

TRADE POLICY BRIEFS

FAO SUPPORT TO THE WTO NEGOTIATIONS AT THE
11TH MINISTERIAL CONFERENCE IN BUENOS AIRES

No. 26 ■ OCTOBER 2017

Non-tariff measures in agricultural trade

SUMMARY

- Countries apply a wide range of non-tariffs measures (NTMs) designed to address legitimate concerns in different areas of public policy.
- However, NTMs may act as regulatory barriers to trade, in particular for agri-food products, with potential impacts on exports from developing and least-developed countries.
- Multilateral trade agreements play a key role in regulating the application of NTMs, ensuring that they do not create unnecessary trade barriers. At the same time, the capacities of developing countries to comply with legitimate NTMs need to be strengthened.

What are NTMs and why are they used?

Non-tariff measures in agri-food markets are policy measures, other than ordinary customs tariffs, that can affect international trade by changing quantities traded or prices, or both.¹ Governments use NTMs to address public concerns. For example they are used to protect human, animal and plant health (sanitary and phytosanitary measures, or SPS). They are also used to regulate the technical characteristics of products, such as labelling and marketing standards, traceability of material, and the related conformity assessment and certification (technical barriers to trade, or TBT). SPS-related NTMs are more prominent for animal products, fruits and vegetables, and fats and oils, while TBT-related measures play a more important role when it comes to processed food.²

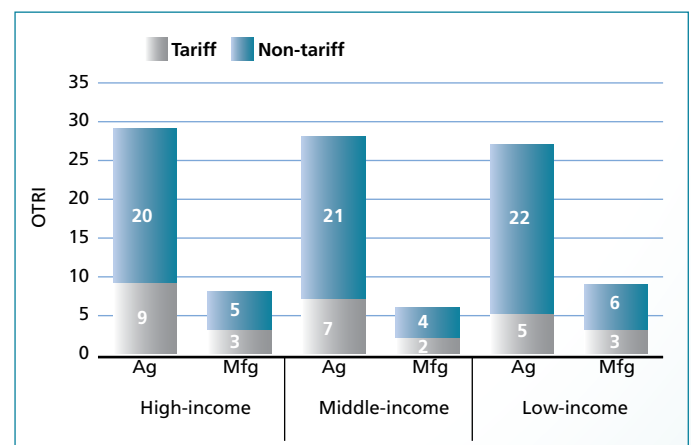
What affect do NTMs have on trade of agri-food products from developing countries?

The ability of developing countries³ to export their surplus production is often constrained by the difficulty to comply with the requirements of the importing countries. Global trade negotiations have significantly reduced tariffs, export subsidies and trade-distorting domestic support in agriculture. In tandem, NTMs have become more pervasive. Countries apply some form

of NTMs on imports of almost half of all products.⁴ They have also become more complex, affecting agri-food products in particular and thus, exports from developing and least-developed countries.⁵

Figure 1 shows the overall level of trade restrictiveness arising from tariffs and NTMs faced by agricultural and manufacturing

FIGURE 1. OVERALL TRADE RESTRICTIVENESS FACED BY EXPORTS



FAO (2017): Non-tariff measures in agriculture (under publication)
Note: The Overall Trade Restrictiveness Index (OTRI) estimates the overall level of restrictiveness of the trade policies faced by a country and is based on the estimation of Ad Valorem equivalents of NTMs.

¹ MAST (Multi-agency support team). 2008. First Progress Report to the Group of Eminent Persons on Non-tariff Barriers. Mimeo, UNCTAD, Geneva.

² Cadot, O., Asprilla A., Gourdon J., Knebel, C. & Peters, R. 2015. Deep regional integration and non-tariff measures: A methodology for data analysis, UNCTAD Study Series Policy Issues in International Trade and Commodities No. 69, United Nations: New York and Geneva.

³ Countries are classified into developing and developed according to the UN World Economic Situation and Prospect 2017 (<https://www.un.org/development/desa/dpad/publication/world-economic-situation-and-prospects-2017/>).

⁴ FAO. E-learning Course. Agriculture in Trade Agreements.

⁵ Disdier, A.C., Fontagne, L. & Mimouni, M. 2008. The impact of regulations on agricultural trade: evidence from the SPS and TBT agreements.

exports of countries with different income levels. On average, NTMs can contribute twice as much as tariffs to overall trade restrictiveness in high-income countries. The figure also indicates that the incidence of NTMs is higher on agricultural tariff lines than on manufactured products. On agricultural exports from low-income countries, it is four times higher.

In particular, NTMs for processed agricultural products can have a higher impact on trade than plain tariffs,⁶ limiting the opportunities of the poorest countries in diversifying agricultural trade away from raw commodities towards more value-added products.

Disciplines on NTMs in the multilateral trading system




While the focus of the General Agreement on Tariffs and Trade (GATT) was on reducing ordinary customs duties ("tariffs"), the attention has now broadened to include the NTMs. A key development in this respect was the entry into force of the World Trade Organization (WTO) Agreements on the application of SPS and TBT measures.

The SPS Agreement sets out rules for the application of measures for food safety and requirements for animal and plant life and health, and recognizes the right of governments to adopt and enforce measures necessary to protect human, animal or plant life or health. The TBT Agreement covers all types of industrial and agricultural products with respect to three types of measures: technical regulations, conformity assessment procedures and standards. It intends to help governments achieve a balance between legitimate regulatory policy objectives and the respect for the key disciplines of multilateral trade rules.

A number of other WTO agreements are in place to deal with various administrative or legal aspects ("red tape") that can affect trade flows. These include import licensing, the valuation of goods at customs, pre-shipment inspections, and rules of origin.

However, red tape still exists in moving goods across borders, posing a particular burden on small and medium-sized enterprises. An important step in addressing this issue was the entry into force of the WTO Trade Facilitation Agreement (TFA) in 2017. The TFA establishes a framework for simplifying and streamlining procedures for imports and exports, including goods in transit, and sets out measures for effective cooperation between customs and other appropriate authorities. The TFA is intended to improve transparency, increase possibilities to participate in global value chains, and reduce the scope for corruption. It also contains provisions for technical assistance and capacity building.

Key challenges

-  To ensure that NTMs do not constitute unnecessary barriers to trade, in particular with regard to market access for agri-food products from developing countries.
-  To strengthen the capacities of developing countries to access relevant information on regulatory import requirements and comply with NTMs.
-  To enhance effective cooperation between customs, sanitary and phytosanitary authorities and other key government agencies, as well as the private sector, for compliance with the TFA.

⁶ OECD. 2011. Impact of Trade Liberalisation on Jobs and Growth: Technical Note.