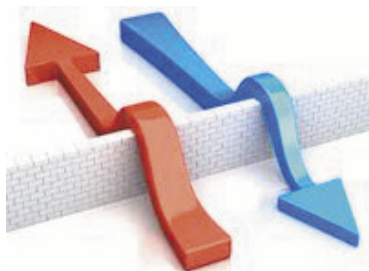
Inadequate domestic facilities can result in cumbersome procedures, representing on average 10% of export-related obstacles. In Burkina Faso, Cambodia, the State of Palestine and Rwanda, among others, the lack of accredited laboratories or insufficient laboratory equipment can lead to substantive delays and, at times, additional costs when goods must be sent abroad for testing against quality standards. The textile sector in Tunisia suffers from a lack of reliable inspection facilities, while the produce sector in Senegal suffers from insufficient cooling facilities at its neighbours' borders, meaning that produce often cannot be stored safely during the clearing process.

The ITC business surveys on NTMs are implemented upon government request.

For more information see www.intracen.org/ntm.

To involve your country, please contact [ntm\(at\)intracen.org](mailto:ntm(at)intracen.org).

Source: International Trade Centre, December 01, 2013



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.

NTM Team, Division of Market Development, ITC

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.

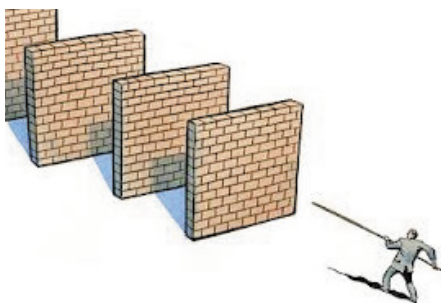
Being 'defined by what they are not', a phrase coined by Alan Deardorff and Robert Stern of the University of Michigan in a 1998 publication entitled *Measurement of non-tariff barriers*, NTMs comprise a myriad of policies other than tariff duties. They are complex legal texts specific to a product and 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 finalized 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



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Creating clarity

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measures. Technical measures include product-specific requirements such as tolerance limits of certain substances, labelling 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

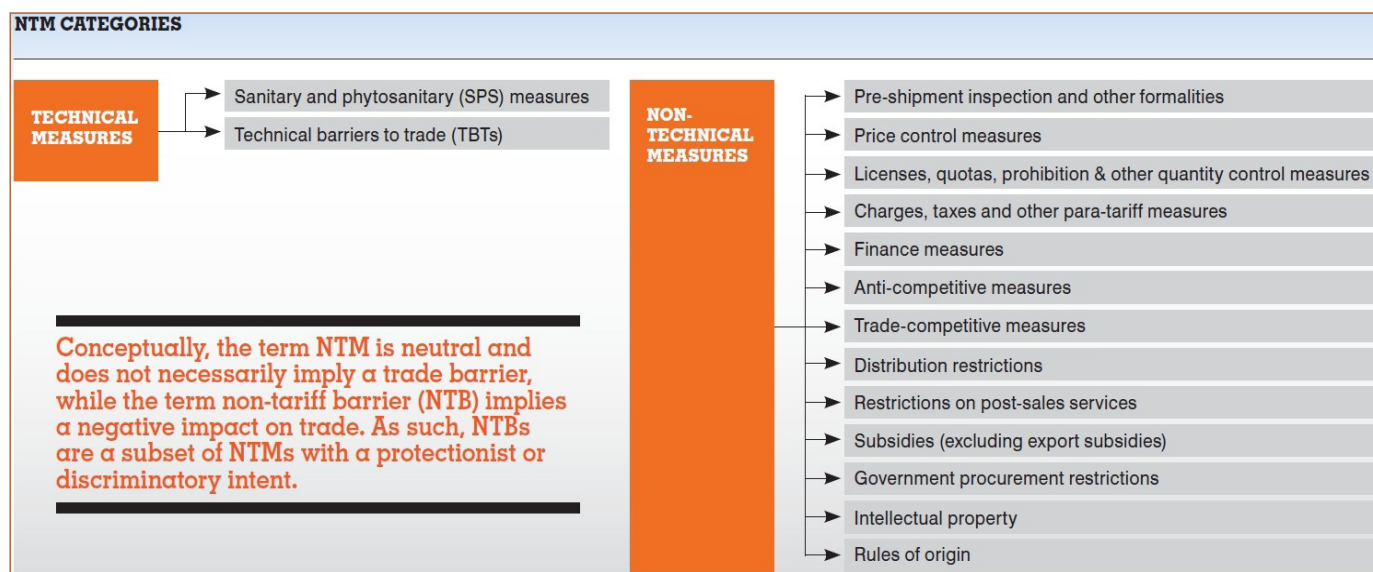
The diversity of NTMs, NTBs and other obstacles to trade is complicated by how they are applied in different countries and how burdensome they are perceived to be by companies that must comply with them. These issues are exacerbated by national policymakers who often lack a clear picture of what their 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.

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.

Source: International Trade Centre, October 01, 2012



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.

NTM Team, Division of Market Development, ITC

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, landlocked 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.

Continued on page 11

Selected NTM survey countries		An NTM survey in Sri Lanka	
			
Burkina Faso	Morocco	2,000 companies contacted	
Egypt	Paraguay	514 phone interviews completed	
Jamaica	Peru	69% of companies reported NTMs and other obstacles to trade	
Kenya	Rwanda	180 face-to-face interviews completed	
Madagascar	Sri Lanka	Major concerns: conformity assessment, export-related measures and technical regulations	
Mauritius	Trinidad and Tobago		
Malawi	Uruguay		

Source: ITC survey on NTMs

Surveying the scope of non-tariff measures

ITC surveys of non-tariff measures (NTMs) are beginning to expose a detailed picture of obstacles to trade on a global scale.

*Ursula Hermelink, Associate Market Analyst, and
Christian Knebel, Consultant, Division of Market Development, ITC*

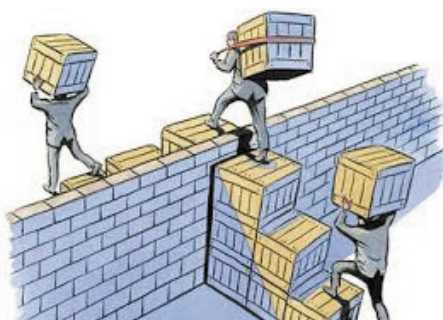
Top-level results from initial surveys show that the types of NTMs experienced vary significantly depending on company size, sector affiliation and export or import partner countries. Drilling down, more granular data emerges, adding further understanding to NTMs in trade. Analysis of ITC NTM surveys that have been undertaken so far describes:

- * 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).

BURKINA FASO - A Burkinabe exporter of Shea butter to the
Continued on page 12

Non-tariff obstacles

... Continued from page 10

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.

*Source: International Trade Centre,
October 01, 2012* ■

Surveying the scope

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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.'

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.

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.

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.

RWANDA - A Rwandan pyrethrum exporter reported that it needed different certificates and tests for the European Union even though a United States laboratory had already tested the product. The test results were not recognized.

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.

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.

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.'

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.

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.

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 Ivoirian exporter of cashew nuts to India and China.

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.

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.'

MADAGASCAR - A Malagasy exporter of spices to 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.'

Continued on page 13

Surveying the scope

... Continued from page 12

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.

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.'

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.'

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.

Sources for all above quotes: ITC survey on NTMs 2010-2012

Source: International Trade Centre, October 01, 2012

Gathering evidence on barriers to trade

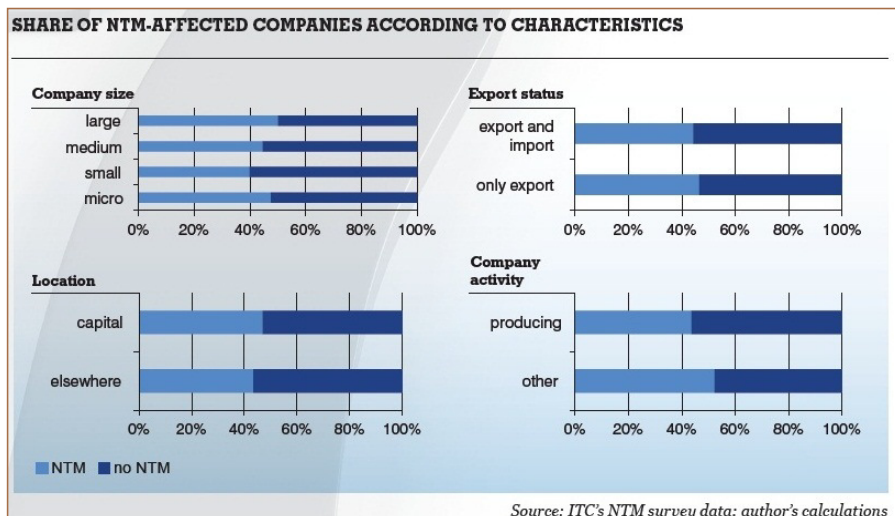
Despite a global decline in tariff rates to historically low levels, trade is far from being free.

Julia Spies, Associate Market Analyst, Division of Market Development, ITC

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.

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



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

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.

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Gathering evidence

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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

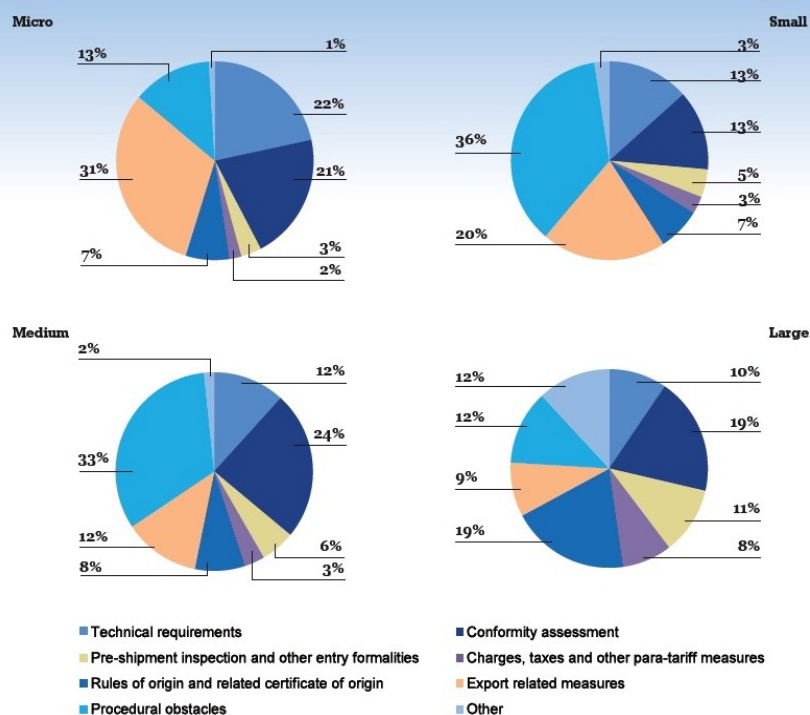
can be shown in relation to the size, export status, geographic location and activity of the companies. Surprisingly, the graph related to company size shows a U-shaped pattern, with the largest share of companies reporting burdensome NTMs among both the smallest companies, with fewer than 11 employees, 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

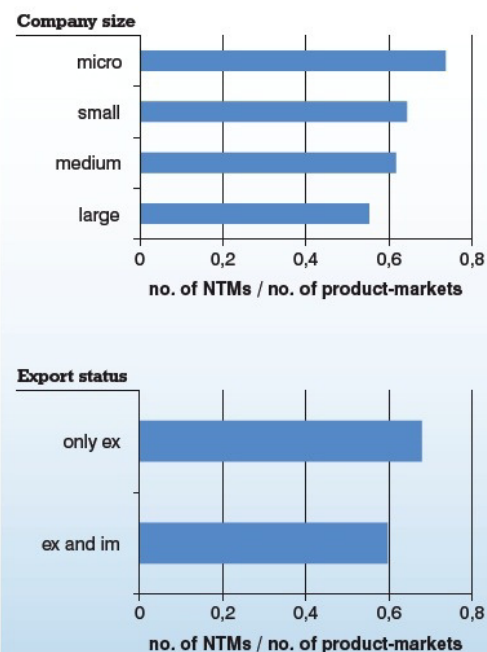
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TYPES OF NTMs BY COMPANY SIZE



Source: ITC's NTM survey data; author's calculations

NTMs TO PRODUCT-MARKETS RATIO ACCORDING TO COMPANY CHARACTERISTICS



Source: ITC's NTM survey data; author's calculations

Gathering evidence

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company activity suggests that the share of producers facing burdensome NTMs is considerably lower than the share of other types of companies, including traders.

NTMs to product-markets ratio according to company characteristics. 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.

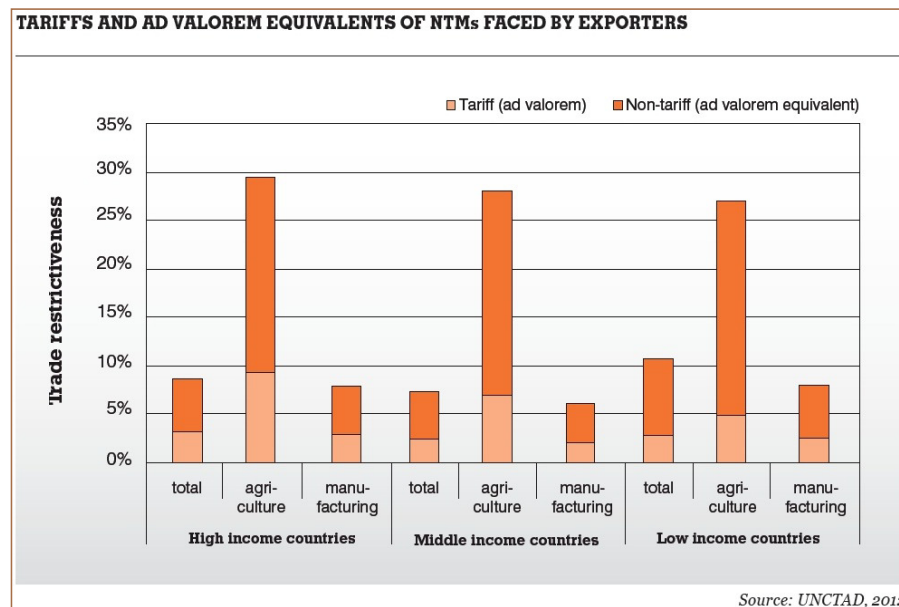
Source: International Trade Centre, October 01, 2012

Non-tariff measures: A key issue in evolving trade policy

In today's world trade, the relative importance of non-tariff measures (NTMs) vis-à-vis tariffs for developing countries' exports has grown significantly.

Petko Draganov, Deputy Secretary-General, United Nations Conference on Trade and Development

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

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Non-tariff measures

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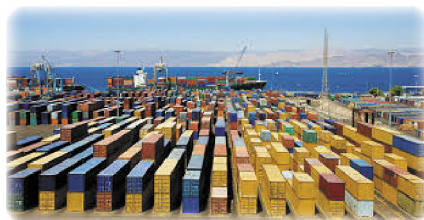
Agreement on Tariffs and Trade and the World Trade Organization (WTO), and subsequently in the context of regional and bilateral preferential trade agreements. For developing countries, tariffs have also become less of an impediment because of Generalised System of Preferences programmes and other preferential 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 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 disproportionately 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

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Non-tariff measures

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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 or 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 har-



monization 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.

Source: International Trade Centre, October 01, 2012

Easing the burden of non-tariff barriers

The history of trade policy since World War II is one of remarkable success in terms of reducing tariffs.



Alan Deardorff, Professor of Economics and Public Policy, University of Michigan

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

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Easing the burden

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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

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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.

Source: International Trade Centre, October 01, 2012

Statistics of distortion: Trade policy intervention during the crisis

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.



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

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

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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 lesson is that governments must innovate in their policy responses to crises - looking for yesterday's most popular form of intervention may miss where the action is today.

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

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TYPE OF MEASURE	Total number of measures in GTA database	Number of non-discriminatory and liberalizing measures (green in GTA database)	Number of almost certainly beggar-thy-neighbour measures (red in the GTA database)	Ratio of non-discriminatory and liberalizing measures to beggar-thy-neighbour measures	Number of pending measures	For red measures only, percentage of...			
						jurisdictions implementing specified measure type	jurisdictions affected by measures of specified measure type	tariff lines affected by measures of specified measure type	sectors affected by measures of specified measure type
Bail out / state aid measure	405	3	362	0.0083	135	20,6	81,1	62,0	73,4
Trade defence measure (AD, CVD, safeguard)	655	105	321	0.3271	337	26,6	36,9	18,8	38,0
Tariff measure	541	265	178	1.4888	151	30,0	65,7	67,5	48,1
Non-tariff barrier (not otherwise specified)	168	13	121	0.1074	27	12,4	63,5	29,8	83,5
Export taxes or restriction	159	41	88	0.4659	42	24,5	76,4	16,4	36,7
Investment measure	158	64	49	1.3061	35	12,4	34,8	1,5	87,3
Migration measure	99	32	49	0.6531	18	10,7	45,5	4,0	35,4
Export subsidy	66	3	41	0.0732	11	18,0	85,0	61,7	45,6
Public procurement	77	3	41	0.0732	26	9,0	57,9	34,0	74,7
Import ban	54	6	33	0.1818	15	10,3	39,1	14,2	36,7
Local content requirement	56	4	26	0.1538	21	6,0	53,2	21,8	55,7
Trade finance	32	0	21	0.0000	6	3,0	67,4	35,0	44,3
Quota (including tariff rate quotas)	45	12	19	0.6316	23	5,2	43,3	5,5	16,5
Other service sector measure	44	8	17	0.4706	18	4,7	18,5	2,0	22,8
State-controlled company	23	2	17	0.1176	3	2,1	27,9	3,7	17,7
Sanitary and phytosanitary measure	32	7	15	0.4667	13	5,2	26,6	4,2	10,1
Technical barrier to trade	43	15	15	1.0000	18	3,4	29,6	45,0	57,0
Consumption subsidy	18	4	8	0.5000	10	2,6	33,5	6,8	13,9
State trading enterprise	9	1	8	0.1250	2	1,3	20,6	2,4	6,3
Competitive devaluation	5	0	5	0.0000	0	2,1	74,7	87,1	48,1
Intellectual property protection	11	2	3	0.6667	8	1,3	22,7	0,5	2,5
Import subsidy	14	4	1	4.0000	2	0,4	0,9	0,1	1,3
Sub-national government measure	6	0	1	0.0000	2	0,4	15,0	0,5	1,3
Total	2720	594	1439		923				
Median				0.3271		5,2	39,1	14,2	36,7

International standards: A key solution to address non-tariff barriers to trade

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.

Rob Steele, Secretary-General, International Organization for Standardization



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. 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).

The joint ISO/ITC regional workshop on linking National Standards Bodies and Trade Promotion Organizations in Cuba in November 2010. © ISO In its second triennial review of the TBT agreement in 2000 and reconfirming 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

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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.

Source: International Trade Centre, October 01, 2012 ■

International standards

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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 committees, 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.

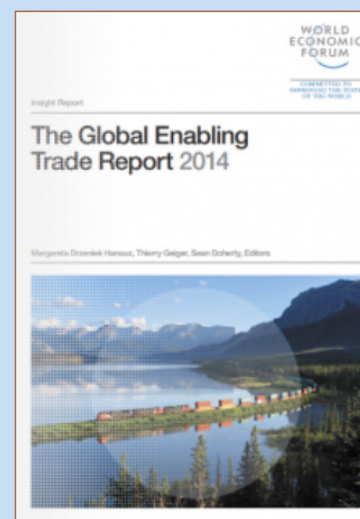
Source: International Trade Centre, October 01, 2012 ■

The Global Enabling Trade Report 2014

Published every two years, the Global Enabling Trade Report assesses the quality of institutions, policies and services facilitating the free flow of goods over borders and to their destinations. At the core of the report, the Enabling Trade Index benchmarks the performance of 138 economies in four critical areas: market access; border administration; transport and communications infrastructure; and

regulatory and business environment. As a widely used reference, the report helps economies integrate global value chains and companies into their investment decisions. It informs policy dialogue and provides a tool to monitor progress on certain aspects of global trade.

World Economic Forum
www.weforum.org



APEC key to global trade progress

Issued by the APEC Secretariat



International trade is gradually improving and there is renewed energy in the multilateral trading system, which APEC member economies are driving forward, but sustained efforts are needed to boost trade flows to desired levels and put the world economy on a path to more robust growth and prosperity.

This was the assessment provided by APEC Secretariat Executive

Director Dr Alan Bollard and World Trade Organization Director-General Roberto Azevêdo in a joint press conference along the margins of the APEC Ministers Responsible for Trade Meeting that concludes on Sunday.

“The Asia-Pacific region has of course seen very high growth, driven by very high trade growth, but over the last few years there has been much less trade growth,” explained Dr Bollard. “Ministers are talking about some big

topics to give direction from the top down.”

The implementation of the WTO agreement on trade facilitation is now a focus within APEC. Member economies are working together to build global capacity for this based on their experience in simplifying customs procedures and cutting unnecessary administrative costs for moving goods across borders.

As a result of measures like these, trade transaction costs in the APEC region dropped by ten per cent between 2002 and 2010. Reductions during the 2007-2010 period alone saved businesses nearly USD 60 billion.

It is estimated that global trade could increase between USD 350 billion to USD1 trillion annually through the adoption of comparable initiatives under the trade facilitation agreement.

“We have to try to finish the work that will put the agreement in place,” declared Azevêdo, who briefed Trade Ministers earlier on the state of play for multilateral trading system development. “On the conclusion of the Doha Round, we have to move from a discussion about general concepts into one that is more specific, more focused in a solution finding motif,” he added.

Azevêdo explained that APEC economies’ historic role in advancing

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The cooperation of MNCCI & CFCFA



The Mongolian National Chamber of Commerce and Industry (MNCCI) has been a member of CAREC Federation of Carrier and Forwarder Associations (CFCFA) since 2010 as part of its management and executive board and also as a founding member.

APEC key

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global trade offers lessons for achieving greater progress.

“In 1993, President Clinton hosted the APEC summit in Seattle and a few months later, we were able to conclude the Uruguay Round,” said Azevêdo. “Then, in 2001, the APEC summit in Shanghai allowed us to launch the Doha Round a few months later.”

“Last year, when I was here, in October for the APEC summit, it was the outcome of that meeting that gave another push that allowed us to conclude the trade facilitation agreement and the Bali Package a few months later,” he continued.

The next step in supporting this process and further combating protectionism has been a point of discussion among Trade Ministers this weekend.

Source: APEC website, May 18, 2014 ■

With the support of CAREC, CFCFA was established in 2009 through the initiative of national carrier, freight forwarder and logistics associations in CAREC member countries. CAREC/CFCFA is a non-government and non-profit organization.

CFCFA is:

- an instrument of public private partnership expansion for developing transport and logistics in the region
- a cooperation mechanism for CAREC region's national associations to solve topical issues;
- a possibility of active participation, in implementing and initiating new projects for CAREC financing

MNCCI has been working with CAREC/CFCFA in the following areas:

- Strengthening cooperation between associations in the CAREC region and between the CAREC countries and the other countries;
- Raising public awareness on regional and national trade, transport, logistics and trade facilitation issues
- Organizing transport, trade

and logistics, forwarding training, workshop and business meeting

- Implementing paperless trade environment and facilitating cross border trade

- Expanding private and public partnership and working with government agencies and ministries

- Developing and promoting strategies, programs, recommendations and regional technical cooperation projects aimed at developing transport and logistics services.

The MNCCI has been working on CPMM project of CAREC for 4 years.

The CAREC, Transport and Trade Facilitation Strategy (TTFS) focuses on the development of six priority CAREC corridors. Its mandate is that performance be measured and monitored periodically to ascertain the current situation along the links and nodes of each corridor, to identify bottlenecks, and determine courses of action to address these bottlenecks.

Within the framework of CAREC Corridor Performance Measurement and Monitoring (CPMM), by using Time-Cost-Distance (TCD) methodology, the associations of freight forwarders and road carriers in each CAREC country are engaged to collect time and cost data on a regular basis. Based on the submitted and analyzed TCDs, quarterly reports are prepared focusing the taken time and cost for clearance at crossing border, speed taken to travel through the certain routes etc.

Interested parties can find more information about results and report of the analyze and regarding the CFCFA activities at <http://cfcfa.net> ■



The National Capacity Building Workshop: Implementing Mongolian National Single Window



The National Capacity Building Workshop: Implementing Mongolia National Single Window (MNSW) was organized by Economic and Social Commission for Asia and the Pacific (ESCAP) in cooperation with Mongolia National Chamber of Commerce and Industry, with the support of the United Nations Network of Experts (UNNExT) and held on 13-14 March in Ulaanbaatar. The purpose of the workshop was to improve

understanding and build capacity of officials from different government agencies and members of the MNSW steering committee on the benefits of Single Window implementation.

About 70 representatives from various government agencies and private sector participated in the workshop. The workshop was opened by Mr. Sambuu Demberel, Member of Parliament & Chairman of MNCCI, and Mr. Kilaparti Ramakrishna,

Director, East and North-East Asia Office, United Nations ESCAP.

In his remarks, Mr. Demberel provided brief overview of current situation in implementing Mongolian National Single Window (MNSW) and emphasized importance of this workshop to reinvigorate the implementation process.

Mr. Ramakrishna, in his remarks, emphasized importance of trade facilitation, in particular implementation of a Single Window, briefed ESCAP's support to Mongolia in this important endeavor, and assured ESCAP's commitment to continuous support in this matter.

The workshop also discussed the current progress of the MNSW, various country implementation cases, including Republic of Korea, Malaysia, Indonesia and Senegal, and the way forward for promoting the MNSW. At the conclusion of the meeting, the workshop made recommendations for successfully implementing the MNSW. The recommendations would sent to all related government agencies and ministries as well as SW steering committee and cabinet secretariat of Mongolia. ■

‘WE LOVE LOGISTICS open day’

“We love logistics” open day was organized by the Mongolian National Chamber of Commerce and Industry (MNCCI) in cooperation with the Mongolian Logistics Association, the German Society for International Cooperation and the Computer science and management school of Mongolian University of Science and Technology. Coincidentally the traditional logistics and supply chain day of Europe and the Logistic open day of Mongolia both fell on 10th April which made it a very special occasion. The open day has been held in the last decades and organized globally in 40 countries like EU, Brazil, China, Chile, Vietnam as

well as Mongolia.

This event focused on providing career orientation for students, to help them understand the importance of professional logistics management and to raise awareness of other interested and related parties and the public.

During the logistics open day on 01-10 of Apr 2014, the MNCCI organized the following events:

- Public Relations plan competition to advertise the LOGISTIC. This competition aims to develop student's logistics understanding.

- A press conference and logistics training workshop attended by



Mongolian journalists from different business and economic newspaper, magazine and TV etc.

- ‘Logistic occupation advertisement’ day. Some logistic and freight forwarding companies and universities with logistic operations attended in the open day and advertised their operations.

- Field trips to the Logistic center

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'WE LOVE

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of APU Company and Coca Cola industry of MCS Company. About 70 representatives attended in this trip.

• 'Logistic issues on Supply chain' science conference among scientists, entrepreneurs, researchers, teachers and students.

The next Logistics and Supply Chain Day will be held in April 16, 2015. You can find more pictures and reports of the International Logistics and Supply Chain Day 2014. <http://www.tag-der-logistik.de/en/retrospective-2014/picture-galleries> ■



Trade officials call for ASEAN 'Open Sky' implementation in 2015

by Bernie Magkilat

Trade officials are pushing for the implementation of the ASEAN "Open Sky" initiative by next year to address connectivity issue in a geographically fragmented region as the 10-member countries grapple with increased travel under a single market economy and the need for more airport and seaport infrastructure facilities.

Trade and Industry Secretary Gregory L. Domingo said at the session on "Connect on Trade Lifting Barriers to Growth" at the World Economic Forum held here that liberalization of services in ASEAN is now being tackled by leaders after the region has successfully reduced tariffs on trade in goods.

This means the region now has to work on removing non-tariff barriers to trade and one of the critical sector is on the services sector. Domingo said that Asean is working towards removing the bulk of work done by Asean on trade in services and of the 10 major packages it has already completed work on 8 and is working on the liberalization on the services.



The focus in the services area is to allow investments in areas that put a ceiling on equity stake. The remaining trade in services sectors that Asean is working on are on air services, insurance, and banking liberalization.

On the proposed Open Sky, the region aims to promote competition in the airline industry, and to give all airlines from ASEAN the scope to compete on intra ASEAN routes. Open Sky will also give airlines extra flexibility over their route development.

There are many Open Skies bilateral agreements, and a few regional agreements. Few regional Open Skies agreements have led to

substantial liberalization or integration. The exception is Europe – Open Skies in Europe has meant the formation of a single aviation market.

ASEAN has a wide range of types of bilateral agreements in place and a range of government policy stances. Some bilateral agreements are very liberal, though others are restrictive, limiting the number of airlines which can compete, and the amount of capacity they can offer.

Many countries are now allowing additional gateways, but the impact of this is lessened in some cases because overall capacity is still limited.

There are also different policies in each of the ASEAN countries wherein some are liberal and others with limitations. This has something to do with the scale of the aviation sector in each member state.

In the case of the Philippines, Domingo said the government position is to open all airports in the country to foreign carriers except Metro Manila, which international airport is already operating beyond capacity.

This has put the Philippines in a reverse position with other ASEAN countries, which have enough capacity for their premier international airports but not with its provincial airports.

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Trade officials

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Singapore Senior Finance Minister Josephine Teo for her part stressed that to ensure equitable development in the region member countries must address connectivity, which she said is central to the realization of the Asean Economic Community.

Teo said that the most important aspect of the masterplan for Asean connectivity is air as 70 percent of the region's connectivity concerns have all been achieved saying these are the low hanging fruits.

Teo has pressed the issue of air connectivity stressing that by 2030 half of the Asean population should have reached the middle class level and can already afford for air travel.

This means, she said, multiple increases in air links and the need to satisfy the demand of the public. According to Teo, the main challenge is capacity among airports as she stressed the need for increased investments in airport infrastructure.

Asean has also the opportunity to forge open sky with its partners regional trading partners like China and India. An air services agreement may also be forged with EU.

Cambodia Minister of Commerce Mustapa Mohammed for his part said that the issue of connectivity goes beyond the physical aspect but more of institution connectivity. He said that unless the Asean single window is fully implemented the air link connectivity will not work.

"Hardware is on one side but software should be there to implement this connectivity initiative," he said.

Source: Manila Bulletin, May 22, 2014 ■



ABOUT CACCI

The Confederation of Asia-Pacific Chambers of Commerce and Industry (CACCI) is a regional grouping of apex national chambers of commerce and industry, business associations and business enterprises in Asia and the Western Pacific.

It is a non-governmental organization serving as a forum for promoting the vital role of businessmen in the region, increasing regional business interaction, and enhancing regional economic growth. Since its establishment in 1966, CACCI has grown into a network of national chambers of commerce with a total now of 29 Primary Members from 27 Asian countries. It cuts across national boundaries to link businessmen and promote economic growth throughout the Asia-Pacific region. CACCI is a non-governmental organization (NGO) granted consultative status, Roster category, under the United Nations. It is a member of the Conference on NGOs (CoNGO), an association of NGOs with UN consultative status.

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