

Opinions

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Non-Tariff Measures: Next Agenda for Trade Negotiations



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Since the so-called 'mega-FTAs' such as the Trans-Pacific Partnership (TPP) or the Transatlantic Trade and Investment Partnership (TTIP) launched their agendas, it appears that the weight of trade liberalization discussions has been swiftly moving from cutting the edges of existing tariffs towards regulatory harmonization.¹ The center of trade negotiations, of course, is still on tariffs and duties; however, with the exclusion of lingering sensitivities in some areas - i.e. agricultural products - there is

¹ There are other terms describing the reduction of the inconsistencies in trade-related regulations across countries. In recent trade negotiations, 'regulatory coherence' in TPP or 'regulatory cooperation' in TTIP are in use.

not much to talk about and nothing new about tariff elimination. What looms large in the recent trade negotiations instead is regulatory harmonization, and current discussions on this matter seem to boil down to non-tariff measures (NTMs).

The definition of NTMs used by UNCTAD is as follows:

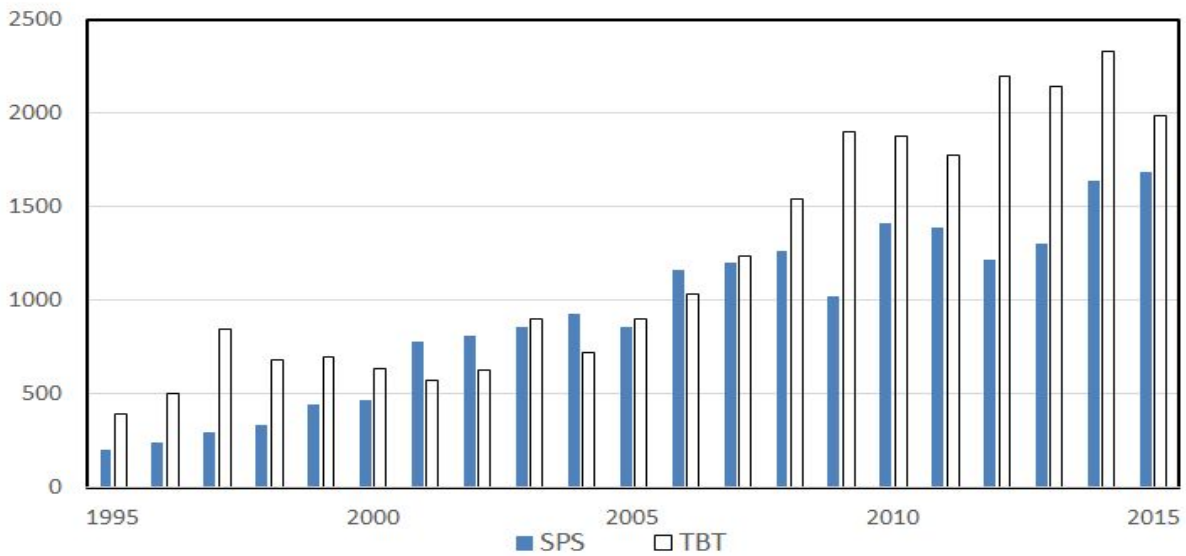
"Non-tariff measures (NTMs) are policy measures, other than ordinary customs tariffs, that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both." (UNCTAD/DITC/TAB/2009/3)

As largely admitted, this definition lacks specificities. Such an uninformative nature originates from our limited understanding of NTMs. The reasons for such incomprehension are as follows. First, the framework for understanding trade liberalization depends heavily on the price-quantity mechanism, which we readily know of in economics. The economic impact of tariff elimination is relatively easy to address, for tariff itself is part of the price mechanism. However, non-tariff measures include an array of trade-related policies, which may not be directly linked to prices. In addition, we have not yet developed satisfactory alternative analytical mechanisms and tools to correctly identify and measure other possible benefits such as social efficiency gain or productivity improvement from NTM-related regulatory reform. Second, each country has developed its own diverse regulatory system, in which policy instruments and their variations have been refined, amended, and adjusted to achieve various social objectives. Therefore, regulatory heterogeneity across countries has been adding up complexity and sophistication for a very long time. This makes it extremely difficult to figure out the general economic ramification of addressing a regulation or eliminating one due to the lack of consistently accumulated data. For this reason, it is difficult to deduce a generalized understanding on regulations based on hard data. Third, another conundrum is that the ultimate goal with NTMs is not their complete elimination, as regulations are put in place not only for protectionist intents but for legitimate concerns regarding food safety, technical standards, market failure etc. Obviously, it is a fairly challenging job to tell one from another considering all the relevant social objectives.

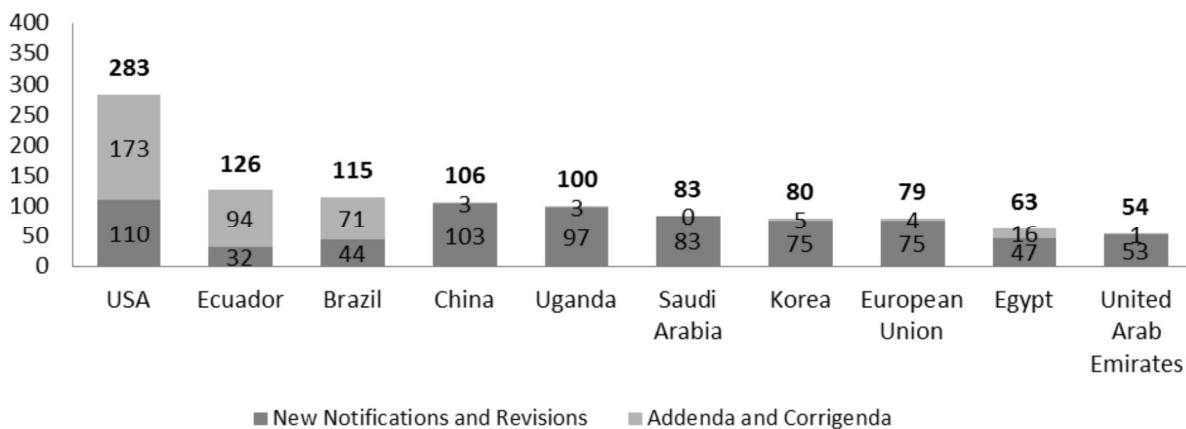
So what does Korea have to do in order to deal with this perplexing matter? According to the WTO (Table 1), the numbers of SPS and TBT notifications have increased significantly between 1995 and 2015. Not only that, but Korea is also one of the top ten most active notifying members in 2015 as shown in Table 2. There are many other statistics indicating that Korea is already deeply involved in non-tariff issues. In other words, the Korean government must

pay better attention to its own NTM issues as the focus of trade negotiations has shifted in this direction. First and foremost, it is critical to know where we stand with regard to non-tariff measures. Although Korea has built a NTMs database for other countries, it has yet to show much interest in identifying its own NTMs. Since international discussions on NTMs are mainly focused on regulatory harmonization, knowing our own NTMs well seems relevant and critical. Once the current status of Korea's NTMs is apprehended to a certain extent, studies examining what regulatory reform or regulatory harmonization would bring to the Korean economy should follow.

■ **Table 1. WTO notifications in SPS and TBT**



■ **Table 2. Most active notifying members in TBT, 2015**



Source: G/TBT/38

The World Bank (2015) points out that one of the four reasons for staggering global trade growth is the increase of protectionism after the global financial crisis. Admittedly, protectionism may not be the major contributor to the slowdown in global trade. However, one way or another, developing and developed countries all alike will try to address all the possible options to boost dampened global trade. NTM issues will inevitably be one. Furthermore, the Korean government is seeking to boost its growth momentum through regulatory reform. Regulations related to trade, such as non-tariff measures, may be a good starting point. Above all of these external concerns, it is worth noting that Korea's growth miracle has been rooted in trade and still depends on it. Korea needs to think further and move ahead. [KIEP](#)