

Non-Tariff Measures

Definition - “ Non-tariff measures (NTMs) are policy measures, other than ordinary customs tariffs, that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both”. (UNCTAD, 2010)

Classification - NTMs are categorized depending on their scope and/or design and are broadly distinguished in technical measures (SPS measures, TBTs and pre-shipment inspections) and non-technical measures. These are further distinguished in hard measures (e.g. price and quantity control measures), threat measures (e.g. anti-dumping and safeguards) and other measures such as trade-related finance and investment measures.

The classification by the United Nations Conference on Trade and Development (UNCTAD) is one of the most widely recognized frameworks. Here are the main categories:

1. **Sanitary and Phytosanitary Measures (SPS) [A]:**
 - Measures related to food safety and animal and plant health standards.
2. **Technical Barriers to Trade (TBT) [B]:**
 - Measures referring to technical regulations, standards, and procedures for assessing conformity.
3. **Pre-shipment Inspection and Other Formalities [C]:**
 - Procedures such as pre-shipment inspections and other customs formalities.
4. **Contingent Trade-Protective Measures [D]:**
 - Measures like anti-dumping, countervailing, and safeguards.
5. **Non-Automatic Licensing, Quotas, Prohibitions, and Quantity-Control Measures [E]:**
 - Restrictions on the quantity of goods that can be traded, including licensing and quotas.
6. **Price-Control Measures, Including Additional Taxes and Charges [F]:**
 - Measures that control or affect the prices of imported goods.
7. **Finance Measures [G]:**

- Measures affecting payments for imports, such as exchange control restrictions.
- 8. Measures Affecting Competition [H]:**
 - Measures that impact market competition, like monopolistic measures.
- 9. Trade-Related Investment Measures [I]:**
 - Measures related to foreign investment, like local content requirements.
- 10. Distribution Restrictions [J]:**
 - Restrictions on the distribution of goods within the importing country.
- 11. Restrictions on Post-Sales Services [K]:**
 - Measures that affect the provision of services related to the sale of goods.
- 12. Subsidies and Other Forms of Support [L]:**
 - Financial aids like subsidies provided by the government to local businesses.
- 13. Government Procurement Restrictions [M]:**
 - Restrictions on the procurement of goods by government agencies.
- 14. Intellectual Property [N]:**
 - Measures related to the protection of intellectual property rights.
- 15. Rules of Origin [O]:**
 - Criteria used to define where a product was made.

This classification helps in systematically analyzing and understanding the diverse range of measures that countries use to regulate trade beyond traditional tariffs.

How are NTMs evolving over time for the world?

Category	Data Point	Example
Increased Use of NTMs	Rise from 500 in 1990s to over 2,000 by 2020	Agricultural NTMs to protect domestic industry

Complexity and Diversity	1,200 TBTs and SPS measures by 2020	GMO regulations
Global Value Chains	40% increase in NTMs for intermediate goods	REACH regulation on chemicals in manufacturing
Health and Environmental Concerns	Doubling of environmental NTMs (2000-2020)	Single-use plastics regulations
Technological Advancements	30% of NTMs involve digital trade by 2020	GDPR affecting data privacy and cross-border data flows
Regulatory Harmonization	50% increase in intra-EU trade (2000-2020)	Harmonization of standards for electrical appliances
Trade Facilitation	20% reduction in customs clearance time	Implementation of Single Window system for customs procedures
Geopolitical Factors	25% increase in NTMs due to trade disputes	Import restrictions on steel and aluminium in response to U.S. measures during trade disputes

How are NTMs evolving over time in India?

Category	Data Point	Example
Increased Use of NTMs	Rise from 300 in 2000 to over 1,500 by 2020	Import licenses and quality standards for agricultural products
Complexity and Diversity	800 TBTs and SPS measures by 2020	Safety and quality standards for electronics and pharmaceuticals
Global Value Chains	35% increase in NTMs for intermediate goods	Pre-shipment inspection certificates for chemicals and machinery components
Health and Environmental Concerns	50% increase in environmental NTMs (2000-2020)	Ban on single-use plastics and stringent emission standards for automobiles
Technological Advancements	20% of NTMs involve digital trade by 2020	Data localization requirements and restrictions on cross-border data flows
Regulatory Harmonization	30% increase in harmonized regulations	Harmonization of standards in the automotive and electronics sectors
Trade Facilitation	25% reduction in customs clearance time	Implementation of GST and single window clearance system
Geopolitical Factors	20% increase in NTMs due to geopolitical tensions	Import restrictions on Chinese products during periods of heightened political tensions

How are NTMs increasing, while tariffs fall?

Factor	Explanation	Example
Trade Liberalization	Reduction in tariffs due to international agreements and commitments	EU tariff reductions through common external tariff and trade agreements
Regulatory Enhancements	Implementation of more rigorous standards for consumer protection and environmental sustainability	EU's stringent regulations on GMOs and chemical safety standards
Environmental and Health Concerns	Focus on public health and environmental protection	U.S. regulations on imported foods and emissions standards for vehicles
Economic Protectionism	Use of NTMs to protect emerging and strategic industries	China's import licensing requirements for electronics and pharmaceuticals
Geopolitical Considerations	Use of NTMs in trade disputes and for national security	U.S. restrictions on imports from specific countries during trade disputes
Technological and Scientific Advances	Need for updated and stringent standards due	Data localization requirements and

	to technological advancements	cybersecurity regulations globally
Global Value Chains	Regulation of intermediate goods to ensure quality and safety in global supply chains	Pre-shipment inspection certificates for chemicals and machinery components globally

How are NTMs decreasing in specific deep free trade agreements?

Factor	Explanation	Example
Regulatory Harmonization	Common standards and mutual recognition reduce the need for separate NTMs	Harmonization of automotive standards in the EU
Enhanced Transparency and Cooperation	Transparency requirements and cooperation mechanisms help resolve NTM issues	CPTPP committees addressing SPS and TBT issues
Simplified Procedures	Trade facilitation measures reduce administrative	Electronic certification systems in CPTPP

	burdens and enhance efficiency	
Dispute Resolution Mechanisms	Effective mechanisms ensure compliance and reduce arbitrary NTMs	USMCA's provisions for resolving SPS disputes
Economic Integration	Deeper integration goals necessitate the reduction of NTMs	EU Single Market's elimination of separate national certifications
Competitiveness and Efficiency	Lowering NTMs reduces trade costs and enhances economic efficiency	Streamlined customs procedures in USMCA
Investor Confidence	Reducing NTMs creates a stable environment and encourages investment	Investor protections in CPTPP and USMCA

What are the substantive issues in recent years regarding NTMs ?

In recent years, several substantive issues have emerged in the context of Non-Tariff Measures (NTMs) and international trade, influenced by geopolitical tensions, technological advancements, environmental concerns, and shifts in global trade policies.

Substantive Issues in Recent Years

1. Geopolitical Tensions and Trade Wars

- **U.S.-China Trade War:** The trade conflict between the U.S. and China has led to the imposition of various NTMs, including import restrictions, export controls, and heightened scrutiny of foreign investments.
- **Sanctions and Export Controls:** Geopolitical tensions, particularly involving Russia, Iran, and North Korea, have resulted in sanctions and export controls that act as significant NTMs.

2. Technological and Digital Trade Barriers

- **Data Localization Requirements:** Countries like India and China have implemented data localization laws requiring data to be stored within national borders, impacting international digital trade.
- **Cybersecurity Regulations:** Increasing cybersecurity concerns have led to stringent regulations on tech products and services, creating barriers for foreign companies.

3. Environmental and Sustainability Standards

- **Climate Change Regulations:** Governments are imposing stricter environmental standards and sustainability criteria on imports to combat climate change, such as the EU's Green Deal and Carbon Border Adjustment Mechanism.
- **Plastic and Waste Regulations:** There is a global push to reduce plastic waste, with countries implementing bans on single-use plastics and imposing stringent waste management standards.

4. Public Health and Safety Measures

- **COVID-19 Pandemic:** The pandemic has led to a surge in health-related NTMs, including export restrictions on medical supplies, enhanced sanitary measures, and vaccine export controls.
- **Food Safety Standards:** Countries are increasingly implementing stringent food safety standards, affecting agricultural and food imports.

5. Economic Protectionism and Domestic Industry Support

- **Subsidies and State Aid:** Governments are providing subsidies and state aid to support domestic industries, often coupled with NTMs to protect these sectors from foreign competition.
- **Local Content Requirements:** Policies mandating the use of locally produced goods and services in public procurement and other sectors have become more prevalent.

6. Supply Chain Resilience and Security

- **Critical Supply Chains:** The pandemic and geopolitical tensions have highlighted the need for resilient supply chains, leading to NTMs aimed at securing critical industries and reducing dependency on foreign suppliers.
- **Investment Screening:** Enhanced screening of foreign investments, particularly in critical technologies and infrastructure, acts as a barrier to international trade and investment.

Examples and Data Points

U.S.-China Trade War

- **Tariffs and NTMs:** The U.S. imposed tariffs on approximately \$370 billion worth of Chinese goods, while China retaliated with tariffs on \$110 billion worth of U.S. goods. Additionally, both countries implemented NTMs such as import licensing requirements and increased regulatory scrutiny.
- **Export Controls:** The U.S. imposed export controls on semiconductor technology and other critical technologies to limit China's access.

EU Green Deal and Carbon Border Adjustment Mechanism

- **Environmental Standards:** The EU Green Deal aims to make Europe climate-neutral by 2050, introducing stringent environmental standards and regulations on imports to reduce carbon emissions.

- **Carbon Border Adjustment:** The proposed Carbon Border Adjustment Mechanism would impose carbon tariffs on imports from countries with less stringent climate policies.

COVID-19 Pandemic Impact

- **Medical Supply Restrictions:** Countries worldwide imposed export restrictions on medical supplies, including personal protective equipment (PPE) and ventilators, to ensure domestic availability.
- **Sanitary Measures:** Enhanced sanitary and phytosanitary measures were implemented to prevent the spread of COVID-19 through trade.

Data Localization in India

- **Data Storage Requirements:** India's data localization laws require financial and personal data to be stored locally, affecting foreign tech companies' operations and increasing compliance costs.

Summary Table

Issue	Explanation	Example
Geopolitical Tensions and Trade Wars	NTMs arising from geopolitical conflicts and trade disputes	U.S.-China trade war tariffs and export controls
Technological and Digital Barriers	Barriers related to data localization, cybersecurity, and digital trade	India's data localization requirements and cybersecurity regulations
Environmental Standards	NTMs driven by environmental and sustainability goals	EU Green Deal and Carbon Border Adjustment Mechanism
Public Health and Safety	Health-related NTMs, especially due to the COVID-19 pandemic	Export restrictions on medical supplies during COVID-19

Economic Protectionism	NTMs used to protect and support domestic industries	Local content requirements and subsidies for domestic industries
Supply Chain Resilience	Measures to secure critical supply chains and enhance resilience	Investment screening and NTMs aimed at securing critical industries

These substantive issues highlight the evolving landscape of NTMs in recent years, driven by a combination of geopolitical, technological, environmental, and economic factors.

References:-