

Making Regional Integration Work

COMPANY PERSPECTIVES ON NON-TARIFF MEASURES IN ASIA-PACIFIC



International
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Acronyms

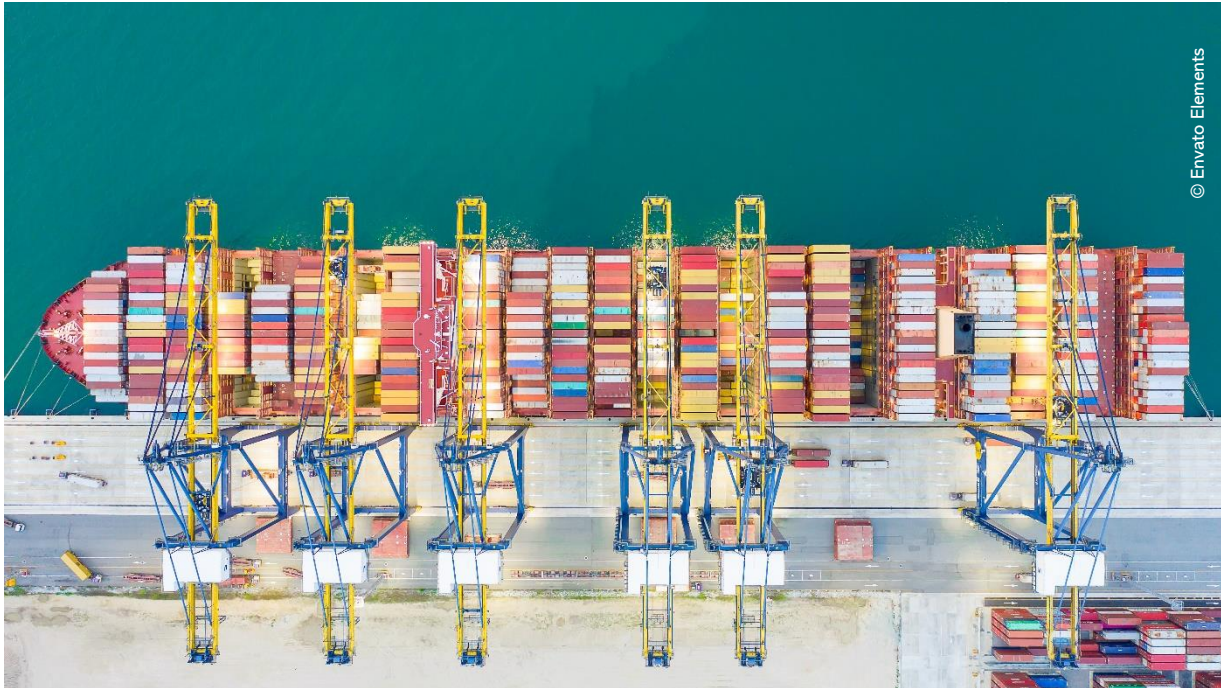
ASEAN	Association of Southeast Asian Nations
CA	Conformity assessment
CO	Certificate of origin
CPTA	Cross-border Paperless Trade in Asia and the Pacific
ENEA	East and North-East Asia
EU	European Union
FTA	Free trade agreement
GAP	Good Agricultural Practices
GMO	Genetically modified organism
GMP	Good Manufacturing Practice
GSP	Generalized System of Preferences
GVC	Global value chain
HACCP	Hazard Analysis & Critical Control Points
HS	Harmonised system
ITC	International Trade Centre
MAST	Multi-Agency Support Team
MRA	Mutual Recognition Agreement
MRL	Maximum residue limit
NCA	North and Central Asia
NTB	Non-tariff barrier
NTM	Non-tariff measure
ODM	Original design manufacture
PIDE	Pacific Islands Developing Economies
PO	Procedural obstacle
PSI	Pre-shipment inspection
ROO	Rules of origin
RTA	Regional trade agreement
SDG	Sustainable Development Goals
SME	Small and medium-sized enterprise
SPS	Sanitary and phytosanitary
SQAM	Standardization, Quality Assurance, Accreditation and Metrology
SSWA	South and South-West Asia
TBE	trade-related business environment
TBT	Technical barrier to trade
TFA	Trade Facilitation Agreement
UN ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNTF	UN Global Survey on Trade Facilitation and Paperless Trade Implementation
WTO	World Trade Organization

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Executive summary

Multilateral, plurilateral, unilateral, as well as regional integration efforts in the Asia-Pacific have brought down tariffs, increased connectivity, helped achieve regulatory harmonization and promoted cooperation across ESCAP members, spurring both intra- and extra-regional trade. Yet, many non-tariff obstacles to trade persist, posing several challenges to exporters and importers in the region.

Regional challenge to trade

Most of the trade in the Asia-Pacific in 2021 was intraregional, with intra-regional exports accounting for 57% of overall exports and imports, 79% of overall imports. Intraregional trade intensity was particularly high in South-East Asia, the Pacific, and East and North-East Asia, largely driven by global value chains (GVCs) integration with East and North-East Asia sub-regional economies. The region has seen a proliferation of trade agreements, with 181 trade agreements currently in force, 94 under negotiation, and 15 signed but pending ratification.

While tariff rates in the Asia-Pacific have nearly halved between 2000 and 2016, the cumulative stock of non-tariff measures continues to rise at an increasing rate. Non-tariff measures (NTMs) are increasingly used in lieu of ordinary customs tariffs as trade policy measures, and as instruments for achieving the 2030 Sustainable Development Agenda. These trends have made NTMs and associated procedural obstacles (POs), increasingly significant components of trade costs. High trade costs in turn effect the economies' participation in GVCs growth and sustainable development.

NTMs in the Asia-Pacific

Review of national regulations

A multi-agency initiative collects and maintains an official database of NTMs based on the review of national regulations.¹ According to this database, more than 25,000 measures are imposed by 28 Asia-Pacific economies.

¹ The International Trade Centre (ITC), jointly with UNCTAD, ESCAP and the World Bank, collects national legislations such as laws, decrees or regulations. Official NTM data is available at ITC's Market Access Map (www.macmap.org)

The most frequent measures in the database are sanitary and phytosanitary measures (30% of all Asia-Pacific NTMs), and technical barriers to trade (48%). Export-related measures comprise 13% of all applied NTMs in the region. On average, 58% of imported products (at HS6 digit level) are covered by at least one NTM, and each product faces, on average, 2.5 NTMs. This is on par with the global average coverage ratio and prevalence score, which sit at 57% and 2.5, respectively. In general, lesser developed economies exhibit a lower coverage ratio and lower prevalence scores of non-tariff measures.

Business insights

International Trade Centre's (ITC) Programme on Non-Tariff Measures carries out large-scale company surveys on regulatory and procedural obstacles to trade. This business perspective is critical for understanding the impact of NTMs on businesses and helps decision-makers devise appropriate strategies to overcome both policy-induced and infrastructure-related impediments to trade. This report is largely based on data from the NTM Business Surveys conducted in eleven Asia-Pacific countries: Cambodia, Indonesia, Thailand, Viet Nam, the Philippines, Kazakhstan, Pakistan, Kyrgyzstan, Bangladesh, Nepal, and Sri Lanka. Globally the surveys have been conducted in over 70 countries.

Survey results show that NTMs impact exporters in the Asia-Pacific significantly, with 55% of all interviewed firms reporting them as burdensome. NTMs applied by regional trade partners comprise exactly half (50%) of all reported NTMs. Most NTMs perceived burdensome by exporters are foreign regulations (81%) rather than domestic regulations (19%). Following a global trend, NTM surveys in the Asia-Pacific countries show that technical NTMs such as conformity assessments and technical requirements applied by partner countries, and procedural obstacles (POs) at home, are among the main hurdles for traders in the region.

Technical measures

Among the most burdensome technical measures applied within the region, are conformity assessment requirements to prove compliance with TBTs or SPS measures, such as product certification and product testing. These account for 73% of all technical measures. Technical requirements such as fumigation, labelling, inspection and tolerance limits account for 18% of the reported technical measures.

Almost half (47%) of the technical NTMs that exporters find difficult to comply with are regional. Other major markets, including the European Union and the United States, account for 26% and 14% of the cases, respectively.

While conformity assessments are difficult to comply with because of accompanying procedural obstacles, most technical requirements are deemed burdensome because they are simply too complex or difficult to comply with. Product certification is associated with delays and, in some instances, the use of informal payments to speed up processing time, while product testing is difficult because of the lack of access to accredited facilities, resulting in delays and high costs.

Non-technical measures

Two-thirds (66%) of the reported non-technical measures are rules of origin (ROO) requirements. For the region's thriving garments industries, these have restricted benefits arising from the Generalized System of Preferences (GSP or GSP+). Most ROO issues are linked to GSP or GSP+ export markets in the European Union (37%) and the United States (12%), while the rest arise from bilateral or regional RTAs, such as those with Japan or China, in East and North-East Asia sub-region, and across ASEAN.

Exporters find ROO regulations burdensome largely due to associated procedural obstacles such as having to present many documents, high fees, delays, and informal payments while obtaining the required certificates of origin. However, garment-exporting countries with less vertically developed value chains also find it difficult to comply with local content requirements.

Pre-shipment inspections and other border entry formalities, such as import permits or licenses (13%) were also found to be problematic.

Procedural obstacles and trade-related environment

Procedural obstacles experienced by exporters in their home country are the primary reason why NTMs are found to be burdensome. The most common procedural obstacles include time delays, the need to make informal payments or high fees and charges. Other procedural obstacles faced in the domestic market include lack of accreditation, lack of appropriate testing facilities, and difficulties obtaining trade and NTM-related information.

The way forward

The survey results and recommendations in this report aim to help the national governments and businesses understand the key problems facing traders and suggest ways to tackle these issues.

The report highlights that market access begins at home. Trade regulations are deemed burdensome by exporters in the Asia-Pacific region primarily because of domestic procedural obstacles. Streamlining trade procedures at home is key to enabling exporters to access export markets. We also see that a higher implementation rate of trade facilitation measure, especially in the form of paperless trade, correlates with a fewer concerns vis-a-vis NTMs and higher export shares.

Finally, we find that lack of trade agreements partly explains high trade costs and relatively low trade volumes. While economies with less trade are less likely to seek trade agreements, the lack of trade agreements itself also likely contributes to higher (tariff and non-tariff) trade costs, ultimately resulting in the observed low trade flows.

The recommendations for regional action to boost Asia-Pacific trade include the following areas:

Institutional streamlining. Asia-Pacific economies should look inwards to identify domestic opportunities for trade facilitation reform at an institutional level. A regional review of NTM prevalence and related institutional roles can generate clarity for administrative streamlining efforts needed both within and across trade-regulating government agencies. Establishing a consultation mechanism on NTMs can foster continuous dialogue between government and private sector stakeholders. Enhancing transparency of NTMs both regionally and multilaterally through existing notification channels such as in ASEAN or the WTO can foster better information flows and a deeper collective understanding of the effects of NTMs.

Soft infrastructure. Within Asia-Pacific, regional trade agreements can serve as an effective vehicle for addressing conformity assessment-related compliance issues, through Mutual Recognition Agreements, and the adoption of international standards as best practices. Proper enforcement of these tools can enable standards harmonization and reduce the burden of certification and testing POs, significantly. Digitalization of NTM procedures and cross-border paperless trade can also eliminate the administrative layers that foster rent-seeking activities in trade-regulating agencies.

Hard infrastructure. Finally, committing to the development of regional quality infrastructure to address bottlenecks in testing and certification compliance issues can be a long-term investment that reaps significant rewards. Upgrading laboratories and testing facilities, among other institutional resources, adequate staffing, and lack of equipment can especially address compliance-related POs. Full implementation of the WTO Trade Facilitation Agreement is highly encouraged as the global benchmark for a comprehensive framework of trade facilitation initiatives.

The Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific (CPTA)² could be a regional vehicle to address domestic POs that make NTMs burdensome, while promoting trade facilitation and regional integration in line with the Sustainable Development Goals (SDGs). Most NTMs are deemed burdensome because of associated domestic procedural obstacles, primarily taking the form of delays and informal payments related to certification and testing. Paperless trade directly addresses these issues by eliminating the need for face-to-face contact with government agents and administrative red tape. The CPTA is a United Nations treaty designed as an inclusive and enabling platform dedicated to the digitalization of trade processes and the enablement of seamless electronic exchange and legal recognition of data and documents across borders. Its full implementation will not only reduce transaction time and costs, but also increase regulatory compliance and enable the more direct engagement of small and medium-sized enterprises in international trade and cross-border e-commerce. The Agreement entered into force on 20 February 2021.

² <https://www.unescap.org/projects/cpta>



CHAPTER 1

THE ASIA-PACIFIC AND
NON-TARIFF MEASURES

CHAPTER 1

THE ASIA-PACIFIC AND NON-TARIFF MEASURES

Multilateral, plurilateral, unilateral, as well as regional integration efforts in the Asia-Pacific, have brought down tariffs, increased connectivity, harmonized regulations, and promoted cooperation across ESCAP members, spurring both intra- and extra-regional trade. However, many non-tariff obstacles to trade continue to persist, and are indeed proliferating, and pose many challenges to exporters and importers in Asia-Pacific economies.

This chapter provides an introductory overview of the Asia-Pacific region, contextualizing the rise of NTMs vis-à-vis the state of regional integration among ESCAP members.

Regional Trade Overview

Trade destinations

About 56% of the Asia-Pacific region's exports and 62% of its imports in 2021 comprised trade with countries within the region. Intra-regional trade intensity was higher in South-East Asia and the Pacific than in other subregions, as more than two-thirds of their trade was with other Asia-Pacific economies (Tables 1 and 2). South-East Asia traded substantially with East and North-East Asia and within itself. The high level of intra-regional trade was driven by the interconnection of South-East Asian economies with East and North-East Asian economies through GVCs. Commodity exports by Australia to China accounted for a major portion of intra-regional trade in the Pacific. Conversely, North and Central Asia, and South and South-West Asia traded relatively less with other Asia-Pacific economies. The lower intra-regional trade intensity can be explained by the trade patterns of some large countries in their respective subregions.

Trade with non-regional partners is also significant. The European Union, accounting for 14% of exports and 12% of imports; and the United States, accounting for 14% of exports and 7% of imports, remain the most important non-regional trade partners.

Table 1 Share of intra-regional merchandise exports by the Asia-Pacific sub-regions, 2021 (%)

Sub-region	Destination of exports								
	ENEА	SEA	SSWA	NCA	Pacific	Asia-Pacific	EU	USA	Rest of the world
East and North-East Asia (ENEА)	32.6	13.9	4.8	2.3	2.2	55.8	12.8	15.6	15.8
South-East Asia (SEA)	36.9	21.8	5.1	0.5	3.3	67.6	8.9	15.0	8.4
South and South-West Asia (SSWA)	9.9	6.5	8.2	3.2	1.5	29.2	25.1	14.2	31.4
North and Central Asia (NCA)	21.0	1.4	9.0	9.1	0.1	40.5	37.7	3.1	18.7
Pacific	65.0	10.8	4.9	0.2	4.7	85.6	3.8	4.3	6.2
Asia-Pacific	32.2	13.8	5.4	2.4	2.3	56.2	14.3	14.0	15.4

Source: IMF, *Direction of Trade Statistics (DOTS)* (accessed November 2022).

Table 2 Share of intraregional merchandise imports by the Asia-Pacific sub-regions, 2021 (%)

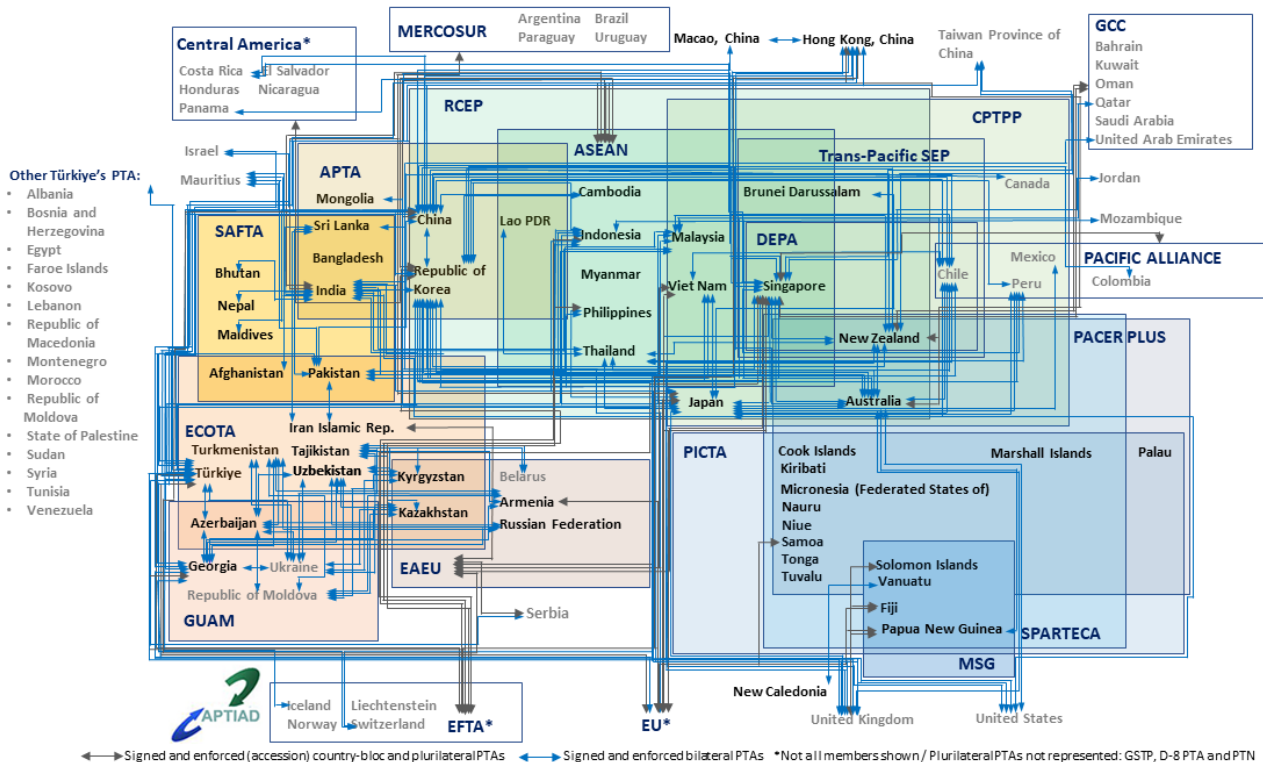
Subregion	Destination of exports									
	ENE	SEA	SSWA	NCA	Pacific	Asia-Pacific	EU	USA	Rest of the world	
East and North-East Asia (ENE)	35.3	15.0	1.6	3.0	6.1	61.0	10.7	7.9	20.3	
South-East Asia (SEA)	47.1	20.9	2.8	0.8	2.7	74.3	7.3	6.7	11.7	
South and South-West Asia (SSWA)	24.7	9.6	5.7	4.8	2.0	46.8	14.2	6.0	33.0	
North and Central Asia (NCA)	31.2	3.6	6.3	12.6	0.3	53.9	27.7	5.1	13.3	
Pacific	41.6	15.9	3.1	0.2	4.9	65.7	16.1	9.6	8.6	
Asia-Pacific	36.4	15.0	2.7	3.1	4.5	61.7	11.5	7.4	19.4	

Source: IMF, Direction of Trade Statistics (DOTS) (accessed November 2022).

Regional trade agreements

The region has seen a proliferation of trade agreements, with 201 currently in force, 92 under negotiation and 21 signed but pending ratification. The overarching goal of these trade agreements is to increase trade among participants for mutual benefit. However, the rise in trade agreements further increases complexity (Figure 1). Unlike trading under the WTO’s “non-discriminatory principle”, those wishing to benefit from specific trade agreements must prove the origin of their goods, which is one of the most reported non-tariff measures identified by ITC surveys.

Figure 1 Asia-Pacific "Noodle Bowl" of regional trade agreements



Source: ESCAP (2022). Asia-Pacific Trade and Investment Agreement Database

Rise of non-tariff measures

Bilateral, plurilateral and multilateral efforts reduced average applied tariff rates in the Asia-Pacific to nearly half between 2000 and 2016, from over 10% to just under 6%.³ At the same time, the cumulative stock of non-tariff measures is continuing to rise, at an increasing rate (see ESCAP, 2018 Chapter 4). NTMs are increasingly used in lieu of ordinary customs tariffs as a trade policy to manage exports and imports, support domestic enterprises, and further policy goals.

NTMs are also increasingly used for legitimate and necessary purposes, such as the protection of human and animal health and the environment and can be important instruments used to achieve the 2030 Sustainable Development Agenda. These trends make NTMs and their associated procedural obstacles increasingly significant components of trade costs, both relative to tariffs and in absolute terms.

Low trade costs are essential for maintaining efficiency in the various stages of production value chains. As such, reducing trade costs is critical for permitting an economy to effectively participate in global value chains (GVCs), and tap its potential for trade as a main engine of growth and sustainable development. ESCAP-World Bank International Trade Cost Database suggests that there is still room to improve the efficiency of trade procedures in order to reduce trade costs.

Table 3 Intra- and extra-regional comprehensive trade costs in the Asia-Pacific region (excluding tariff costs), 2015-2020

Region	ASEAN-4	East Asia-3	North and Central Asia - 4	Pacific Islands Developing Economies	SAARC-3	AUS-NZL	Europe-3
ASEAN-4	76.8% (2.9%)	79.4% (5.5%)	309.4% (-5.2%)	292.8% (4.2%)	130.3% (5.1%)	104.8% (6.5%)	105.6% (-0.6%)
East Asia-3	79.4% (5.5%)	57.8% (11.0%)	167.9% (-2.7%)	207.0% (-23.1%)	127.7% (4.1%)	89.8% (4.3%)	85.5% (0.7%)
North and Central Asia - 4	309.4% (-5.2%)	167.9% (-2.7%)	111.3% (-6.5%)	419.8% (24.0%)	265.8% (4.9%)	317.3% (-10.3%)	148.0% (-2.3%)
Pacific Islands Developing Economies	292.8% (4.2%)	207.0% (-23.1%)	419.8% (24.0%)	85.7% (-29.5%)	379.3% (14.9%)	101.4% (5.1%)	300.6% (-6.5%)
SAARC-3	130.3% (5.1%)	127.7% (4.1%)	265.8% (4.9%)	379.3% (14.9%)	144.4% (25.9%)	140.7% (4.7%)	116.6% (2.9%)
AUS-NZL	104.8% (6.5%)	89.8% (4.3%)	317.3% (-10.3%)	101.4% (5.1%)	140.7% (4.7%)	53.7% (3.4%)	104.6% (-2.1%)
Europe-3	105.6% (-0.6%)	85.5% (0.7%)	148.0% (-2.3%)	300.6% (-6.5%)	116.6% (2.9%)	104.6% (-2.1%)	42.0% (-4.0%)
USA	86.1% (0.6%)	66.2% (4.6%)	193.2% (9.7%)	185.4% (-7.2%)	111.8% (0.9%)	99.9% (0.7%)	64.9% (-3.5%)

Source: ESCAP-World Bank Trade Cost Database, updated June 2022.⁴

Notes: Trade costs may be interpreted as tariff equivalents. Percentage changes in trade costs between 2009-2014 and 2015-2020 are given in parentheses. ASEAN-4: Indonesia, Malaysia, Philippines, Thailand; AUS-NZL: Australia and New Zealand; East Asia-3: China, Japan, Republic of Korea; Europe-3: Germany, France, United Kingdom; North and Central Asia-4: Georgia, Kazakhstan, Kyrgyzstan, Russian Federation; SAARC-4: Bangladesh, India, Pakistan, Sri Lanka; PIDEs (Pacific Islands Developing Economies): Fiji, Samoa. (Unit: percentage)

³ The definition of tariffs includes only MFN, non-MFN and preferential tariffs, and excludes anti-dumping and countervailing duties, which are classified as non-tariff measures (NTMs).

⁴ Available at <http://databank.worldbank.org/data/views/variableselection/selectvariables.aspx?source=escap-world-bank-international-trade-costs> and <https://artnet.unescap.org/databases>

Trade costs within Asia-Pacific country groups are still considerably higher than the costs of trade within the major European countries. Within the ESCAP region, the intraregional trade costs were relatively lower between Australia and New Zealand (54%) and among three East Asia economies (58%). Trading with North and Central Asia, as well as Pacific Islands Developing Economies face tremendously high trade costs (Table 3). In terms of trading with large external partners, East Asia registered the lowest trade costs with the Europe-3 (86%) and the United States (66%), followed by the middle-income members of ASEAN.

Documenting NTMs

Given the varying nature and complexity of NTMs, a global NTM classification system which can catalogue different types of trade regulations is essential. The classification of NTMs allows for better identification and differentiation among various forms of NTMs; proper documentation of regulations that companies perceive as burdensome; and enables comparison of NTMs across different countries and sectors.

ITC uses a NTM Survey classification based on an international classification developed by the Multi-Agency Support Team, incorporating minor adaptations to the ITC business survey approach.⁵ While the actual classification and data collection go into further detail, the following simplified distinctions and terms are used in this report:

Technical measures	Non-technical measures
<p>Technical measures (or interchangeably, regulations) refer to product-specific requirements, referred to either as technical barriers to trade (TBTs) when applied to technical regulations and standards, or sanitary and phytosanitary measures (SPS) when applied to regulations related to food safety and the prevention of diseases or risk of pests. They can be subdivided into two major categories:</p> <ul style="list-style-type: none"> • Technical requirements, such as tolerance limits for certain substances, labelling standards or transport conditions; • Conformity assessment, such as certification or testing procedures necessary to demonstrate compliance with underlying requirements. 	<p>Non-technical measures do not refer to product-specific properties but to trade requirements such as:</p> <ul style="list-style-type: none"> • Pre-shipment inspections and other formalities, such as automatic licences; • Charges, taxes and other para-tariff measures, in addition to customs duties; • Quantity control measures, such as non-automatic licences or quotas; • Finance measures, such as terms of payment or exchange rate regulations; • Price control measures; • Rules of origin.

The measures applied by the exporting country constitute a separate category. It must be noted that NTMs vary widely, even within these broad categories.

To provide a richer picture of companies' problems, the surveys also look at procedural obstacles (POs) and the trade-related business environment (TBE). POs refer to practical challenges directly related to the implementation of NTMs. For instance, they include problems caused by the lack of adequate testing facilities to comply with technical measures or excessive paperwork in the administration of licences. Inefficiencies in the TBE may have similar effects, but occur unrelated to specific NTMs.

⁵ See Appendix III and IV for the complete list and definitions of ITC classifications for non-tariff measures, procedural obstacles and the trade-related business environment.

NTMs data for the Asia-Pacific region

Various data sources are available to assess the spread of NTMs and their impact on Asia-Pacific businesses. Data on NTMs can be classified into three broad types: Official declaration by governments such as under WTO's SPS and TBT agreements; mapping of national regulations based on its type and product coverage; and survey-based data on burdensome NTMs as reported by businesses.

WTO SPS and TBT notifications

There are specifically two agreements that contain a number of provisions governing technical NTMs, including their notification to the WTO Secretariat. According to the WTO Sanitary and Phytosanitary (SPS) Measures Agreement, WTO members must provide an advance notice of new or changed SPS regulations (see **Box 1**). Similarly, Member States must report new or changed technical regulations under the WTO Technical Barriers to Trade (TBT) Agreement.

Since 2013, about 3,000 new or modified NTMs have been notified to the WTO every year globally – most of which have been TBT and SPS measures. The number of new or updated SPS and TBT measures initiated globally and notified to WTO in 2018 reached 3,466 – a 16% increase from 2017. In Asia and the Pacific alone, the number of new initiations reached 1,360 measures – a 15% year-on-year increase. In comparison, 1,875 SPS and TBT measures were initiated globally, and 522 in Asia and the Pacific in 2007.

Box 1 WTO SPS and TBT Agreements

Sanitary and phytosanitary measures deal with food safety and animal and plant health. They aim to ensure that a country's consumers are being supplied with food that is safe to eat — by acceptable standards — while also ensuring that strict health and safety regulations are not being used as an excuse to shield domestic producers from competition (WTO, 2018). The Sanitary and Phytosanitary Measures Agreement sets out the basic rules on food safety and animal and plant health standards. As part of this Agreement, WTO members are required to provide advance notice of new or changed sanitary and phytosanitary regulations, and establish a national enquiry point to provide information.

Member countries are encouraged to use international standards, guidelines and recommendations where they exist. When they do, they are unlikely to be challenged legally in a WTO dispute. However, members may use measures which result in higher standards if there is scientific justification. They can also set higher standards based on appropriate assessment of risks so long as the approach is consistent, not arbitrary (WTO, 2018). The agreement complements that on technical barriers to trade.

The Technical Barriers to Trade Agreement (TBT) tries to ensure that regulations, standards, testing and certification procedures do not create unnecessary obstacles. However, the agreement also recognizes countries' rights to adopt the standards they consider appropriate — for example, for human, animal or plant life or health, for the protection of the environment or to meet other consumer interests. Moreover, members are not prevented from taking measures necessary to ensure their standards are met.

The agreement also sets out a code of good practice for both governments and non-governmental or industry bodies to prepare, adopt and apply voluntary standards. Over 200 standards-setting bodies apply the code.

The agreement specifies that the procedures used to decide whether a product conforms with relevant standards have to be fair and equitable. It discourages any methods that would give domestically produced goods an unfair advantage. The agreement also encourages countries to recognize each other's procedures for assessing whether a product conforms. Without recognition, products might have to be tested twice, first by the exporting country and then by the importing country.

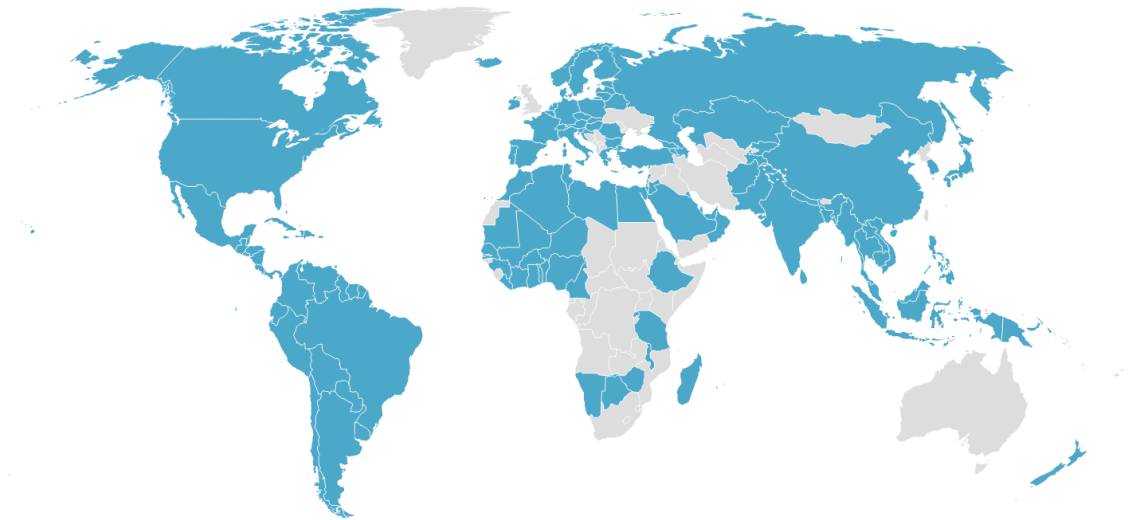
Source: WTO (2018). *Standards and safety*. Available from https://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm4_e.htm

Mapping of national trade-related regulations

While the WTO's SPS and TBT agreements require members to notify new or updated technical regulations, it is not always done. This lack of notification consistency, and the fact that not all economies are WTO members, have prompted UNCTAD, ITC and ESCAP, in collaboration with other international agencies, to collect NTM data through systematically examining officially published national legislature. As of January 2023, more than 63,000 measures from 135 economies have been classified and made publicly available. More than 22,000 measures came from 26 Asia-Pacific economies included thus far in the database.⁶

Mapping of National Trade Regulations

As of 2022, data on national trade regulations of 135 countries is available through ITC's Market Access Map (www.macmap.org)



Source: ITC Market Access Map (www.macmap.org)

Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

The most common measures in the database are SPS and TBT measures. Globally, 41% of measures in the database are SPS measures (30% in Asia-Pacific), and 40% of measures are TBT (48% in Asia-Pacific). The third largest category, export-related measures, comprises 9% and 13% of measures globally and in Asia-Pacific, respectively.

However, the count of measures alone is a poor gauge of the pervasiveness of non-tariff regulation. Two descriptive indicators commonly used to quantify the presence of non-tariff measures are the "coverage ratio" and the "prevalence score".⁷ The coverage ratio captures an economy's share of trade subject to NTMs. The prevalence score indicates average number of distinct non-tariff measures applied by an economy to regulated products, thereby indicating the intensity of regulating.

In general, lesser developed economies have lower coverage ratios and lower prevalence scores of non-tariff measures. Based on the available data (Figure 2), approximately 75% of trade volume in the Asia-Pacific is covered by non-tariff measures, and each product (at HS6 digit level) faces, on average, 4.5 non-tariff measures. This is lower than that of the global average coverage ratio of 84%, and a prevalence score of 5.3.

⁶ Database is available at ITC's Market Access Map (www.macmap.org)

⁷ Note, other common indicators include frequency index and regulatory intensity, but they have been left out for brevity. See World Bank and UNCTAD (2018), *The unseen impact of non-tariff measures: Insights from a new database*.

Business surveys to document companies' experiences with NTMs

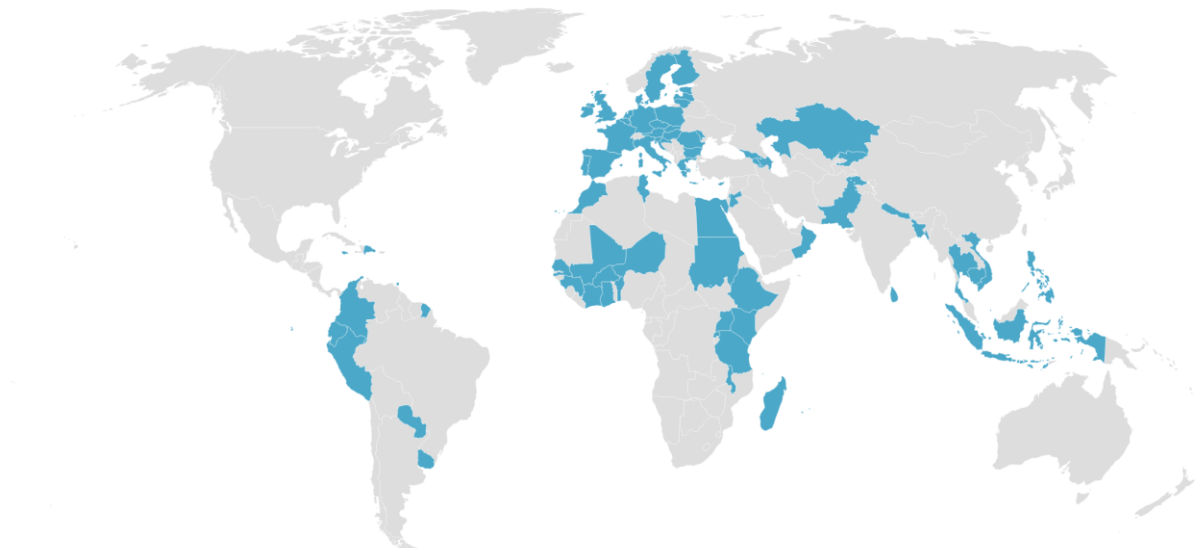
It has become imperative to undertake a systematic analysis of the adverse impact of NTMs on exporting and importing companies and to build the capacities of governments and businesses in developing countries to identify and address these hidden trade barriers. ITC's NTM Business Surveys provides a detailed, qualitative impact analysis on NTMs and directly addresses key stakeholders from the private sector perspective.

NTM surveys allow companies to directly report the most burdensome NTMs they face and to articulate the manner in which these impact their businesses. Exporting and importing companies deal with NTMs and other obstacles on a day-to-day basis and are best placed to outline these challenges. This business perspective is key to understanding the impact of NTMs, and, when examined at the government level, can help decision-makers devise appropriate strategies to overcome these policy-induced and infrastructure impediments to trade.

As of 2022, ITC's NTM Business Surveys have been implemented in over 80 countries worldwide, gathering insights from over 35,000 interviews with businesses.

ITC's NTM Business Surveys

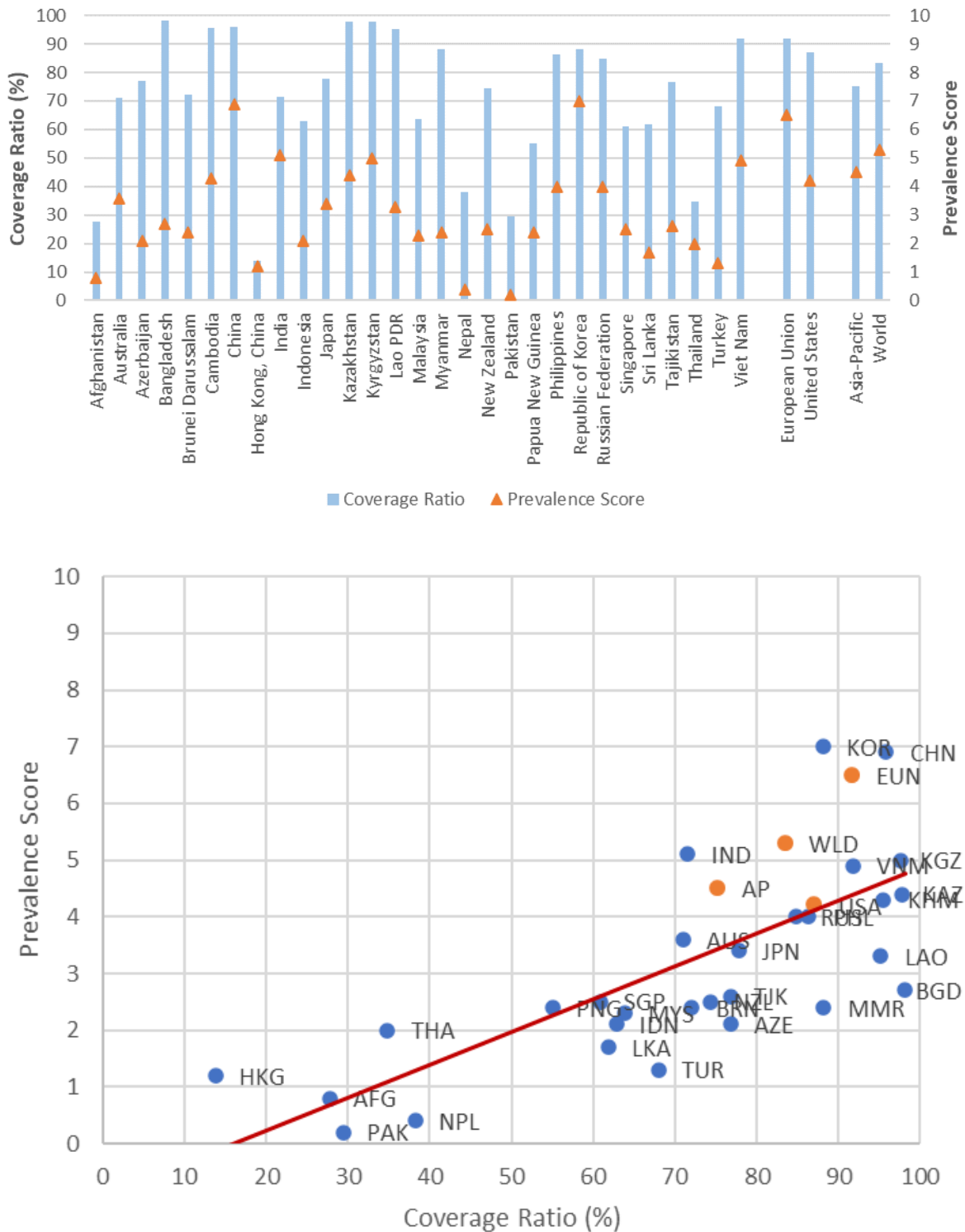
Over 35,000 companies interviewed in +80 countries.



Source: ITC's Programme on Non-Tariff Barriers (www.ntmsurvey.org)

Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

Figure 2 Coverage ratios and prevalence scores of non-tariff measures



Source: UNCTAD (2018). NTM hub: Data on non-tariff measures.

Note: Averages are weighted averages of the indicators.



CHAPTER 2

THE BUSINESS PERSPECTIVE IN THE ASIA-PACIFIC

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THE BUSINESS PERSPECTIVE IN THE ASIA-PACIFIC

The NTM Business Survey findings reflect private sector perspectives on NTM-related trade obstacles and allow discussions on concrete actions to reduce trade hurdles. The analysis includes both country-level and regional data on NTMs in the Asia-Pacific, identifying commonalities and differences across sub-regions and highlighting areas for action and cooperation.

Highlights

- NTMs are a key trade hurdle for exporters in the Asia-Pacific.
- 55% of interviewed firms report difficulties with NTMs.
- 80% of NTMs that exporters find burdensome are foreign regulations, and the remaining 20% are domestic regulations.
- Half of the reported burdensome NTMs are regional, i.e. regulations applied by regional trade partners.
- Technical regulations, conformity assessment and rules of origin account for 90% instances of burdensome NTM faced by exporters.
- Almost half (46%) of burdensome domestic NTMs are related to export certification, inspection, and licensing requirements.
- Procedural obstacles in home countries are the primary reason why NTMs are deemed to be burdensome.

Background and methodology

NTM surveys in 11 Asia-Pacific countries (Table 4) are part of the series of business surveys conducted in over 80 countries under the ITC programme on NTMs.⁸ The survey process and analysis come from a global methodology⁹ with adjustments made for country-specificities. NTM Business Surveys identify major types of regulatory and procedural obstacles to trade that companies face, why they are perceived as burdensome and where these difficulties occur.

Conclusions are drawn from two types of ITC data: data from ITC business surveys conducted in nine Asia-Pacific economies, and mirror statistics derived from this NTM data covering all 44 Asia-Pacific economies.

A stratified random sampling method is used to calculate sample size, where the number of samples for each sector is determined independently. The survey results are representative by sector. Initial phone interviews are conducted to determine whether companies face any burdensome NTMs, either domestically or in foreign markets. Companies facing NTM-related obstacles are invited to a face-to-face interview to document the exact nature and cause of their difficulties.

⁸ More information about the ITC programme on NTMs is available from ntmsurvey.intracen.org.

⁹ For more information on the methodology underlying the surveys and the analysis of their findings, see ITC (2015), The invisible barriers to trade – How businesses perceive non-tariff measures.

Table 4 Countries covered by the NTM Business Surveys in the Asia-Pacific region

Country	Interview period	Number of Interviews	
		Telephone	Face-to-face
South and South-West Asia			
Bangladesh	April 2014 - December 2014	998	411
Nepal	March 2016 - September 2016	577	258
Pakistan	February 2019 – July 2019	1152	301
Sri Lanka	February 2010 - August 2010	512	128
North and Central Asia			
Kazakhstan	January 2012 - October 2012	387	64
Kyrgyzstan	September 2015 - August 2016	310	176
South-East Asia			
Cambodia	February 2012 - February 2013	502	242
Indonesia	September 2012 - August 2013	953	212
Philippines	August 2014 - April 2016	1,149	305
Thailand	August 2013 - August 2014	1,067	340
Viet Nam	March 2019 - November 2019	1736	546
Total		9,343	2,983

Source: ITC

The survey allows for the analysis of the private sector perspective on non-tariff obstacles to trade, providing exporters' perspectives on the following questions, among others:

Which companies are affected by burdensome NTMs, and to what extent?

Sectors, products, types of companies (women/men owned, size, region), partner countries, and type of trade flow (export/import).

Why do companies perceive NTMs as burdensome?

Strict regulations, procedural obstacles or both.

Which NTMs are perceived burdensome?

For example: technical regulations, conformity assessment, rules of origin and inspections.

What procedural obstacles do exporters and importers encounter?

For example: delays and problems with recognizing certificates.

Where does the problem occur?

At home or in the partner country, and the institutions or agencies involved.

A snapshot of NTM survey findings

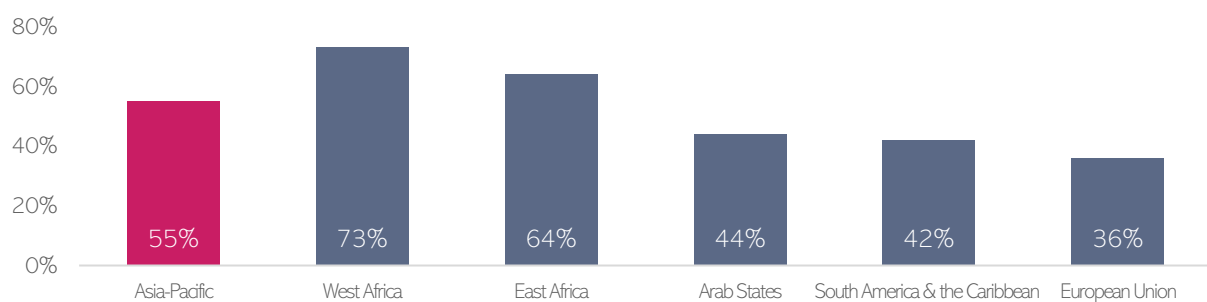
More than half of companies in the Asia-Pacific region are affected by NTMs

Companies' experience with NTMs can differ based on various factors, including their sector, size, location and resources at their disposal. Some are able to comply with given regulations without any problems – thanks in part to their expertise or resources, while others struggle to comply with the same set of regulations.

In the Asia-Pacific region, 55% of the companies reported facing difficulties with NTMs - either domestic or foreign regulations (Figure 3). This "affectedness rate" is higher than the 44% regional average reported by the Arab States, but lower than in African regions such as West Africa (73%) and East Africa (64%). However, when comparing this figure across both countries and regions, it is important to consider national differences in survey implementation. Cultural differences in survey responses are also important to consider, such as the willingness of companies to divulge business-related difficulties, particularly those involving local government agencies.

In addition, the share of 'affected' companies reveals little about the difficulties of intraregional trade, which may be much more cumbersome than the overall affectedness rate of 55% suggests.

Figure 3 Affectedness rate across different regions

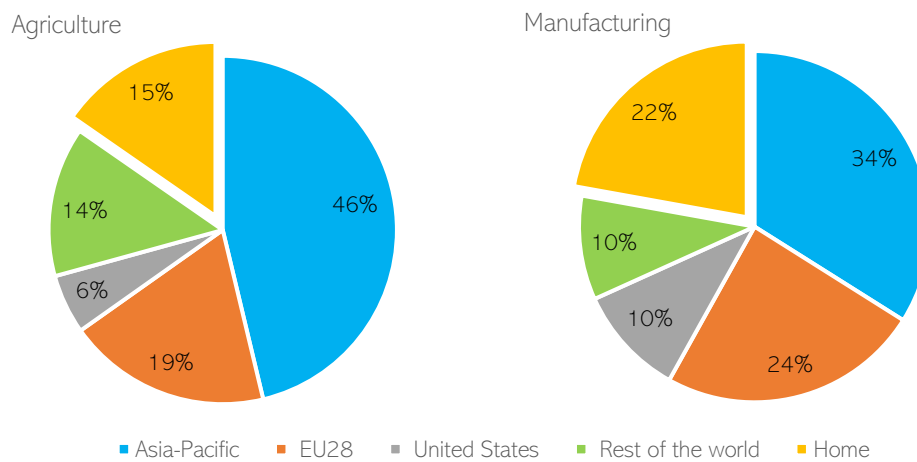


Source: ITC NTM Business Surveys (2010-2020).

Most burdensome NTMs arise from foreign regulations

In the Asia-Pacific region, 80% of the burdensome NTMs faced by exporters trace back to foreign regulations. This is true for both agriculture (85%) and manufacturing sectors (78%) (Figure 4). A large share of these foreign regulations are regional i.e. applied by other Asia-Pacific countries – showing that trade agreements and proximity do not necessarily translate into frictionless trade or insulate companies from NTM-related problems.

Difficulties with domestic regulations account for 15% of the cases in the agriculture sector and 22% in manufacturing. This is in line with the findings of NTM Surveys in other countries and regions, which also show that many trade impediments originate at home.

Figure 4 Burdensome NTMs reported by exporters, by region applying

Source: ITC NTM Business Surveys (2010-2020).

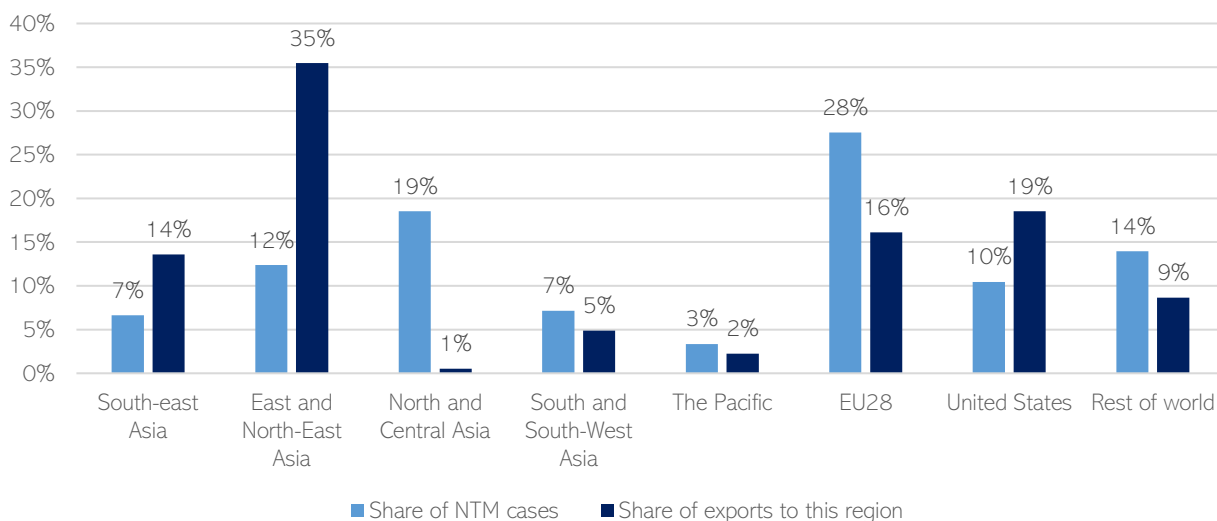
Many burdensome NTMs among regional Asia-pacific partners

Almost 40% of burdensome NTMs reported by exporters are regional. This is not surprising, given that more than half of all trade flows are also regional. In the agriculture sector, almost half (46%) of burdensome NTMs are applied by countries in the Asia-Pacific region (Figure 4). In the manufacturing sector, this share is 34%.

Exporters also report many EU regulations being challenging to comply with – 19% of burdensome NTMs in the agriculture sector and 24% in the manufacturing sector are reported when exporting to the EU.

The high number of cases reported in big export markets is not surprising, given that trade flows to these markets are captured more frequently, although some are proportionally higher than others. Consequently, a higher absolute number of NTM cases do not necessarily indicate more restrictive import policies in these countries. In order to assess the perceived difficulty of different groups of trading partners, all cases have to be put into the trade context. Figure 5 plots the share of NTM cases against the share of exports, by partner region.

Where share of reported NTMs is higher than the share of exports, it implies that the market is relatively difficult to access. For instance, South-East Asia and East and North-East Asia are major intraregional export destination markets, accounting for 14% and 35% of the total exports. However, only 7% and 12% of the reported NTMs are applied by these regions, respectively – indicating that exports to these regions are less burdensome. In contrast, EU-28 account for 16% of exports, but 28% of all reported NTMs – indicating that exporting to the EU is perceived as more burdensome. In the case of North and Central Asian markets, the share of reported NTMs is large despite a rather small share of intra-regional exports.

Figure 5 Share of total exports (2021) and share of NTMs applied by selected regions

Note: Australia and New Zealand are included in The Pacific. NTM share in this figure excludes domestic NTMs.

Source: ITC NTM Business Surveys (2010-2020).

It should also be noted that NTMs are highly heterogeneous and have widely different effects on trade and welfare. For instance, a labelling requirement might not be as problematic as a quota, though both are given the same weight as NTMs. Thus allocating the “share of NTMs cases” as an indicator of market access constraints must also be considered with caution.

Technical regulations are the main challenge

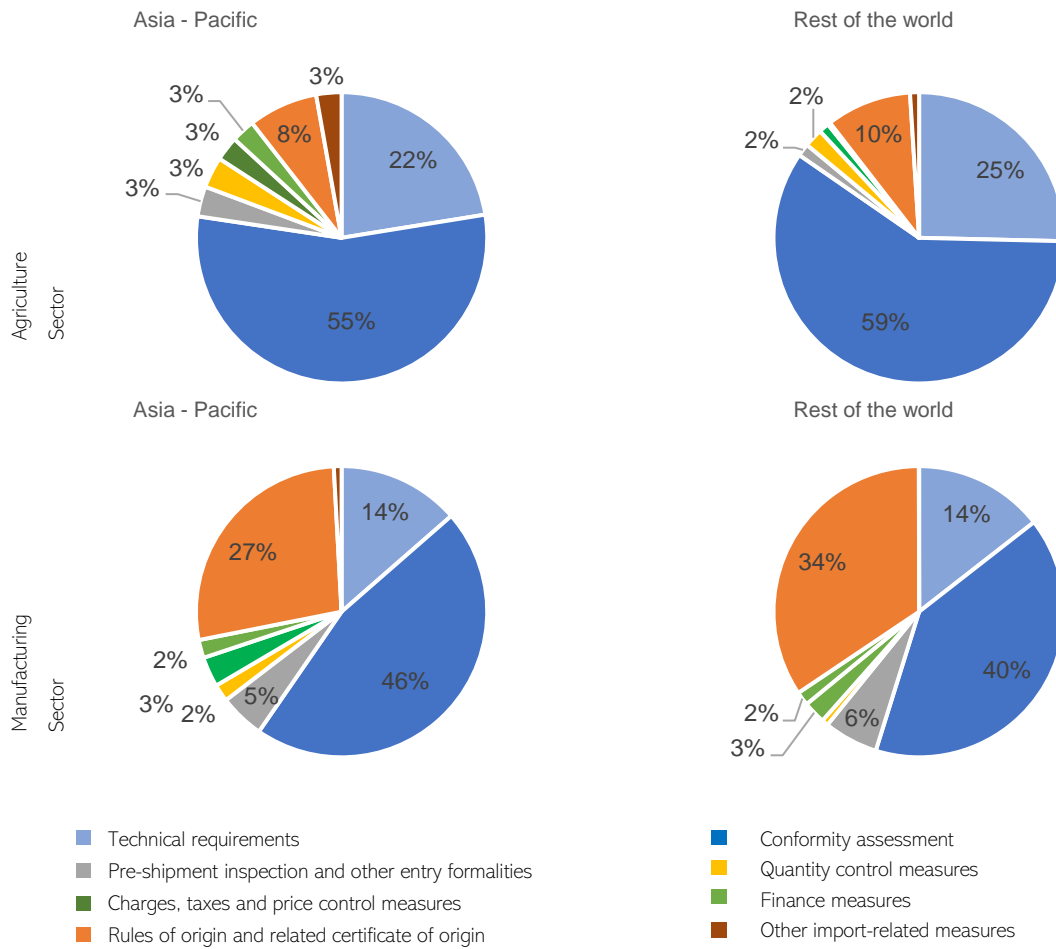
Technical measures, which include SPS/TBT requirements (18%) and associated conformity assessment requirements (48%), are the most common types of foreign NTMs faced by exporters (Figure 6). Together with Rules of Origin (22%) they make up most of the reported burdensome NTMs – both in agriculture (89%) and manufacturing (88%) sectors (Figure 6).

In both agriculture and manufacturing sectors, technical requirements and conformity assessment are major hurdles. Companies report more difficulties “proving” compliance than the strictness of the requirement itself. For instance, in the agricultural sector, roughly a quarter of NTM cases are related to technical requirements, while 57% of all cases are related to conformity assessment (Figure 6).

Difficulties with rules of origin are more prominent among exporters in the manufacturing sector. More than a quarter of NTMs reported by exporters of manufactured products to the Asia-Pacific region relate to ROO. In the case of exports to the rest of the world, the share of ROO-related NTMs is even higher (34%).

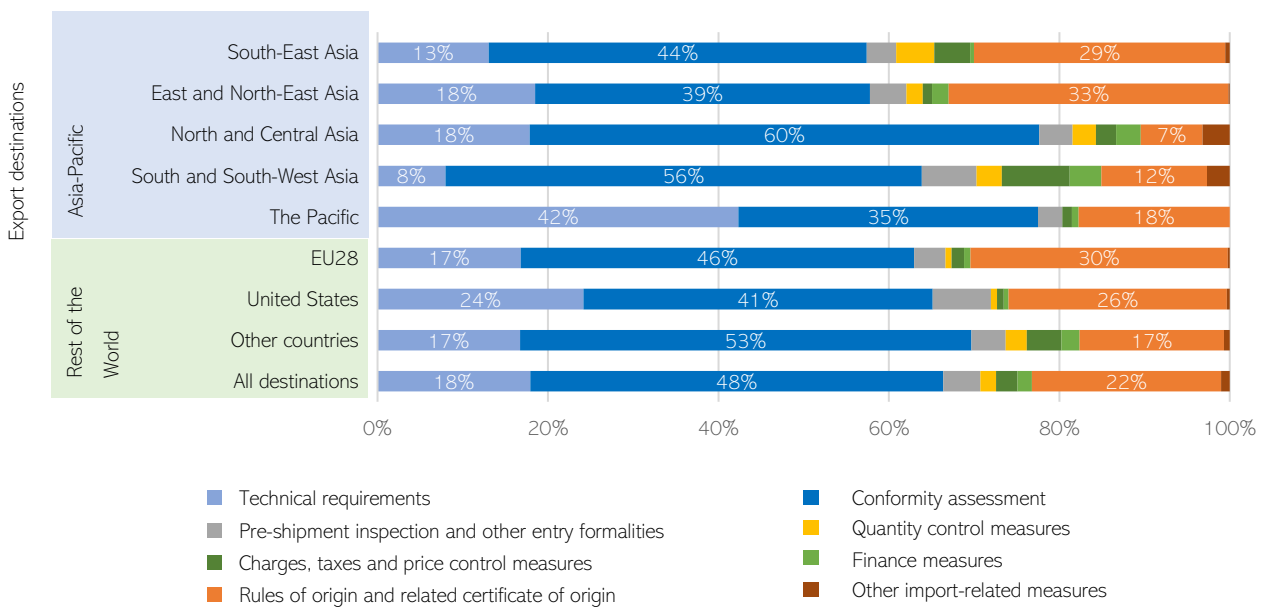
In other major non-regional markets such as the EU and the United States, technical requirements, conformity assessment and ROO are also the three most reported issues (Figure 7). Other types of burdensome NTMs reported by exporters include pre-shipment inspection and entry formalities (4%); charges, taxes and price control measures (3%); quantity control measures (2%); and finance measures (2%).

Figure 6 Types of burdensome NTMs applied by partner countries: by sector



Source: ITC NTM Business Surveys (2010-2020).

Figure 7 Types of burdensome NTMs applied by partner countries: by region



Source: ITC NTM Business Surveys (2010-2020).

Domestic regulations are a hurdle too

Export-related measures are domestic NTMs applied by the home government to their own exporters. They include measures such as export taxes, licensing, export quotas and export prohibitions. One-fifth of all reported NTMs are export-related measures – 22% in manufacturing and 15% in agriculture sector (Figure 4).

Across countries, Pakistani exporters report the highest share of difficulties with domestic regulations (45%), followed by Indonesia (34%). In contrast, the share of export-related measures in Thailand (4%), Kyrgyzstan (6%), Viet Nam (11%), Cambodia (11%), Kazakhstan (13%) and Sri Lanka (17%) is low. In the Philippines, Bangladesh and Nepal, the rates are between 22% and 26%.

Export inspections, export permits and licenses, export certifications, and export subsidies are the main types of domestic regulations that exporters find burdensome (Figure 8). Between the agriculture and manufacturing sectors, there are considerable differences in the types of domestic NTMs they find burdensome. Difficulties with export certification are higher in the agriculture sector (22%) than in the manufacturing sector (8%).

Countries may require exporters to comply with certain domestic requirements in addition to those of the importing countries. Often these are for quality and safety compliances. Indonesian, Bangladeshi and Nepali exporters commonly encounter burdensome export certification procedures, especially for agri-food sectors such as seafood and crops. Local inspectors often take a long time to verify documents, assigning incorrect HS codes to export products and asking for informal payments, in turn delaying the issuance of customs clearance certificates and the actual shipment.

When exporting handicraft items such as statues we have to obtain a certificate prior to shipment, proving that the goods exported are not of archaeological significance. The national Archeological Department issues this certificate. Without informal payments the concerned authorities do not even look at our files.

- Handicraft exporter

Sometimes it can be on other technical issues such as verifying the product's authenticity. For instance, in Nepal, exporters of paintings and *thankas*, processed wool, hand-carved wooden products, metal statues, mane stone carving, mandala and hand-made carpets must get certificates from the national Archaeology Department to prove that their products are not of historical, religious or cultural significance – in order to control smuggling of these products.

The share of difficulties with export inspection and quantity control measures such as licensing, permits and registration is similar in the two sectors. Other domestic regulations that are reported often include regulations governing terms of payments, documentation requirements and other logistic and administrative regulations.

Figure 8 Types of burdensome domestic NTMs exporters face



Source: ITC NTM Business Surveys (2010-2020).

Procedural obstacles at home pose the biggest challenge

To identify the root cause of the problems faced by exporters, the reported issues can be categorized into measures considered 'too strict' (hard to comply with because of the measure itself); measures that are difficult to comply with due to procedural obstacles (such as administrative delays and inappropriate facilities); and measures that are both too strict or are associated with procedural obstacles. This categorization of issues will allow authorities to prioritize the type of intervention required to address exporters' difficulties.

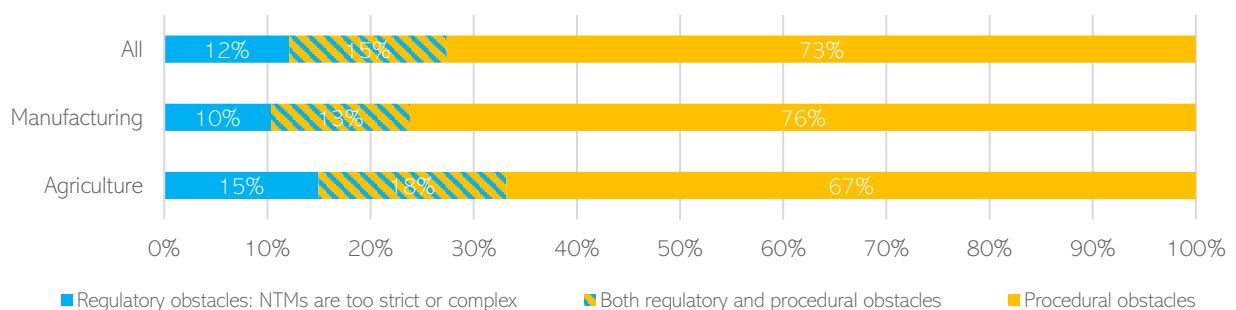
Procedural obstacles are the predominant reason Asia-Pacific exporters face difficulties with NTMs (Figure 9). Most non-tariff measures reported as challenging are linked to procedural obstacles that render compliance with the underlying NTMs difficult, either as the only cause or as contributing factors. For example, an exporter may comply with the required tolerance limit for pesticides, yet has difficulties proving compliance because the accredited testing laboratory is too costly or far away.

For a typical firm, the process involved in complying with any given regulations (for example, paperwork, administrative issues, etc.) is more of a hurdle than the regulations itself. Overall, in 73% of the cases, NTMs are deemed burdensome exclusively due to the associated procedural obstacles. Only 12% of the cases are burdensome because of the regulations being too strict or complex. In another 15% of the cases, both strict NTMs and procedural obstacles make compliance to regulations difficult. In other words, three-quarters of the NTM cases would not have been reported if the procedural obstacles did not exist.

Difficulties due to NTMs being too strict or complex were more common in the agriculture sector wherein 33% of the cases were deemed difficult either because of regulatory obstacles (15%) or both regulatory and procedural obstacles (18%). In contrast, this figure was 24% in the manufacturing sector.

These figures suggest that a considerable share of trade obstacles can be eliminated by tackling procedural obstacles – i.e. by facilitating trade rather than changing the underlying trade rules.

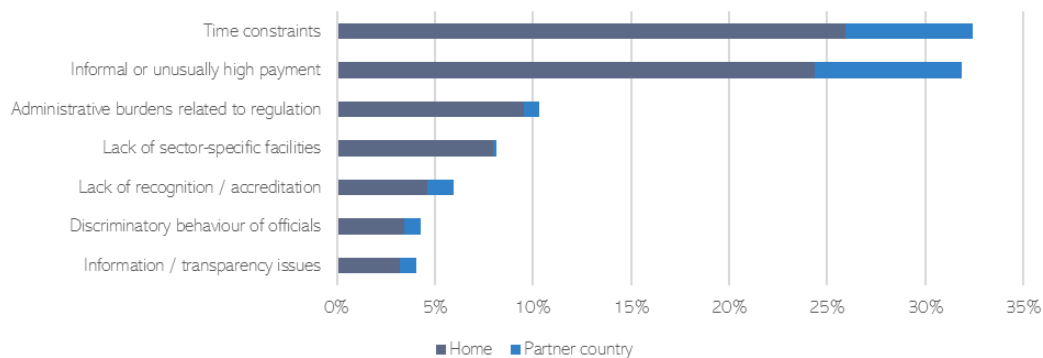
Figure 9 Why exporters find NTMs burdensome



Source: ITC NTM Business Surveys (2010-2020).

19% of the procedural obstacles encountered occur in partner countries, and the remaining 81%, at home. Time constraints and informal or unusual payments are the most commonly reported Procedural Obstacles (64% of all reported POs), three-quarters of which occur in the home country (Figure 10).

Administrative hurdles such as many or redundant paper works (10%), lack of appropriate facilities (8%), and lack of accreditation of laboratories and recognition of their certificates (6%) are other major POs exporters encounter in the domestic markets. Discriminatory behaviour of officials makes up 4%, and information or transparency issues make up another 4%.

Figure 10 Types of procedural obstacles exporters encounter and where they occur.

Source: ITC NTM Business Surveys (2010-2020).

Technical measures are a major concern

Highlights

- Most challenging technical requirements include fumigation, labelling, product requirements and tolerance limits.
- Conformity assessment procedures to prove compliance with either TBT or SPS measures are the main concern.
- Majority of the burdensome technical NTMs stem from regulations applied by regional trade partners, European Union and the United States.
- Conformity assessments requirements are deemed difficult mostly due to the procedural obstacles, while most technical requirements are burdensome because they are too complex or difficult to comply with.

Technical measures, including SPS and TBT regulations, comprise the biggest share of burdensome NTMs encountered by Asia-Pacific economies.

Among the burdensome technical measures experienced by exporters, conformity assessment measures such as certification and testing requirements are predominant (73%). Technical requirements such as fumigation, labelling, tolerance limits and quality requirements – make up for 27% of the cases (Figure 11).

The bulk (47%) of technical NTMs encountered are intraregional – consistent with the fact that most trade occurs internally within the region (Figure 5).¹⁰ 18% of the technical NTMs are regulations of the North and Central Asian region, mostly reported by exporters in Kazakhstan and Kyrgyzstan. These regulations include product certification and testing as well as labelling requirements, which are often applied together, and especially affect agri-food products.

Technical measures include

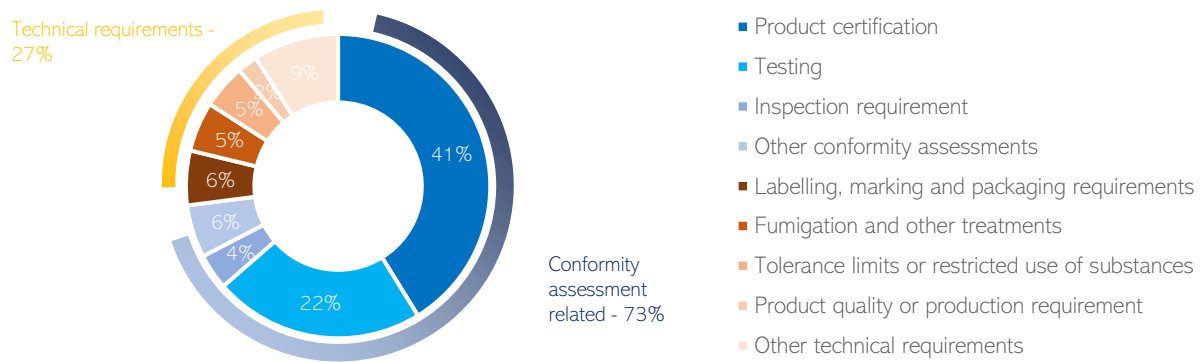
Conformity assessment

Procedures such as certification that prove compliance with underlying technical requirements.

Technical requirements

Product specifications related to quality standards, safety, production processes and sanitary requirements. They are usually implemented to protect consumers, animal health or the environment, or for national security.

¹⁰ As emphasized earlier, more NTMs encountered may also simply mean that the country is a major export partner, rather than a more difficult market to access. NTMs data should always therefore be compared to exports data. For instance, although South and South-West Asia (India and Nepal) account for only 2% of Bangladeshi exports, around 10% of all NTMs cases reported by the country are applied by markets in this region, and exporting to these countries seems to be particularly difficult.

Figure 11 Burdensome technical NTMs encountered by Asia-Pacific companies

Source: ITCs NTM Business Surveys (2010-2020).

13% of the reported technical NTMs originate from countries in the East and North-East Asian region, which includes China and Japan. It also comprises a disproportionately high export trade volume - absorbing 35% of Asia-Pacific exports. In the South and South-West Asian regions, the share of NTMs is slightly higher than the share of exports. The value of informal cross-border trade is also estimated to be high in this region. Other major markets, namely the European Union and the United States, apply 26% and 14% of reported technical NTMs, respectively.

Table 5 Share of burdensome technical NTMs applied by partner countries

Regions applying the measure		Conformity Assessments				Technical requirements					All technical NTMs
		Product certification	Testing	Inspection requirement	Other conformity assessments	Fumigation and other treatments	Labelling, marking and packaging requirements	Product quality or production requirements	Tolerance limits or restricted use of substances	Other technical requirements	
Asia-Pacific sub-regions	South-East Asia	6%	5%	7%	7%	6%	8%	7%	2%	2%	5%
	East and North-East	10%	10%	14%	11%	15%	16%	18%	16%	8%	13%
	North and Central Asia	26%	22%	1%	16%	2%	32%	22%	8%	21%	18%
	South and South-West Asia	6%	10%	13%	13%	2%	1%	7%	2%	5%	8%
	The Pacific	2%	2%	1%	7%	23%	2%	8%	2%	6%	3%
	Asia-Pacific	50%	49%	36%	54%	48%	59%	62%	30%	42%	47%
EU28		23%	30%	43%	24%	17%	18%	20%	45%	28%	26%
United States		9%	9%	9%	8%	19%	8%	3%	16%	18%	14%
Rest of the world		18%	12%	12%	14%	16%	15%	15%	9%	12%	13%
Total		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: ITC NTM Business Surveys (2010-2020).

Conformity assessments

Conformity assessments demonstrate a product's compliance with given regulations. Exporters must demonstrate that all legislative requirements are met, which often includes product certification, testing, and inspection. The procedures and requirements for each product can change from market to market, which means firms may need to undergo different types of conformity assessment requirements depending on the market.

For most countries in the region, the lack of local capacity to deliver products that comply with buyer requirements and the strict enforcement of measures by importing countries, together create difficulties for exporters. This is underscored by a large number of businesses reporting conformity assessment measures as being burdensome, relative to the associated technical requirements. It also implies that exporters face more problems proving *compliance* with technical requirements rather than the product-specific requirements themselves.

In many cases, difficulties with conformity assessment requirements are related to procedural obstacles. Product certification is associated with delays and, in some instances, the use of informal payments to speed up processing times, while product testing is deemed difficult because of the lack of accredited facilities and resultant delays and costs.¹¹ For instance, to obtain a phytosanitary certificate for plants in Sri Lanka, exporters must provide transportation for lab technicians every time they visit, which can be both expensive and time-consuming.¹²

What are conformity assessment requirements?

The World Trade Organization Agreement on Technical Barriers to Trade defines conformity assessment as 'any procedure used, directly and indirectly, to determine that relevant requirements in technical regulations or standards are fulfilled'. These requirements include procedures for sampling, testing and inspection; evaluation, verification and assurance of conformity; and registration, accreditation and approvals (ITC, 2005).

Exporters must present a certificate of conformity of their goods, a mark on the product label or both. National standards bodies, trade and industry associations, or third-party certification bodies usually issue the certifications. Though the importing country requires the certification, it may be issued either in the exporting or the importing country.

In the context of the NTM survey, the term 'conformity assessment' is also used for procedures to prove compliance with SPS measures.

To obtain a phytosanitary certificate, which certifies that the flowers are free of Xanthomonas bacterial disease, officers from the national agriculture department have to inspect all our nurseries. We have to bear the expenses to take the officers to the nurseries in the province and back. This is both costly and time consuming.

- Cut Flower Exporter

Product testing, inspection and certification

Product testing and certification requirements together make up two-thirds (64%) of the burdensome technical NTMs. Testing is a requirement for specific properties of products to be analysed on a set of criteria, such as a maximum residue limit (MRL) on agri-food products, the performance level of manufacturing products, etc. Similarly, a certification of conformity with a given regulation may be issued in either the exporting or importing country to be presented by exporters to prove compliance with a technical requirement. For example, SPS certifications are typically issued to indicate that consignments of animals and plants are free from pests and diseases.

Many testing and certification requirements

Excluding the regional Asia-Pacific countries, exporters face the greatest number of product certification-related difficulties when exporting to the EU and the United States – especially on SPS measures. In general, developed economies adopt stricter environmental and food safety standards. Exporters find the EU, in particular, to have most stringent SPS measures.

European countries require Hazard Analysis & Critical Control Points (HACCP) certification issued by their own agencies to attest to safety and quality standards. This certification needs external inspections and documentation

¹¹ See ITC (2014). Cambodia: Company Perspectives.

¹² See ITC (2011). Sri Lanka: Company Perspectives.

requirements that must be renewed multiple times a year, which results in administrative and financial burdens for exporters.¹³

Furthermore, different buyers require different certifications. For instance, to export organic tea, the United States requires USDA certification, Japan requires JAS certification, and Australia requires NASAA. European countries impose additional requirements such as food safety traceability, general food safety, good manufacturing practices for food materials and organic labelling. The cost of acquiring such certifications can be between \$10,000 and \$20,000 per year, which is beyond the financial means of most small-scale producers.

Different markets require different organic certification. To export to United States, USDA certification is required while for Japan it is JAS certification, and NASAA for EU and Australia. The costs for these certification ranges from \$1,000 to \$1,500 per year, which is extremely high for us.

– Tea exporter

Governments also require the BRC Food Safety Certificate. This requirement demands high levels of compliance, including a wide-ranging certification programme with food and safety planning, site and process controls, and proper premises management. To fulfil this requirement, companies must adjust their production process and control by investing in infrastructure, warehouses, and storage. Additionally, they must hire a globally recognised organization (like Intertek or SGS) to audit and grant the certificate, which is time-consuming and costly¹⁴.

Lack of appropriate quality infrastructure

In many Asia-Pacific countries, national agencies or service providers are either inadequate to test compliance with buyers' requirements or simply unavailable. Even when there is capacity, laboratories are often lacking accreditation for a variety of parameters. As a result, exporters must send products abroad for necessary testing and certification. The lack of adequate local testing facilities accounts for a large portion of reported POs that hinder compliance with NTMs for many exporters in the Asia-Pacific.

Exporting to the US and EU is difficult because of the lack of local testing facilities for CE and UL certification. We send our products to Singapore or Hong Kong for necessary certifications. This costs us around \$2,600.

- Lamp exporter

The severity of problems due to these constraints in the export quality infrastructure differs across the countries but are most problematic in less developed economies. These constraints also hinder intra-regional trade. For instance, since Kyrgyzstan joined the Eurasian Economic Union (EAEU), exports to Russian Federation and Kazakhstan were required to have Eurasian Economic Union certificates of conformity. But Kyrgyz laboratories could not conduct the required test for the EAEU certification on key parameters, even for the country's most important export commodities.

90% of interviewed companies in Kyrgyzstan agreed that the lack of accredited testing laboratories in the country was their main business concern.

Even in more developed economies such as Thailand, there are reported incidents of domestic laboratories being unable to perform the necessary testing on certain products such as machineries. The testing parameters and processes are occasionally changed by destination markets. The national laboratories are, hence unable to cater to the new requirements immediately due to a lack of technical expertise or heavy infrastructural upgrades required.

Furthermore, in some countries, the demand for specific testing and certification is not large enough to justify setting up new laboratories from the private sector, and budgetary constraints hindered establishing of public labs. As a result, exporters must rely on sending samples abroad for testing – even if they are expensive and time-consuming.

National certifications are not recognized

Quality infrastructure and management, especially in LDCs, is weak, with ill-defined responsibilities at an agency-level, limited capacity to oversee responsibilities, weak compliance with WTO principles and delays in implementation. In some instances, the certification system in the country is not backed by testing, and hence national certificates are

¹³ See ITC (2016). Thailand: Company Perspectives.

¹⁴ See ITC (2023). Viet Nam: Business Perspectives.

not accepted in all markets. Inadequate capacity, shortage of skilled staff, and budgetary constraints hinder the development of adequate conformity assessment procedures in the countries.

Cambodian rice exporters cite difficulties arising from the lack of international recognition of public laboratories. They explained that for rice and cassava exports to China, the Chinese authorities required all necessary testing, inspection and certification to be done by the China Certification and Inspection Company. For exports to other countries, they had to send samples to neighbouring countries.

We obtain certifications for our product from the domestic laboratory. However, at the destination market in Europe the authorities are not satisfied with the certificate we present and ask us to get product tested again in an European laboratories.

- Shoe exporter

In Thailand, exporters report that European Union countries do not easily accept testing results for genetically modified organisms (GMOs) and insist on doing their own testing.¹⁵ Another relatively difficult regional market is India, where Nepali exporters encounter hurdles when exporting or transiting. They report that Indian authorities do not accept test results conducted in Nepal and require testing to be redone in Kolkata, which is far from the customs points. Furthermore, Nepali exporters experience slow clearance procedures and are often demanded bribes from Indian customs officials. High fees and testing fee charged by foreign agencies is the most commonly cited complaint.¹⁶

Delays and high costs for testing and certifications

Long wait times and high costs of necessary testing and certifications are very common issues reported by exporters in the Asia-Pacific region. In general, two factors lead to delays. First, the limited capacity of local laboratories means companies have to wait for long for their turn. Second, when testing facilities are unavailable nearby, companies send samples to the capital or to other countries, which leads to additional time required to send samples and wait for test results.

We export sweetcorn to Austria, Germany, France, and China. A phytosanitary certificate from the Ministry of Agriculture is required for exports but to get the certificate we have to wait around 2 to 3 days and pay bribe to government officials to make the process faster.

- Sweet corn exporter

For exporters of agri-food products with a limited shelf life, delays in obtaining certification are especially problematic due to the risk of products going bad. Delays, together with a lack of appropriate cooling and storage facilities at ports, airports, and customs points in some countries, create major obstacles for exporters.

Exporters also find it expensive to send samples abroad, sometimes as far as to the EU and the United States, for the necessary testing. Even when facilities are available domestically, cost can be high for exporters, especially when multiple certifications are required, certifications have to be renewed within a short interval or when separate tests and certifications are required for each consignment.

We have to wait 7 to 12 days to obtain a certificate that proves that the product conforms to international standards. We need to spend on bribes to speed up the process. Furthermore, we find out that the national laboratory has no international accreditation.

- Cement exporter

Demand from officers for informal payments to expedite the testing or inspection process is also commonly experienced. In most cases, companies agree to bear this additional cost to expedite the process and protect their products from damage.

Exporters perceive certification as a cost rather than an investment

A sentiment amongst some companies is that quality certification, inspections, and testing are a cost rather than an investment for their products to compete internationally. A lack of awareness of the benefits and necessity of such conformity assessment is one reason for this. This could be addressed through trainings and seminars to build the capacity of the private sector.

¹⁵ ITC (2016). Thailand: Company Perspectives.

¹⁶ ITC (2017). Nepal: Company Perspectives.

Information on requirements is not communicated adequately

Survey results show that the lack of adequate information is another factor affecting compliance with conformity assessment requirements. This is especially true for smaller companies attempting to export for the first time or to new destinations. Information on trade requirements is often not available or spread out in multiple sources. In addition to exporters' inability to search for information, language barriers also play a part. In most cases, exporters find out about the requirements too late and have to bear additional costs to remedy the situation.

Lack of information on foreign regulations is not the only issue. Some exporters are not properly informed about the types of testing and certification facilities available in the country, the associated costs and the time required. This is usually due to national laboratories being unable to properly communicate their service offerings. With the objective of bringing transparency to this issue, ITC has developed guidebooks for businesses in some countries to access quality management information on SPS and TBT issues.¹⁷

Traceability

For exporters in some countries, inability to comply with traceability requirements of destination markets has restricted the ability to export. For specific products such as fresh food, some importing countries require exporters to disclose information about the origin of materials and parts used in the final products or disclosure of processing history, which includes information on all stages of production, such as location, processing methods, etc.

Implementation of the HACCP and ISO 22000 standards, as required by some countries, also include traceability requirements. Many countries in the Asia-Pacific do not yet have a proper traceability system in place. Fruit juice producers, for instance, source their inputs from small farmers. Companies do not yet have proper identification and recordkeeping of their suppliers. There is no traceability system, and small raw agri-food producers do not have significant incentives to ensure they meet the HACCP from their side. Processing companies do not have sufficient means to induce their suppliers to comply with HACCP requirements.

For countries such as the Kyrgyz Republic, where dairy and animal products are an important part of the economy, traceability requirements stipulated in EAEU regulations pose a significant challenge. Kyrgyzstan has done very little so far on the identification and documentation of individual farms. Dairy producers source milk from many different small farmers and documenting the sources to meet full EAEU traceability requirements is a challenge. Meeting full compliance with the traceability requirements still requires significant investment and effort from both the public and private sectors. The same applies to the country's meat industry. Many markets now require traceability of livestock and meat products to ensure quality. The informal and fragmented nature of the sector, together with insufficient monitoring and recordkeeping, makes traceability very difficult in Kyrgyzstan.

In 2017, the International Laboratory Accreditation Cooperation (ILAC) reassessed the Kyrgyz Accreditation Centre (KAC). ILAC suspended Kyrgyzstan's membership due to the lack of an adequate traceability system related to the shortage of accredited calibration laboratories.

¹⁷ See (ITC, 2017). Managing Quality in Nepal: A directory of services for SMEs.

Quarantine requirement

Exporters of fresh food and plant-based products report difficulties with quarantine regulations. Quarantine requirement obliges companies to detain or isolate animals, plants, or their products on arrival at a port or at a designated place for a given period to prevent the spread of infectious or contagious disease, or contamination.

Many of these quarantine requirements come from the EU and Australia. Nepalese exporters of paper and wooden handicraft items, in particular, are affected by these requirements due to the lack of proper facilities in the country to cater to these needs. AQIS does not accept the quarantine certificates issued by the Nepalese Quarantine agency. Exporters have to obtain certificates from foreign agencies that, recognized by AQIS.

Vietnamese companies exporting shrimp to certain markets must obtain a quarantine certificate, which tests for white spots and yellow head diseases. Companies must hire the National Agro-Forestry-Fisheries Quality Assurance Department (Nafiqad) to audit their products and fulfil this requirement. This process is time-consuming (7 days) and costly (\$80 - \$130 per shipment)¹⁸.

Technical requirements

27% of burdensome technical regulations faced by Asia-Pacific exporters are technical requirements such as labelling (6%), fumigation (5%), tolerance limits of substances (5%) and quality requirements (2%) (Figure 11). Similar to conformity assessment, most of the reported technical requirement cases are regulations of partner countries in the region. However, the largest number of reported cases related to product quality or production requirements (20%) and tolerance limits on the use of substances (45%) are EU regulations.

In contrast to difficulties with conformity assessment requirements, more than a third of the difficulties with technical requirements are directly due to the regulations being too strict or difficult to comply with. The other half of the reported technical requirement cases are burdensome exclusively due to POs.

While both the United States and the EU are equally large markets for Asian exporters, the share of difficulties with technical requirements is higher in the EU. This may be because either the American regulations are less stringent, exporters have more information and knowledge about the requirements, or the processes involved are easier – compared to EU requirements. A large share of difficulties with technical requirements also concern export to the Asia-pacific region (Table 5).

What are technical requirements?

Technical requirements are product-specific properties that define the characteristics and technical specifications of a product or the production process and post-production treatment. They are legally binding and set by the destination or origin country. Technical requirements include mandatory administrative provisions.

Many of these measures protect consumers – for example, from health or safety risks – as well as plants, animals, the environment, or the national security of a country. Technical requirements include sanitary and phytosanitary measures designed to safeguard human, animal and plant life and health from pests and diseases.

Product quality, production requirement and tolerance limit

Product quality and safety requirements, including tolerance limits for substances used together, form 7% of the difficult technical NTMs faced by exporters (Figure 11). Product quality and safety requirements include conditions to be satisfied in terms of characteristics, performance or quality and the process or conditions under which they were produced. Tolerance limits include measures that establish a maximum residue limit (MRL) for dangerous substances such as fertilisers, pesticides and certain chemicals and metals used in the production process. Almost half of the MRL issues are regulation by the EU (45%), followed by the regional Asia-Pacific market (31%) and the United States (15%).

¹⁸ See ITC (2023). Viet Nam: Business Perspectives.

For the most part, these NTMs are deemed difficult because of the very strict implementation of the measures by importing countries and the inability of producers to meet those requirements. Inadequate information on the requirements also plays a part.

Lack of capacity to meet requirements

In many instances, exporters lack the capacity to produce goods that meet the requirements. Agriculture production is spread across many small-scale farms and is based on traditional methods. Farmers lack sufficient knowledge of modern and internationally accepted sanitary standards production. As a result, it is difficult for farmers to increase yields and improve quality. Lack of proper monitoring and compliance with international standards, such as Codex Alimentarius, has led to products being banned from key markets.

In cases of the dairy industry, milking is usually conducted in the open or sheds. Milk is then collected by local village-level collectors who conduct a basic quality inspection. Distributors then sell the raw milk to larger processors. Poor mile transport and storage infrastructure contributes to quality degradation.

In Kyrgyzstan, for instance, the export of dairy products has been limited due to the prevalence of brucellosis. Brucellosis is a highly contagious zoonosis caused by ingesting unpasteurized milk or undercooked meat from infected animals, or close contact with their secretions. Only a few Kyrgyz companies are included in the common registry of dairy producers of the EAEU permitted to export to member countries.

Complying with HACCP and ISO 22000 standards requires significant changes in production processes and upgrading of equipment and infrastructure. In addition to the high associated costs, companies wishing to be HACCP and ISO 22000-certified have to undergo an expensive certification process by accredited agencies. These additional costs, lack of adequate national infrastructure, and lack of company capacity have restricted export capacity.

In the Philippines, which is a major exporter of lower-value semiconductor and electronics products to the United States, more complex original design manufacture (ODM) products are difficult for local SMEs to export because of the obstacles they face in developing, testing, and certifying potential products to comply with standards in the international market.¹⁹

Insufficient understanding of the problem

Exporters, in some instances, are aware of limitations in their production process but do not have a full understanding of how to resolve them. For instance, Nepalese exporters face difficulties in resolving issues with the presence of Anthraquinone in tea. Anthraquinone is an organic compound, and The European Food Safety Authorities have set the MRL threshold to 0.02 mg/kg in tea. There is a lack of reliable information on the presence of Anthraquinone in tea and what can be done to prevent it. Exporters have different views on how it appears in tea. Some believe it is naturally occurring, while others believe that it appears due to smoke when drying, packaging materials or due to improper conditions in the warehouse.

The EU required the Anthraquinone (AQ) MRL to be less than 0.05 mg/kg, but later changed that threshold to be less than 0.02 mg/kg. This was not adequately published and communicated, and as a result, my consignment was rejected.

- Tea exporter

Also, Vietnamese companies are required to comply with MRL, following general provisions and regulations from partner countries. Products must limit their pesticide residues and heavy metal content (like lead, aflatoxin, salmonella, sulphur dioxide, carbon and other 256 toxic substances).

Usually, these limits are 20 times lower than those allowed in Viet Nam, meaning that companies meeting the Vietnamese limits are not eligible to export to several other markets. There is inadequate access to information and dissemination of authorized levels²⁰.

¹⁹ See ITC (2017). Philippines: Company Perspectives.

²⁰ See ITC (2023). Viet Nam: Business Perspectives.

Lack of proper raw materials leads to rejection on MRL grounds

Farmers in the Asia-Pacific region regularly use pesticides for crops and antibiotics for livestock. Often there is limited or no availability of good quality materials whose use is acceptable to importing countries. Farmers must be content with locally available materials as they cannot import or find high-quality materials that are too expensive. Furthermore, many small farmers do not have a sufficient understanding of different materials to distinguish between good-quality and low-quality materials and their potential harm to the environment and human health.

Honey producers in Asia-Pacific use antibiotics mixed into feed to maintain hives by protecting them against various bee diseases. Streptomycin, Sulfonamides, Tetra- and Oxytetracyclines, Tylosin and Macrolides are some of the most commonly used antibiotics. While the EU has “zero tolerance” policies for the use of antibiotics, many developing countries permit the use of selected antibiotics in honey production. The use of antibiotics in honey production has led to antibiotic residues in the final product, which can be a potential health risk. Small-scale producers use antibiotics available in the local market. Some buyers have restrictions on the use of certain types of antibiotics, which is difficult for producers to comply with due to the lack of availability of permitted antibiotics in the local market and their higher costs. For instance, in 2016, high antibiotic residues in Kyrgyz honey led the Chinese authorities to restrict honey import from Kyrgyzstan.

The European Union applies residue limits of antimicrobials on shrimps. Small shrimp farmers rely on these treatments for disease protection, but these are banned in most developed country markets.

Farmers in Nepal have complained about the difficulties faced when obtaining good quality pesticides and fertilizers locally. This has resulted in low yields and hence, products not meeting the MRL export standards.

Similarly, in the case of textiles and carpets, exporters find access to the EU market difficult due to the type of dye they use on their products. Many producers use azo dyes, which are synthetic and nitrogen-based. The EU Azo Colorants Directive 2002/61/EC specifies that azo dyes release aromatic amines in detectable concentrations: above 30 ppm in finished articles or in dyed components may not be used in textile and leather articles which may come into direct and prolonged contact with the human skin or oral cavity. Exporters in less developed countries are still using azo dyes as other dyes that can meet EU safety, and quality requirements are expensive and must be imported, significantly increasing the cost of production.

Restrictions on preservatives used during transportation

In addition to substances used during production, exporters also report difficulties due to restrictions on the use of preservatives. Fresh food exporters in some countries lack the means for preserving food items such as fruits during transportation for export shipment without the use of preservatives. However, big markets, such as the EU, are known to implement restrictions on the use of preservatives for health and safety reasons.

Fumigation requirement

Exporters of fresh food and plant-based products report difficulties with fumigation regulations. Fumigation is the process of exposing insects, fungal spores or other organisms to the fumes of a chemical at a lethal strength in an enclosed space. It is often required for goods packaging to prevent the transfer of exotic pests into a country.

Australia requires Australian Fumigation Accreditation Scheme (AFAS) approved fumigation treatment of methyl bromide for exported products. I pay \$575 for the fumigation treatment.

– Exporter of hats.

Fumigation requirements are most coming in the EU and Australia. In the Philippines, Nepal and Cambodia, exporters report that the Australian market requires its own accredited fumigation service providers that charge higher service fees. In Cambodia, rice exporters find it difficult to obtain information about the procedure. In Indonesia, wood exporters to the United States report cases of re-fumigation for products that had previously already been fumigated domestically, leading to delays and additional costs.²¹

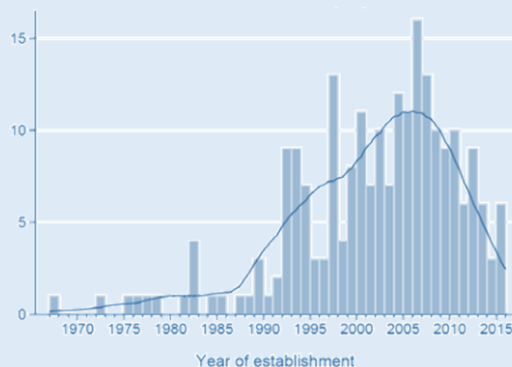
²¹ See ITC (2017). Indonesia: Company Perspectives.

Box 2 Voluntary standards

Voluntary standards are norms developed by private entities such as companies, non-governmental organizations or multi-stakeholder coalitions. These standards may vary in scope, ownership and objectives. Objectives can range from environmental conservation, ensuring food safety or protection and human rights to promoting good agricultural and manufacturing practices.¹

The growth in voluntary standards has been significant over the past two decades, resulting in a myriad of different standards for specific commodity sectors and issues. During the 1990s and 2000s, on average, eight new voluntary standards were created per year. While this growth dynamic has slowed down more recently, new VSS are still being developed.²

Figure: Voluntary standards created each year



To export to Switzerland, we need to obtain the Fair-Trade certification which costs ~\$3,200 per year. This is costly for us. Furthermore, we need to prepare a large number of documents to get this certification. It is a voluntary standard and required by the buyers.

– Mango exporter

Source: ITC calculations based on ITC Standards Map.

While the rapid growth in the number of voluntary standards is a testament to their success as a new mode of trade governance, it has also raised concerns. In many markets, several standards systems operate in the same country and product field. For suppliers in these markets this can be very confusing, time-consuming and costly. The increasingly fragmented standards landscape can generate high research and information costs, as producers often struggle to identify the standard or standards that best serve their purpose.

The NTM Business Surveys also covers companies' concerns with voluntary standards. Buyers, especially in developed markets such as the EU and the United States demand suppliers to obtain a variety of voluntary standards. However, obtaining certifications for private standards creates additional costs for exporters in developing countries and may have difficulty complying with costly testing and procedures.

HACCP, Good Manufacturing Practice (GMP), Good Agricultural Practices (GAP), Kosher, and Halal certifications are examples of voluntary standards for agri-food products. Many interviewed exporters in the Asia-Pacific region view private standards in the same category as NTMs in their depiction of trade obstacles. For instance, exporters specified that private standard certifications for food or industrial goods were mandated by a partner country even though they were actually individual buyers' requirements. This occurred because in their experience all their clients specific to that market required the certifications. Depending on the export country, voluntary standards function like a stamp of approval, as buyers will not typically accept goods that do not comply with their chosen private standards.

For manufacturing firms in particular, voluntary standards are a key consideration. Labour or environmental standards are especially important in the garment sectors. Major buyers demand better working conditions from suppliers, which may mean that local manufacturers need to invest in safer factories and higher wages for their workers. Furthermore, different buyers have different set of requirements which sometimes are contradicting each other. This has led many Asian exporters, especially in the garments sector, to face additional cost and duplication of efforts in order to comply with the requirements of each buyer.

Sources:

¹ ITC (2011). *When do Private Standards Work?*

² ITC (2017). *Social and environmental standards: From fragmentation to coordination.*

Exporters are not able to export other products in wooden crates. Australia has strict fumigation requirements and requires wooden crates to be fumigated. They also have to comply with the wood packing material regulation in the

European Union. The international standard for phytosanitary measures (ISPM 15) compliant wood packaging is acceptable for import if it is bark-free, heat treated at 56-degree Celsius for at least 30 minutes or fumigated with methyl bromide and marked with the ISPM 15 stamp. Due to the lack of such certification and fumigation facilities in Nepal, exporters have been unable to expand.

EU has very specific product labelling requirements such as font and layout formatting; product specification; ingredients used; and must be translated to local language. My entire packaging is covered in sticker labels.

- Exporter of sauces

Labelling

Difficulties with labelling requirements make up 6% of the exporters' concerns with technical regulations (Figure 11). Most of the labelling-related difficulties relate to the requirements of the regional Asia-Pacific countries (61%), followed by the EU (16%) and the United States (8%) (Table 5). The label on the product itself or on the accompanying documentation may require details related to food safety, such as product composition, ingredients used, or nutrition facts. Labels may also need to be in specific formats or packaging around the product, and must often be translated into different languages. To provide this information, companies might need to obtain specific certificates or translation services. For instance, the EU has 23 official languages. Suppliers may hence have to prepare multiple labels depending upon the destination, even though all other requirements remain the same in the EU countries.

Exporters of processed food are increasingly facing difficulties complying with the labelling requirement in destination markets. Depending on the country, labelling requirements may compel producers to specify details such as product composition, chemicals used, nutrition facts, etc. Getting all the information on the required parameters of a label is a struggle for some due to the lack of necessary facilities domestically and the additional cost involved.

Labelling and translation requirements for agri-food exports to the United States, the European Union, the Middle East, and ASEAN, as well as garments exports to Chinese Taipei, are a big concern. The effort required to develop, translate, produce and apply labelling or packaging requirements can be taxing for smaller enterprises, especially in the agri-foods sector.

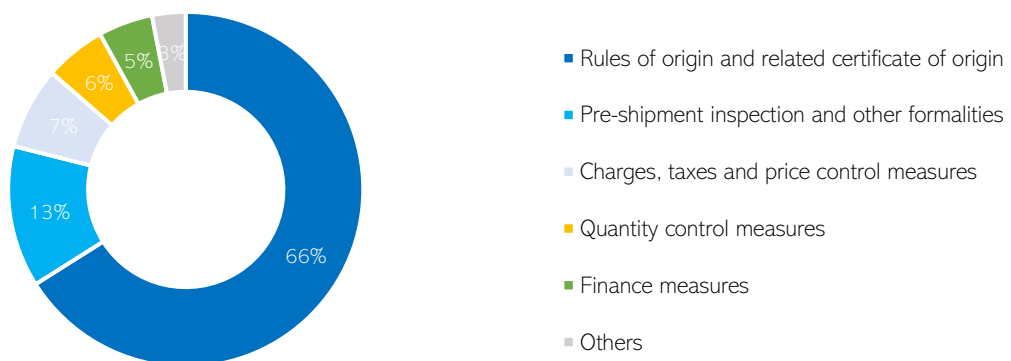
Non-technical measures hindering exports

Highlights

- Rules of origin requirements are the most commonly reported non-technical measures that exporters find burdensome. It mainly concerns the region's thriving garments industries, hindering exporters to benefit from GSP or GSP+.
- Garment-exporting countries with less vertically developed value chains find it difficult to comply with the origin requirements on local content.
- Pre-shipment inspections and other entry formalities are also deemed burdensome due to procedural obstacles such as delays, high fees and informal payments.

Rules of origin (ROO) and the procedures for obtaining the associated certificates of origin make up for the majority (66%) of reported non-technical measures. This is followed by pre-shipment inspections and related formalities (13%); charges, taxes and price control measures (7%); quantity control measures (6%), and finance measures (5%) (Figure 12). Most of the reported non-technical measures are regional (46%), followed by those applied by the EU (30%) and the United States (11%) (Table 5).

Figure 12 Types of burdensome non-technical regulations faced by exporters



Source: ITC NTM Business Surveys (2010-2020).

Table 6 Share of burdensome non-technical NTMs applied by partner countries

		Rules of origin and related certificate of origin	Pre-shipment inspection and other entry formalities	Charges, taxes and price control measures	Quantity control measures	Finance Measures	Others	All non-technical measures
Asia-Pacific sub-regions	South-East Asia	9%	5%	11%	16%	2%	3%	8%
	East and North-East	18%	12%	5%	13%	14%	2%	16%
	North and Central Asia	6%	17%	18%	27%	32%	58%	12%
	South and South-West Asia	4%	11%	23%	11%	16%	19%	8%
	The Pacific	3%	2%	1%	0%	2%	0%	2%
	Asia-Pacific	40%	47%	58%	67%	66%	82%	46%
EU28	37%	23%	16%	10%	13%	6%	30%	
United States	12%	17%	3%	4%	3%	3%	11%	
Rest of the world	11%	13%	23%	19%	18%	9%	13%	
Total		100%	100%	100%	100%	100%	100%	100%

Source: ITC NTM Business Surveys (2010-2020).

Rules of origin

Rules of origin set out the criteria which determine the country of origin of a product. They are applied by governments of importing countries and are needed to assess the eligibility of a product for preferential treatment within the framework of a bilateral or regional free trade agreement. The related certificate of origin provides official proof of compliance with the rules of origin. While the certificate of origin is demanded in the importing country (often checked at customs), it is usually issued in the exporting country (for example, the Chamber of Commerce).

ROOs play an important role in trade in both agriculture and manufacturing sectors, but particularly for region's thriving garments industry and staple agri-food export sectors such as rice or cassava. Exporters report difficulties with ROO the most when exporting regionally (40%), in particular to Japan and China; followed by the EU (37%) and the United States (12%) (Table 6). In substance, the reported ROO issues pertain to requirements for exporters to meet a minimum level of local content to obtain certificates of origin (COs) under Generalized System of Preference agreements (GSP and/or GSP+) with the United States, the European Union and Japan. Many Asia-Pacific garment exporters find it difficult to prove the origin of all the inputs added to their finished products, either due to non-compliance with local content requirements, or owing to related POs that prevent them from obtaining the COs. Without this proof of origin, a firm is unable to claim GSP preferential tariffs.

Different country, different rules – A case of Cambodia

In Cambodia, prior to 2011, garments were required to undergo 'double transformation', i.e. garments had to be made in Cambodia from fabric woven or knitted in Cambodia to benefit from the EU's EBA initiative. Cambodia could not take advantage of this initiative because its garment industry relies on imported fabrics. The EU's EBA rules of origin for garments have since changed and now allow duty-free entry for garments sewn using two or more pieces of fabric produced outside of the country.

Meanwhile, under ASEAN's rules of origin, products must be wholly produced in Cambodia or produced using materials from any ASEAN member, with at least 40% of the value added in Cambodia. The rules of origin governing the FTA with the People's Republic of China stipulate that duty-free access will be granted to any garment manufactured by cutting and assembling the fabric into a complete article.

Through ASEAN, Cambodia has an FTA with the Republic of Korea and Japan and benefits from duty-free and quota-free access under their GSP. Rules governing the FTA and GSP are different in both countries. To benefit from preferential access under the Republic of Korea's rules of origin, garments require a 'single transformation', i.e. garments could be cut and sewn in Cambodia from fabric produced elsewhere. Garments also qualify if the regional content is not less than 40% of the free onboard value.

ROO governing the Republic of Korea's GSP are more restrictive. Garments manufactured in Cambodia that contain imported materials cannot have inputs exceeding 50% of the free onboard price of the final product. Japan's rules allow duty-free access to garments manufactured in Cambodia with fabrics imported from any ASEAN country. Under Japan's duty-free and quota-free scheme, a distinction is made between garments made from knitted fabric (HS Chapter 61) and those made from woven fabric (HS Chapter 62). Garments made from woven fabric qualify for GSP treatment irrespective of the source of fabric, while garments made from knitted fabric qualify only if the fabric is made in Cambodia.

The US GSP does not cover garments, Cambodia's main export to the United States. As a result, Cambodia has been unable to benefit from US preferences.

Documentation for the certificate of origin can be difficult

Part of the problem, especially for SMEs, is that they are unfamiliar with the necessary requirements and processes. Companies have reported that officers at the responsible agency request a variety of different documentation from exporters and require them to resubmit forms, which leads to lost time.

The documentation requirements for the certificate of origin create an obstacle for many companies. Processing companies, in particular, that source their inputs from multiple suppliers find it difficult to get the necessary documentation from each supplier to obtain the certificate of origin for the final product. For example, an exporter of wood products complained about the requirement to declare the origin of all wooden parts used in the product. Because the company's products are made from various kinds of wood, it is difficult and complicated to gather the information required.

Procedural obstacles are a hindrance in cases of non-technical NTMs as well

Most Bangladeshi exporters in the highly garments and textiles sector complain about stringent ROO requirements in main export markets such as the EU and the United States. In general, most of the difficulties with ROOs come from associated POs, such as obtaining the many required documents, high fees and informal payments to authorities, all of which led to delays in obtaining COs. However, while most Bangladeshi exporters do not have problems with the ROO criteria themselves, other garment-exporting countries with less vertically developed value chains, such as Sri Lanka and the Philippines, also find it difficult to comply with the technical requirements of local content. This is largely due to the increased local use of imported textiles in their markets, especially from China, which some exporters claim is the only way they can compete price-wise in lower-value garments markets.^{22 23 24}

A large share of ROO-related difficulties is also linked to bilateral and regional agreements with countries in the East and North-East Asia sub-region on the trade of manufactured goods. Countries such as China and Japan, provide preferential tariffs with proof of origin for products such as air conditioners, which can have tariff rates that can range from 0% to 30%.

We apply for certificate of origin at the Ministry of Commerce. We normally have to wait 5 to 6 days to get the certificates. The waiting time for the certificate is long as there are not enough officials to do the work.

– Garments exporter

While countries harmonize their HS classification up to the 6-digit level, each has its own classification at 8 or 10 digits. As such, the HS code for a product may differ between exporting and importing countries resulting in confusion when filling out the form. While it is clearly stated in the instructions to use the HS code of the importing country, incomplete or wrong HS codes on forms are still common, which suggests a lack of understanding by exporters.²⁵

Streamlining these local procedures and improving the processing time to issue COs could be a good way to improve compliance with ROO in the region.

²² See ITC (2017). Bangladesh: Company Perspectives.

²³ See ITC (2017). Philippines: Company Perspectives.

²⁴ See ITC (2011). Sri Lanka: Company Perspectives.

²⁵ See ITC (2016). Indonesia: Company Perspectives.

Pre-shipment inspections and entry formalities

Most Asia-Pacific pre-shipment inspection (PSI) measures require compulsory quality, quantity and price control of goods prior to shipment from the exporting country, to be conducted by an external agency mandated by authorities in the importing country. Most PSI and related measures encountered are requirements of the EU and the United States but are carried out by local customs officials in the home country. For example, in Bangladesh, exporters often report delays in issuing PSI certificates because customs officials take a long time to conduct inspections.

In Indonesia, exporters complain about the arbitrary behaviour of officials that carry out inspections, as well as delays and high fees/charges.

For every import shipment, the customs verifies product quality and quantity. To clear the import we have to present the trade license and letter of credit during. It takes a long time to release our products, and sometimes we have to give bribes to release our products.

– Chemicals importer

Other measures

Other NTMs such as charges, taxes and price control; quantity control; and finance measures together make up 18% of the reported non-technical measures. Most of these measures are intra-regional.

Examples include temporary prohibitions and health certification requirements on agri-food imports. Other obstacles can also be the need for authorization and permits from specific agencies that regulate the import of goods. Nepali exporters, for instance, complain that Indian customs require a “file approval” process for each new buyer of their product in the Indian market. This involves submitting company registration forms, financial statements, and many other documents every time they supply to a new buyer.²⁶

The results also point to a few quantitative restrictions applied by partner countries, including within ASEAN. Exporters state that Malaysian authorities do not allow the import of rice or rice flour from neighbouring countries to protect domestic industries. Similar problems are reported in Indonesia, where exporters report that the country imposes a quota on onions and durian imports, to protect domestic producers.

In the Philippines, importer clearance certificates (ICCs) are required by the Ministry of Internal Revenue to start operations but are often delayed by up to a month subject to additional documentary requirements and need to be renewed yearly. These lead to POs such as delays, additional costs and paperwork.

A common measure includes customs valuations, which is prone to bribe-seeking behaviour. Customs valuation irregularities are a common issue with customs agencies, with exporters complaining about the arbitrary imposition of import tariffs on goods. For instance, in the Philippines, the Bureau of Customs uses a 3-month rolling period methodology that overvalues the product by up to a hundred times the original price, significantly increasing import duties.²⁷ Other regulations relate to charges, taxes and para-tariffs, as well as quantity control measures that are more prevalent in agri-food sectors.

NTM survey results reveal numerous other issues, including difficulties with document attestation when exporting to countries in the MENA region, such as Egypt, Iran, Libya, Saudi Arabia and Jordan. To export to these destinations, all documents must be attested and cleared by the country’s embassy. High costs and delays usually accompany this bureaucratic procedure. Exporting to some countries in the region becomes even more burdensome due to the absence of the country’s embassy or consulate. As a result, exporters have to get these documents attested and cleared by the country’s embassy in other countries.

We need to obtain an import license which takes too long and goes through too many departments and processes. It is really time-consuming since we need to show up in different offices and departments.

– Importer of machinery

²⁶ See ITC (2017). Nepal: Company Perspectives.

²⁷ See ITC (2017). Philippines: Company Perspectives.

Procedural obstacles make regulatory compliance difficult

exporters in the Asia-Pacific find a 73% of NTMs burdensome not because of the complexity of regulations, but due to related procedural obstacles (Figure 9). Another 15% of the NTMs are deemed burdensome due to both the requirements being too strict and the procedural obstacles being tough to follow. While a majority of the reported NTMs are foreign regulations (80%) (Figure 4), most procedural obstacles are faced in home country of the exporter (81%).

Delays and time constraints, high fees and charges, and demand for informal payments are the main procedural obstacles exporters faced in foreign markets –usually at the laboratories or customs. The main procedural obstacles faced in the domestic market include delays and time constraints; high fees and charges; lack of accreditation for certifying bodies, lack of appropriate testing facilities, and the lack of information.

We test our products in the destination market as there is no accredited laboratory in our country. Testing services are offered by a variety of firms in the foreign market, but not all of them are reliable. We have been experienced low-quality tests where wrong fabric components have been stated.

– Garments exporter

Procedural obstacles are most commonly faced in laboratories and private third-party entities

A large share of procedural obstacles encountered relate to laboratory testing or certification process. Often, accredited public institutions or third-party private service providers conduct the necessary testing or certification for technical regulations as well as private standards.

Unavailability of testing facilities or unaccredited local facilities are the two main obstacles related to testing or certification requirements. When local facilities are unavailable, exporters send their samples abroad for necessary testing - an expensive and time-consuming process.

Even where local facilities are available, they are often too expensive for small companies.

Obstacles faced during import or export authorizations

Depending on their mandate, certain government ministries and agencies may require traders to obtain import or export authorizations for various reasons, including national security, human health, or environmental protection. The POs most associated with these certifications include informal payments to officials to speed up processing, as well as additional costs and delays for the issuance of the authorization. These occur, for instance, when government facilities are understaffed, located far away from the exporter's factory, or issue documents that are not recognized by destination markets.

When we export food items, we need to get a test report from the national standard and testing institution. However, officials from this institution unnecessarily harass us. Sometimes we have to pay informal payments.

– Vegetables exporter

For instance, in the Philippines, the Ministry of Health requires that imported household chemicals, including hydrochloric acid that are used in the manufacture of bombs to be highly regulated: requiring 5 to 7 import permits, security escorts, and special storage. Since these chemicals are used as cleaning or finishing agents in many different sectors, including electronics, handicrafts and chemicals, these additional requirements can be very burdensome for those importing the product for uses other than bomb manufacturing.²⁸

A similar experience is true for the Sri Lankan chemicals sector. Likewise, Thai exporters of chemicals complain that export permits from CITES (for the regulation of specimens of endangered wild flora and fauna) from the Ministry of Fisheries are required to export crocodile products to Japan. However, the Thai ministry does not

Imports of chemical raw materials is tedious and costly, requiring permits from the local drug enforcement agency and the national police force. Online application is not available. Waiting for the permits to be processed delayed the shipment by 15 days, and we suffered to a penalty of \$50,000 USD.

– Chemicals importer

²⁸ See ITC (2017). Philippines: Company Perspectives.

have enough officers to handle the volume of shipments, leading to delays, as the exporters have to travel to Bangkok to obtain the permits.²⁹

Difficulties during import and export clearance at the customs

Exporters experience the greatest number of procedural obstacles at the customs or other public institutions charged with import or export clearance procedures.

During import clearance, traders commonly cited that customs officials demand numerous, and often unnecessary documents. Traders find these demands unreasonable, which usually forces them to make informal payments, especially when it involves time-sensitive shipments or where trade products have a limited shelf life such as agri-food products. If traders refuse to pay the informal fees, they must obtain all the additional documents, often at the cost of penalties and demurrage fees.

In the Philippines, importers must comply with a yearly renewed import clearance certificate that requires the submission of numerous financial documents and authorizations by different departments within Customs. Every importer requires this certificate before they can start operations. As there are so many administrative obstacles encountered when complying with all these associated procedural obstacles, firms often end up with additional monetary penalties and delays of up to half a year. Notably, in this instance, even though the original purpose of the regulation is to curb smuggling and streamline the import process, the initiative ended up creating more red tape.³⁰

We import leather products transiting through a third (neighbouring) country. Entity there, including custom officials and cargo companies, creates unnecessary delays and seek bribes. They refuse to work unless they are paid and there is no other way to get the shipment cleared.

- Footwear importer

²⁹ See ITC (2016). Thailand: Company Perspectives.

³⁰ See ITC (2017). Philippines: Company Perspectives.

Trade-related business environment in the Asia-Pacific

Inefficiencies in trade-related business environment are generic problems unrelated to specific regulations but affect the ability of enterprises to export or import. Surveyed companies cited facing challenges in the domestic business environment. Firms were asked to identify factors that made it difficult for them to conduct business and how these conditions had changed in the last five years. While company responses are often quite country-specific, some commonalities can be seen.

Lack of transparency on trade rules and procedures increases trade costs.

Many problems, such as errors, delays and misunderstandings encountered during export and import are caused by the lack of a reliable source of information on the trade requirements in export markets. In some countries, internet access is slow or unreliable, information is scattered or inconsistent across different sources, and companies sometimes have to rely on word of mouth. Physical document copies are often required for NTM compliance, costing companies valuable time and resources. Often, there is also weak inter-agency coordination when multiple agencies are involved in administering NTMs, leading to redundant administrative procedures and time and cost delays.

Weak transport infrastructure in the region severely affects the business environment.

Many Asia-Pacific economies suffer from a weak or limited land transportation system, often coupled with extremely expensive or inefficient airline transportation. While shipping by sea transport is more economical and the most common form of transportation, the journey takes longer than air transport, and in certain areas, there is a lack of access to deep-sea ports that act as transit points. In extreme cases, domestic transport is more expensive than international transport, making the importation of certain goods cheaper than distributing local products to the domestic market.

The geography of local infrastructure also poses a problem for some. For instance, in archipelagic countries that have large urban and rural gaps, or have weak road systems to connect industrial cities, many government agencies and private testing companies tend to be centralized in the capital or major cities. This makes mandatory product certification or testing at these offices doubly costly for exporting firms located outside these areas, and often prevents them from accessing even basic information on trade regulations and requirements.

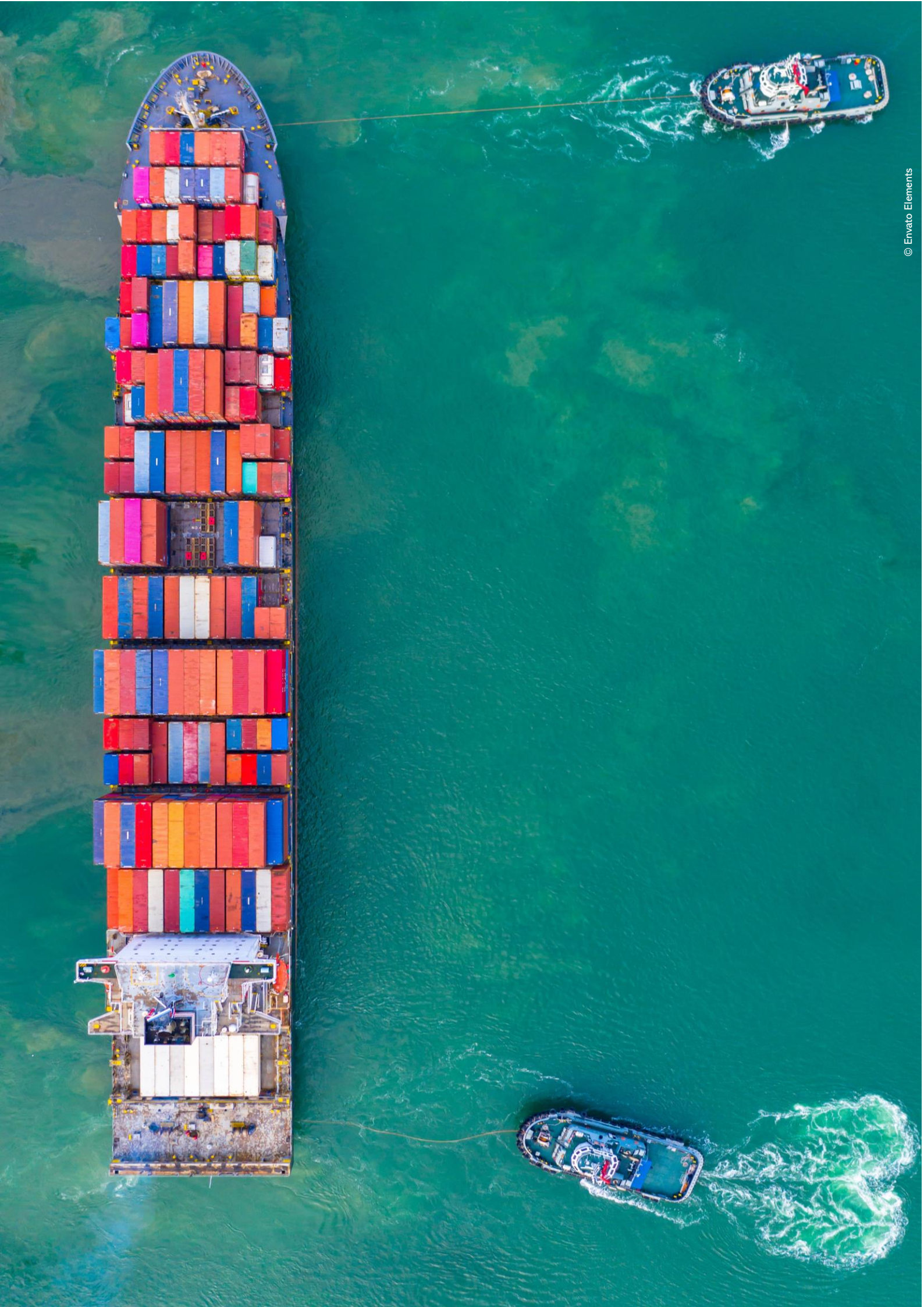
Countries lack adequate local accredited testing infrastructure

Many Asia-Pacific economies lack the physical infrastructure, technologies and human capital to comply with conformity assessment and technical requirements, causing the need for many export shipments to be tested abroad or serviced by third-party entities that charge high fees. Usually, while most conformity assessment requirements are applied by importing countries, necessary testing and certification can be done in the home country if the facilities are available.

Hurdles due to informal payments remain a concern in the region

The lack of capacity of authorities to properly enforce trade regulations in some countries has led to informal payments becoming a standard operating procedure for both importers and exporters. In addition, cultures of patronage, coupled with complex and often outdated regulations and customs clearance mechanisms have reinforced this behaviour. For instance, in the Philippines, a law requires the use of a customs broker to mediate transactions between exporters and customs agents, implying that there will always be an extra administrative layer of possible corruption and bureaucracy for all trade procedures.³¹

³¹ See ITC (2017). Philippines: Company Perspectives.



CHAPTER 3

NON-TARIFF MEASURES

AND TRADE FACILITATION

CHAPTER 3

NON-TARIFF MEASURES AND TRADE FACILITATION

This chapter links the ITC survey results with the 2017 UN Global Survey on Trade Facilitation and Paperless Trade Implementation, and outlines areas where government and private sector perspectives on trade facilitation implementation progress either align or diverge. Based on these commonalities, the report provides a list of recommendations for governments to consider at a regional level of dialogue and cooperation, aimed at providing Asia-Pacific economies with a coordinated set of action points when discussing trade facilitation and the removal of NTM-related barriers to trade in the region.

Highlights

- Market access begins at home. Streamlining trade procedures at home is key for exporters to be able to take better advantage of markets abroad.
- Parallels exist between trade facilitation implementation levels and the incidence of burdensome NTMs encountered by exporting firms in Asia-Pacific countries. Higher trade facilitation implementation rates correlate with a lower incidence of burdensome NTMs and higher export shares.
- Lack of trade agreements can, in part, explain high trade costs and relatively low trade volumes. While economies with less trade are less likely to seek trade agreements, the lack of trade agreements itself also likely contributes to higher trade costs, lowering trade flows.
- Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific (FA-CPT) could be a regional vehicle to address domestic procedural obstacles that make NTMs burdensome, while also promoting trade facilitation and regional integration in line with the Sustainable Development Goals (SDGs).

Linking government and private sector perspectives

Trade facilitation implementation in the Asia-Pacific region has been highly successful in some economies, but is still visibly lagging behind in others. At the same time, the incidence of NTMs proliferation has been steadily increasing over the years – for various reasons, the majority of which remain largely legitimate.

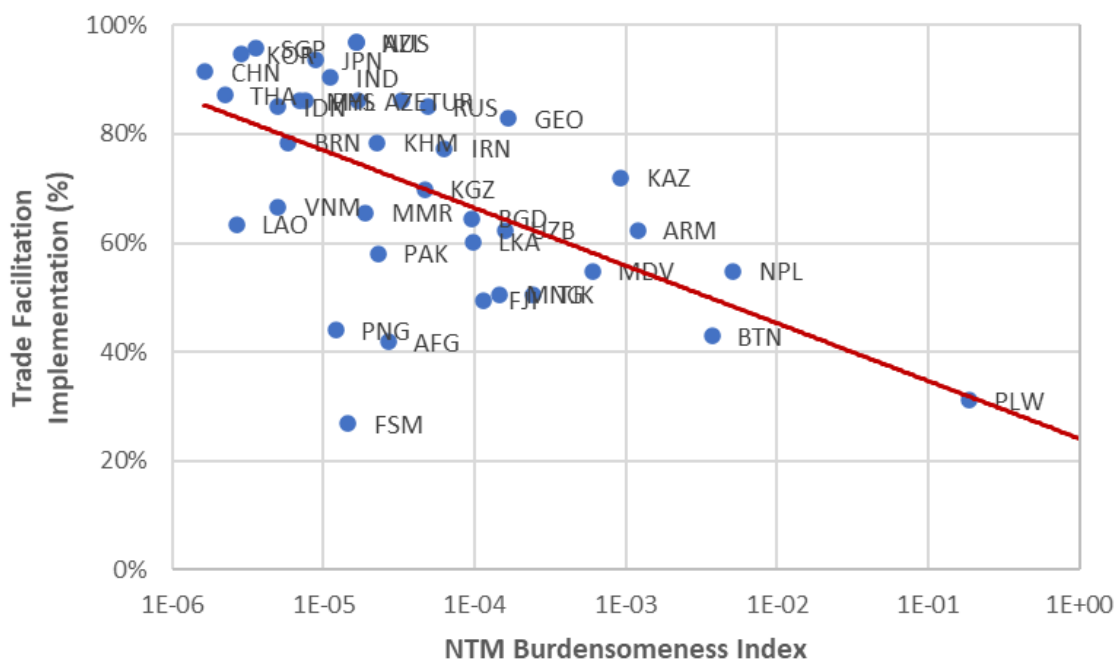
The 2017 UN Global Survey on Trade Facilitation and Paperless Trade Implementation (UNTF)³² indicates that the level of NTM incidence is inversely related with an increase in trade facilitation implementation levels, reinforcing the sentiment that fewer obstacles do indeed make it easier for countries to trade. This is highlighted in Figure 13, which plots the average trade facilitation implementation rates and incidence of NTM burdensomeness among 44 ESCAP

³² ESCAP (2017). UN Global Survey on Trade Facilitation and Paperless Trade Implementation. Available at <http://untfsurvey.org/>

member economies, with “NTM burdensomeness” calculated as the ratio between NTM incidence (by implementing economies) and export trade values in these economies in 2015.

The average implementation rate of general trade facilitation, as well as paperless trade measures in the Asia-Pacific, was 64.9% in 2021. The implementation rates of WTO Trade Facilitation Agreement (TFA) related measures, in particular, were high, ranging from 60% to 80%. Average implementation, apart from Australia and New Zealand, is highest in East and North East Asia (82.5%), followed by South-East Asia (74.3%), North and Central Asia (71.4%), and South and South-West Asia (63.1%). However, paperless trade implementation, particularly cross-border, is limited, and measures aimed at facilitating trade for SMEs and women's participation in trade are low at 42% and 33%, respectively.

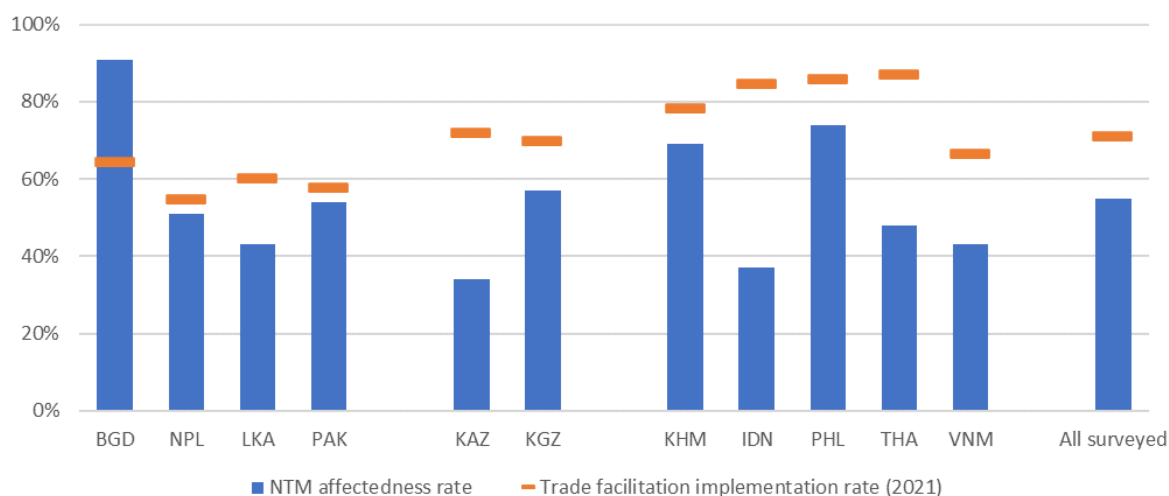
Figure 13 Trade facilitation implementation and NTM burdensomeness of 38 Asia-Pacific economies



Sources: ESCAP (2021); International Trade Centre (2022).

While difficult to compare, parallels can nevertheless be seen between trade facilitation implementation rates and results of the NTM Business Survey – which point to domestic procedural obstacles as the main barrier for firms to trade. Shares of NTM cases with respect to export shares (Figure 5) seem logical when considering trade facilitation progress. For instance, East and North-East Asia and South-East Asia both remain major intraregional export markets, while encountering lower shares of NTM cases and maintaining some of the highest trade facilitation implementation rates in the region. The opposite trend also seems to be true for both North and Central Asia and South and Southwest Asia - keeping in mind the limited number of ESCAP members surveyed in the NTM survey.

Notably, lower trade facilitation implementation scores for measures related to SME and women representation are also reflected in the ITC surveys. In aggregate, smaller firms (51% of all affected firms) are more likely to report burdensome NTMs than medium-sized (27%) or large firms (19%). This is likely due to lower rates of SME-specific trade facilitation implementation. Likewise, women's participation in trade remains low, with only 22% of firms having women in leadership positions and 35% of the firms having at least half of their employee female.

Figure 14 Trade facilitation implementation and NTM affectedness in the Asia-Pacific

Sources: ESCAP (2017); International Trade Centre (2010-2018).

Comparison of the trade facilitation implementation rates and NTM affectedness rates in the nine Asia-Pacific countries (Figure 14) suggests upgrading trade facilitation infrastructure might better service the incidence of reported burdensome NTM prevalence. Across all surveyed ESCAP members, the level of trade facilitation implementation almost matches the level of NTM affectedness: with half of all trade facilitation measures implemented, on average, half of all firms indicate issues with non-tariff obstacles to importing or exporting. Bangladesh has the highest share of firms reporting difficulties with NTMs (90%) and a relatively low trade facilitation implementation rate (40%) (Figure 14). In contrast, Thailand has a lower NTM affectedness rate (47%) and a high trade facilitation implementation rate (82%) – while also performing better on indicators for SME and women representation.

A closer look at the components of the UNTF Survey shows that economies that perform well on both trade facilitation and NTMs indicators – including Thailand, Indonesia, Sri Lanka and Kazakhstan – also outperform other economies in their subregion, especially in terms of paperless trade measures. Paperless trade measures streamline trade procedures and eliminate the need for face-to-face contact with government agents, as well as the manual submission of paper documents. On the issue of addressing procedural obstacles, this reduces both the potential for rent-seeking activities as well as administrative delays and related costs.

Limited human capital remains the key challenge for least developed and landlocked developing countries in the Asia-Pacific region in making further progress on trade facilitation progress.³³ For other developing countries, the lack of coordination between government agencies is the biggest issue. NTM Business Survey results point to a significant number of burdensome NTMs – particularly technical measures – that could be addressed by improved technical capacity for government officials administering certifications, permits, inspections and other conformity assessments.

Survey results also show that the lack of inter-agency cooperation among domestic trade-regulating bodies is a key barrier to the efficient administration of trade-related authorizations or permits. It often creates additional unnecessary work for officials, as well as delays and additional costs for exporters. Furthermore, a lack of transparency and information availability leads to misunderstandings. Implementation of paperless trade holds the potential to address these procedural obstacles in the region. While it may not address the technical capacity needs of officials, it can streamline the execution of the paperwork required to fulfil their mandates, as well as enable inter-agency transparency and cooperation through the use of digital copies of documents that can easily be viewed and shared.

In addition to gaps in hard infrastructure, there are also significant gaps in the soft infrastructure of trade agreements among subregions in Asia-Pacific, hindering both trade facilitation and regional integration. A look at the bilateral trade relationships between Asia-Pacific economies, shows that individual subregions tend to have multiple and, at times, overlapping trade agreements, whereas multi-member intraregional agreements are rarer (Figure 15). The Pacific economies, in particular, apart from the developed economies of Australia and New Zealand, have no trade agreements

³³ ESCAP (2017). Trade Facilitation and Paperless Trade Implementation in Asia and the Pacific - Regional Report 2017

with other Asia-Pacific subregions. To a lesser extent, North and Central Asia (NCA) subregion similarly demonstrates a lower incidence of intraregional agreements.

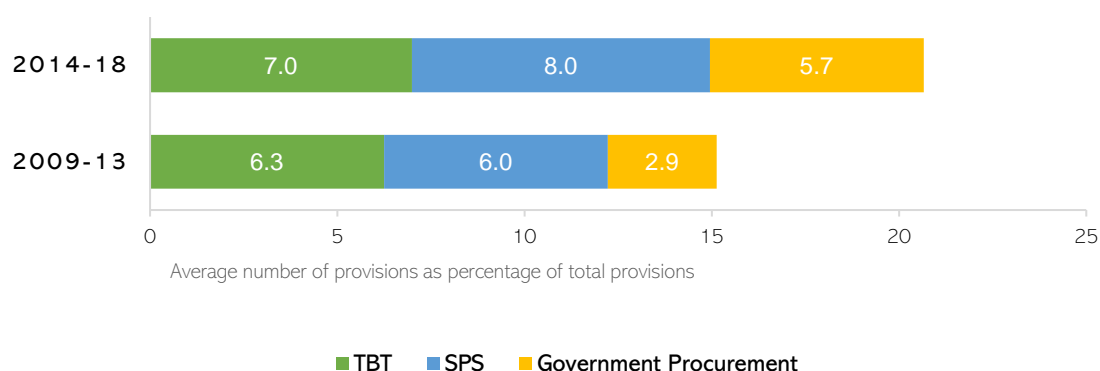
The lack of trade agreements, in part, explains high trade costs and relatively low trade volumes. While the economies with less trade are less likely to seek trade agreements, the lack of trade agreements itself also likely contributes to higher trade costs (tariff and non-tariff), causing evident low trade flows. Furthermore, close geographical proximity and formal trade agreements are not a guarantee for the decreased impact of trade-restrictive non-tariff measures and associated procedural obstacles.

Reducing the negative impacts of non-tariff measures is increasingly being pursued as part of a new generation of trade agreements. Agreements signed in the past four years included substantially more provisions on NTMs than those signed before 2014, indicating that economies are increasingly addressing NTMs through trade agreements (Figure 16).³⁴

Figure 15 Bilateral matrix of economies covered by trade agreement relationships



³⁴ Based on an analysis conducted by ESCAP on the provisions of TBTs, SPS measures, and government procurement in 58 Regional Trade Agreements signed between 2009 and 2018 - by at least one economy in Asia and the Pacific.

Figure 16 Average number of provisions on NTMs in regional trade agreements in Asia and the Pacific, 2009-2018

Source: ESCAP calculations, see Trivedi and others (2019).

All the regional trade agreements make specific references to the need to comply with the WTO Agreements on Technical Barriers to Trade and on Sanitary and Phytosanitary measures. Provisions on information exchange and cooperation are almost always included. More than 50% of agreements also contain a provision on establishing a specific committee to address technical barriers to trade and sanitary and phytosanitary measures. In contrast, specific provisions on the harmonisation of standards are rare.

Agreements between high-income economies have the highest number of provisions on technical barriers to trade and government procurement. On the contrary, agreements between high-income economies and lower-income economies have the highest number of provisions on SPS measures.

Overall, the Comprehensive and Progressive Trans-Pacific Partnership Agreement (CPTPP) is the most comprehensive agreement in terms of provisions on TBT and government procurement. Likewise, the Singapore-European Union and Singapore-Sri Lanka Free Trade Agreements, the Pacific Agreement on Closer Economic Relations, and the CPTPP are equally extensive in their provisions related to SPS measures. While many of the provisions on NTMs in most agreements remain generic, a more detailed review of those found in the most comprehensive agreements identified above may provide useful guidance on how to further streamline NTMs in the Asia-Pacific region.

Designing and enforcing NTMs that will not unduly affect regional trade connectivity remains a key challenge. NTMs are typically less transparent and harder to monitor than tariffs. They can make trade less inclusive because the compliance capacity of small and medium-sized enterprises tends to be more limited than that of large firms. At the same time, NTMs have a potential role in sustainable development; for example, they can be used to ensure that traded goods meet social and environmental standards consistent with the Sustainable Development Goals.³⁵

Box 3 Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific: A new tool for trade and development and digital trade facilitation

Developed by a diverse group of more than 25 Asian and Pacific economies at very different stages of development over 4 years, the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific (CPTA) was adopted at ESCAP in May 2016 as a UN treaty deposited with the Secretary General of the United Nations in New York.

The Agreement entered into force on 20 February 2021 – as stated in Article 19 of the Agreement, it entered into force 90 days after the date on which the Governments of at least 5 ESCAP member States have deposited their instruments of ratification or accession.

³⁵ ESCAP (2018). Integrated and Seamless Connectivity for Sustainable Development in Asia and the Pacific: Progress and the Way Forward

Azerbaijan acceded in March 2018 and the Philippines acceded in December 2019. Islamic Republic of Iran ratified in May 2020, Bangladesh ratified in October 2020 and China, as the 5th country, ratified in November 2020. Timor-Leste, Turkmenistan, Mongolia, Republic of Korea, Tajikistan, and Tuvalu acceded in 2022. In addition, Armenia and Cambodia signed it in 2017. Furthermore, several other ESCAP member States are in the process of completing their domestic processes for accession.

The CPTA is designed as an inclusive and enabling platform that will benefit all participating economies regardless of where they stand in terms of trade facilitation implementation. The Framework is fully dedicated to the digitalization of trade processes and enabling the seamless electronic exchange and legal recognition of trade-related data and documents across borders, rather than only between stakeholders located in the same country. Full implementation of cross-border paperless trade will not only reduce transaction time and costs but also increase regulatory compliance and enable the more direct engagement of small and medium-sized enterprise (SMEs) in international trade and cross-border e-commerce.

Achieving cross-border paperless trade across the region is expected to be a long and difficult process. It cannot be achieved without close collaboration between countries. The Framework Agreement is expected to support that process by providing a dedicated institutional framework for countries with proven political will to develop legal and technical solutions for cross-border paperless trade, including through pilot projects, capacity building and technical assistance, based on existing international standards. The CPTA aims to facilitate cross-border trade data exchange between member States and enable mutual recognition of electronic trade data and documents, but does not make electronic data exchange mandatory among all Parties.

Some of the benefits for ESCAP member states who become parties to the CPTA include:

Accelerated progress towards a paperless trade environment at the national level on the basis of the political will demonstrated during the accession process to the CPTA;

Opportunity to integrate emerging cross-border paperless trade considerations and best practices early in the development of national single window and other paperless trade systems to ensure they are interoperable and enabled for (future) cross-border data exchange, in particular through structured and regular sharing of lessons;

Reduction in overall investment costs and maximization of return from investments in paperless trade systems, through concurrent development of national paperless trade systems and environment for cross-border trade data exchange;

Ready access to potential counterpart countries interested to negotiate and achieve cross-border data exchange, avoiding or reducing needs for engaging in numerous and/or potentially incompatible bilateral initiatives;

Direct participation in the development of pragmatic solutions for the cross-border exchange of trade documents. For more advanced countries with relevant experience and existing practices, including many ASEAN economies, this will enable them to ensure that new regional systems and solutions will be harmonized and interoperable with what they have already achieved on a bilateral and/or subregional basis;

Compliance with commitments the party may have made through its bilateral and plurilateral trade agreements (RTAs) to collaborate on exchanging electronic data and documents (typically featured in "Paperless Trading" Articles in RTAs, or related provisions or agreements).

For more details see: ESCAP (2016). *Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific*



CHAPTER 4

RECOMMENDATIONS

CHAPTER 4

RECOMMENDATIONS

Analysis of the business perspectives on non-tariff measures and the benchmarking of ongoing trade facilitation and regional integration progress together point to clear and parallel avenues for a regional dialogue and collaboration to address these two complementary agendas. Furthermore, these agendas can be linked with the implementation of the UN Sustainable Development Goals for 2030.

In this light, the report puts forward the following set of recommendations for ESCAP members.³⁶

Institutional streamlining

Conducting a review of the prevalence of non-tariff measures in the region and roles of the concerned institutional.

NTM Business Surveys have found procedural obstacles to primary obstacles to NTM compliance. Too often, delays, informal payments, high charges, and other administrative issues experienced in domestic agencies hinder regulatory compliance.

ESCAP member states should initiate a review of their national trade-related regulations together with an in-depth review of the roles, relevance, and capacities of their public institutions. Lack of coordination or transparency among agencies should be addressed by streamlining or reducing mandates, and harmonized where redundant.

The documentation requirements for traders should also be reviewed to eliminate redundancies. The process should aim at streamlining processes and eliminating duplication to reduce unnecessary compliance costs and further entrench open market policies. Digital technologies could be promoted and leveraged to foster information sharing and coordination.

Establishing a public-private sector stakeholder consultation mechanism on NTMs.

Members should promote a continuous dialogue between the government and private sector to facilitate communication and benchmark the progress made to address trade barriers. A feedback mechanism should be established to enable governments to receive inputs on new or existing NTMs and how they are implemented – information which is essential for ensuring that NTMs do not become unintended trade barriers. The provisions for a National Trade Facilitation Committee under the WTO TFA should be studied and utilized for this initiative.

Enhance transparency on NTMs, regionally and multilaterally.

A persistent lack of transparency on regulations and procedures remains a problem in the Asia-Pacific region leading to errors which although basic, translate into high correctional costs – especially for SMEs. Members should exchange more detailed information on their respective national regulations with each other – following the example set by the Association of South-East Asian Nations (ASEAN) countries.

At the international level, WTO members should encourage the timely and comprehensive notification of new NTM measures to the WTO. Under the WTO SPS and TBT Agreements, WTO members are required to provide advance notice of new or changed provisions. With the overall goal of promoting transparency, Asia-Pacific economies should comply with the WTO notification requirement, as evidence suggests current notifications remain incomplete.

³⁶ While many of these recommendations are also cross-cutting in nature, this thematic division was adopted in order of perceived difficulty and cost of implementation. Institutional streamlining can be done largely domestically within governments, making it the most convenient option to consider. Soft infrastructure initiatives will require internal reform as well as coordination regionally and extra-regionally, along with legislative legwork to implement. In contrast, hard infrastructure initiatives will require larger-scale investments in physical infrastructure, information systems, technical capacity, and other resources and are the most challenging to implement.

Soft infrastructure

Endorse Mutual Recognition Agreements and adherence to international standards.

Most NTMs encountered in the region deal with a lack of recognition of standards across countries. Pursuing dialogue for regional accreditation, such as through Mutual Recognition Agreements (MRAs), could be beneficial, especially for less competitive regional partners. As an alternative or complement to harmonizing NTMs among Asia-Pacific economies, members should consider mutual recognition of each other's standards or conformance on specific products or sectors of interest – as done in ASEAN.³⁷

More generally, members should use international standards, guidelines, and recommendations to ensure that NTMs, particularly technical measures, are compatible across different economies. Adherence to international standards would also reduce the likelihood of retaliation from trade partners or legal challenges through the WTO dispute settlement mechanism.

Digitalize NTM procedures and promote cross-border paperless trade

Cross-border trade in goods requires exchange of data and information among stakeholders across borders. ESCAP members should join the *Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific*, to develop their capacity or promote existing solutions to electronically exchange information seamlessly, both to reduce costs and increase compliance with its commitments to trade agreements (see Box 3).

Hard infrastructure

Fully implement the WTO Trade Facilitation Agreement.

The provisions of the WTO Trade Facilitation Agreement have been carefully formulated to provide maximum benefits to signatory members, especially LDCs who stand to benefit from additional transition time and technical assistance. Regardless of WTO membership status, all Asia-Pacific economies may work with each other on the full implementation of the provisions in the Agreement as an essential step towards reducing trade costs, including the cost of implementation of NTMs.

Development of regional quality (SQAM)³⁸ infrastructure.

Given that exporters in the Asia-Pacific face difficulties with the process of demonstrating compliance rather than requirements *per se*, ESCAP members should focus on the infrastructure solutions that can best mitigate procedural obstacles that arise due to inadequate staffing, lack of equipment and other supporting institutional resources. Members should undertake a comprehensive needs assessment to identify the capacity gaps that can be addressed with the support of development partners. In particular, the shortcomings in the domestic testing and certification infrastructure should be tackled, especially for the smaller member states.

ESCAP members should also explore avenues to facilitate greater access to quality infrastructure within the region, taking into account the development level and sizes of some of the countries. Collaboration among all neighbouring economies – small or big, especially those that share borders, should be encouraged, particularly for such initiatives as shared services facilities.

³⁷ ADB (2017). Reinventing Mutual Recognition Arrangements: Lessons from International Experiences and Insights for the ASEAN Region.

³⁸ Standardization, Quality Assurance, Accreditation and Metrology



The background features a complex pattern of thin, white, wavy lines that create a sense of depth and movement. A bright, glowing light source is positioned in the upper left quadrant, casting a soft, ethereal glow across the scene. The color palette transitions from a deep teal on the left to a lighter, almost white glow near the light source, and then to a soft purple and blue gradient on the right.

APPENDICES

APPENDICES

Appendix I Understanding non-tariff measures

What are non-tariff measures?

Non-tariff measures (NTMs) are 'policy measures, other than customs tariffs, that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both'.¹ The concept of NTMs is neutral and does not imply a direction of impact.²

Being 'defined by what they are not',³ these measures comprise many policies other than tariffs. They are complex legal texts specific to the product and the applying country. They are more difficult to quantify or compare than tariffs.

Classifying NTMs

NTMs may be applied for legitimate reasons, including the protection of human, animal and plant health. As such, this report does not make a judgement on intentions or the legitimacy of a measure.

By design, the survey only captures measures that cause difficulties for trading companies. NTMs analysed in this report refer to 'burdensome NTMs'.

The diversity of non-tariff measures requires a classification system. ITC NTM surveys are based on the international classification developed by the Multi-Agency Support Team, incorporating minor adaptations to the ITC NTM survey approach.⁴

Procedural obstacles and the business environment

Procedural obstacles refer to practical challenges directly related to the implementation of non-tariff measures. Examples include problems caused by the lack of adequate testing facilities to comply with technical measures or excessive paperwork in the administration of licenses.

Inefficiencies in the trade-related business environment may have similar effects, but these are unrelated to specific NTMs. For example delays and costs due to poor infrastructure.

¹ Multi-Agency Support Team (2009).

² The term 'non-tariff barrier' implies a negative impact on trade. The Multi-Agency Support Team and the Group of Eminent Persons on Non-Tariff Barriers proposed that non-tariff trade barriers be a subset of NTMs with a 'protectionist or discriminatory intent'.

³ Deardorff and Stern (1998).

⁴ For further details on the Multi-Agency Support Team NTM classification, see Appendix II.

Appendix II Non-tariff measures surveys: global methodology

Non-tariff measure surveys

Since 2010,³⁹ ITC has completed large-scale company-level surveys on burdensome non-tariff measures and related trade obstacles (NTM surveys hereafter) in over 80 countries on all continents.⁴⁰ The main objective of the NTM surveys is to capture how businesses perceive burdensome NTMs and other obstacles to trade at a detailed level – by product and partner country.

All surveys are based on a global methodology consisting of a core part and a country-specific part. The core part of the NTM survey methodology described in this appendix is identical in all survey countries, which enables cross-country analyses and comparisons. The country-specific part of the survey allows flexibility in addressing the requirements and needs of each participating country.

The growing role of non-tariff measures in 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. Multilateral, regional and bilateral trade negotiations, as well as non-reciprocal concessions, have led to a remarkable reduction in global, average tariff protection. With favourable market access conditions, international trade has soared to previously unseen levels, raising overall welfare and living standards.

The misuse of NTMs may undermine the impact of falling tariffs. The sound use of NTMs to ensure consumer health, protect the environment and safeguard national security is legitimate. However, evidence suggests that countries are resorting to NTMs as alternative mechanisms to protect domestic industries. NTMs have been negotiated within the General Agreement on Tariffs and Trade and at the World Trade Organization (WTO) since the Tokyo Round (1973–1979) and are increasingly dealt with in regional and bilateral trade agreements. Many practitioners consider they have surpassed tariffs in their trade-impeding effect.

NTMs particularly impact 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. NTMs that would not normally be considered very restrictive can represent major burdens in LDCs. In addition, the lack of export support services and insufficient access to information on NTMs impede the international competitiveness of firms. As a result, both NTMs applied by partner countries as well as domestic burdens have an impact on market access and keep firms from seizing the trade opportunities created by globalization.

³⁹The work started in 2006, when the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) established the Group of Eminent Persons on Non-Tariff Barriers. The main purpose of the group was to discuss the definition, classification, collection and quantification of non-tariff barriers – to identify data requirements, and consequently advance understanding of NTMs and their impact on trade. To carry out the technical work of the group, a Multi-Agency Support Team was set up. Since then, ITC is advancing the work on NTMs in three directions. First, ITC has contributed to the international classification of non-tariff measures (NTM classification) that was finalized in November 2009 and updated in 2012. Second, ITC undertakes NTM surveys in developing countries using the NTM classification. Third, ITC, UNCTAD and the World Bank jointly collect and catalogue official regulations on

An overview of previous research and evaluation

In the literature, different methods have been used to evaluate the effects of NTMs. An early approach employed a concept of incidence with NTM coverage ratios. Such studies rely on extensive databases mapping NTMs per product and applying country. The largest database of official government-reported NTMs used to be the Trade Analysis and Information System published by the United Nations Conference on Trade and Development (UNCTAD), but data has been incomplete and updated irregularly.

In a multi-agency effort, ITC, UNCTAD and the World Bank are collecting data for a global NTM database with a focus on technical barriers to trade and sanitary and phytosanitary standards. The ITC Market Access Map features information on NTMs. However, as complete as the database may be, it reveals little about the impact of NTMs on the business sector, nor does it provide information about related POs.

Scope and coverage of the non-tariff measure (NTM) surveys

surveys

The objective of the NTM surveys requires a representative sample allowing for the extrapolation of the survey result to the country level. To achieve this objective, the NTM survey covers at least 90% of the total export value of each participating country (excluding minerals and arms). The economy is divided into 13 sectors, and all sectors with more than a 2% share in total exports are included in the survey.

The NTM survey sectors are defined as follows:

1. Fresh food and raw agro-based products
2. Processed food and agro-based products
3. Wood, wood products and paper
4. Yarn, fabrics and textiles
5. Chemicals
6. Leather
7. Metal and other basic manufacturing
8. Non-electric machinery
9. Computers, telecommunications and consumer electronics
10. Electronic components
11. Transport equipment
12. Clothing
13. Miscellaneous manufacturing

Companies trading arms and minerals are excluded. The export of minerals is generally not subject to trade barriers due to a high demand and the specificities of trade undertaken by large

NTMs applied by importing markets (developed and developing). This provides a complete picture of NTMs as official regulations serve as a baseline for the analysis, and the surveys identify the impact of the measures on enterprises and consequently on international trade.

⁴⁰Pilot NTM Surveys were carried out in cooperation with UNCTAD in 2008–2009 in Brazil, Chile, India, the Philippines, Thailand, Tunisia and Uganda. The pilot surveys provided a wealth of materials allowing for the significant improvement to both the NTMs classification and the NTM survey methodology. Since then, ITC has implemented NTM surveys based on the new methodology in over 80 countries.

multinational companies. The export of arms is outside of the scope of ITC activities.

The NTM surveys cover companies exporting and importing goods. Companies trading services are excluded, as a survey on NTMs in services would require a different approach and methodology. The NTM survey includes companies specialized in the export-import process and services, such as agents, brokers, and forwarding companies (referred to collectively as 'trading agents'). These companies can be viewed as service companies because they provide trade logistics services. The answers provided by trading agents are, in most cases, analysed separately from the answers of the companies that export their own products.

The NTM surveys cover legally registered companies of all sizes and types of ownership. Depending on country size and geography, one to four geographic regions with high concentrations of economic activities (high number of firms) are included in the sample.

Two-step approach

The representatives of the surveyed companies, generally export/import specialists or senior-level managers, are asked to report trade-related problems experienced by their companies in the preceding year that represent a serious impediment to their operations. To identify companies that experience burdensome NTMs, the survey process consists of telephone interviews with all companies in the sample (Step 1) and face-to-face interviews undertaken with the companies that reported difficulties with NTMs during the telephone interviews (Step 2).

Step 1: Telephone interviews

The first step includes short telephone interviews. Interviewers asked respondents to identify the main sector of activity of their companies and the direction of the trade (export or import). The respondents are then asked whether their companies have experienced burdensome NTMs. If a company does not report any issues with NTMs, the interview is terminated. Companies that report difficulties with NTMs are invited to participate in an in-depth face-to-face interview.

Step 2: Face-to-face interviews

The second-step interviews are required to obtain all the details of burdensome NTMs and other obstacles at the product and partner country levels. These interviews are conducted face-to-face due to the complexity of the issues related to NTMs. Face-to-face interactions with experienced interviewers help to ensure that respondents from companies correctly understand the purpose and the coverage of the survey, and accurately classify their responses in accordance with predefined categories.

The questionnaire used to structure face-to-face interviews consists of three main parts. The first part covers the characteristics of the companies: number of employees, turnover and share of exports in total sales, and whether the company exports its own products or represents a trading agent providing export services to domestic producers.

The second part is dedicated to exporting and importing activities of the company, with all trade products and partner countries recorded. During this process, the interviewer also

identifies all products affected by burdensome regulations and countries applying these regulations.

During the third part of the interview, each problem is recorded in detail. A trained interviewer helps respondents identify the relevant government-imposed regulations, affected products, the partner country exporting or importing these products, and the country applying the regulation (partner, transit or home country).

Each burdensome measure (regulation) is classified according to the NTM classification, an international taxonomy of NTMs, consisting of over 200 specific measures grouped into 16 categories (see Appendix II). The NTM classification is the core of the survey, making it possible to apply a uniform and systematic approach to recording and analysing burdensome NTMs in countries with idiosyncratic trade policies and approaches to NTMs.

The face-to-face questionnaire captures the type of burdensome NTMs and the nature of the problem (so-called POs explaining why the measures represent an impediment), the place where each obstacle takes place, and the agencies involved, if any. For example, an importing country can require the fumigation of containers (NTM applied by the partner country), but fumigation facilities are expensive in the exporting country, resulting in a significant increase in export costs for the company (POs located in the home country). The companies can also report generic problems unrelated to any regulation, but affecting their exports or imports, such as corruption and lack of or inadequate export infrastructure. These issues are referred to as problems related to the business environment (see Appendix III).

Partnering with a local survey company

A local partner selected through a competitive bidding procedure carries out telephone interviews and face-to-face interviews. The partner is usually a company specializing in surveys. Generally, the NTM surveys are undertaken in local languages. The telephone interviews are recorded either by a Computer Assisted Telephone Interview system, computer spreadsheets or on paper. The face-to-face interviews are initially captured using paper-based interviewer-led questionnaires that are then digitalized by the partner company using a spreadsheet-based system developed by ITC.

Open-ended discussions

During the surveys of companies and preparation of the report, open-ended discussions are held with national experts and stakeholders, for example trade support institutions and sector/export associations. These discussions provide further insights, quality checks and validation of the NTM survey results. The participants review the main findings of the NTM survey and help to explain the reasons for the prevalence of the issues, and propose possible solutions.

Confidentiality

The NTM survey is confidential. Confidentiality of the data is paramount to ensure the greatest degree of participation, integrity and confidence in the quality of the data. The paper-based and electronically captured data is transmitted to ITC at the end of the survey.

Sampling technique

The selection of companies for the phone screen interviews of the NTM survey is based on the stratified random sampling. In a stratified random sample, all population units are first clustered into homogeneous groups ('strata') according to predefined characteristics, chosen to be related to the major variables being studied. In the NTM surveys, companies are stratified by sector, as the type and incidence of NTMs are often product-specific. Then simple random samples are selected within each sector.

The NTM surveys aim to be representative at the country level. A sufficiently large number of enterprises should be interviewed within each export sector to ensure that the share of enterprises experiencing burdensome NTMs is estimated correctly and can be extrapolated to the entire sector. To achieve this objective, a sample size for the telephone interviews with exporting companies is determined independently for each *export sector*.⁴¹

For importing companies, the sample size is defined at the country level. The sample size for importing companies can be smaller than the sample size for exporters, mainly for two reasons. First, the interviewed exporting companies are often import intermediaries and provide reports on their experiences with NTMs as both exporters and importers. Second, problems experienced by importing companies are generally linked to domestic regulations required by their home country. Even with a small sample size for importing companies, the effort is made to obtain a representative sample by import sectors and the size of the companies.

Exporting companies have difficulties with both domestic regulations and regulations applied by partner countries that import their products. Although the sample size is not stratified by company export destinations, a large sample size permits a good selection of reports related to various export markets (regulations applied by partner countries). By design, large trading partners are mentioned more often during the survey because it is more likely that the randomly selected company would be exporting to one of the major importing countries.

The sample size for face-to-face interviews depends on the results of the telephone interviews.

Average sample size

The number of successfully completed telephone interviews can range from 150 to 1,000, with subsequent 150 to 300

⁴¹The sample size depends on the number of exporting companies per sector and on the assumptions regarding the share of exporting companies that are affected by NTMs in the actual population of this sector. The calculation of a sample size will be based on the equation below (developed by Cochran, 1963) to yield a representative sample for proportions in large populations (based on the assumption of normal distribution).

$$n = \frac{t^2 * p(1-p) * N}{d^2 * N + t^2 * p(1-p)}$$

Where

n : Sample size for large populations

t: t-value for selected margin of error (d). In the case of the NTM Survey 95% confidence interval is accepted, so t-value is 1.96.

face-to-face interviews with exporting and importing companies. The number of telephone interviews is mainly driven by the size and the structure of the economy, availability and quality of the business register and the response rate. The sample size for the face-to-face interviews depends on the number of affected companies and their willingness to participate.

Business registry

Prior to the survey, ITC compiles a registry of more than active exporters in the country, containing information on the type of products imported or exported by companies, together with their contact details. This registry was used to calculate the sample size and contact the companies for interviews.

Survey data analysis

The analysis of the survey data consists of constructing frequency and coverage statistics along several dimensions, including product and sector, NTMs and their main NTM categories (for example, technical measures, quantity control measures), and various characteristics of the surveyed companies (for example, size and degree of foreign ownership).

The frequency and coverage statistics are based on 'cases'. A case is the most disaggregated data unit of the NTM survey. By construction, each company participating in a face-to-face interview reports at least one case of burdensome NTMs, and, if relevant, related POs and problems with the trade-related business environment.

Each case of each company consists of one NTM (a government-mandated regulation, for example, a sanitary and phytosanitary certificate), one product affected by this NTM, and a partner country applying the reported NTM. For example, if there are three products affected by the same NTM applied by the same partner country and reported by one company, the results would include three cases. If two different companies report the same problem, it would be counted as two cases.

The scenario where several partner countries apply the same type of measure is recorded as several cases. The details of each case (e.g. the name of the government regulations and their strictness) can vary, as regulations mandated by different countries are likely to differ. However, if the home country of the interviewed companies applies an NTM to a product exported by a company to several countries, the scenario will be recorded as a single NTM case. When an interviewed

- p: The estimated proportion of an attribute that is present in the population. In the case of the NTM survey, it is a proportion of companies that experience burdensome NTMs. As this proportion is not known prior to the survey, the most conservative estimate leading to a large sample size is employed, that is $p=0.5$.
- d: Acceptable margin of error for the proportion being estimated. In other words, a margin of error that the researcher is willing to accept. In the case of NTM survey $d=0.1$.

Source: Cochran, W. G. 1963. *Sampling Techniques*, 2nd Ed., New York: John Wiley and Sons, Inc.

company, both exports and imports and reports cases related to both activities, it is included in the analysis twice – once for the analysis of exports and once for the analysis of imports. The distinction is summarized in the Table below.

Dimensions of an NTM case

Dimensions	Country applying	
	Home country (where survey is conducted)	Partner countries and transit countries
Reporting company	✓	✓
Affected product (HS 6-digit code or national tariff line)	✓	✓
Applied NTM (measure-level code from the NTM classification)	✓	✓
Trade flow (export or import)	✓	✓
Partner country applying the measure	✗	✓

Cases of POs and problems with the business environment are counted in the same way as NTM cases. The statistics are provided separately from NTMs; even though, in certain instances, they are closely related. For example, delays can be caused by the pre-shipment inspection requirements. As many of the POs and problems with the business environment are not product specific, the statistics are constructed along two dimensions: type of obstacles and country where they occur, as well as agencies involved.

Enhancing local capacities

The NTM surveys enhance national capacities by transmitting skills and knowledge to a local partner company. ITC does not implement the NTM surveys, but guides and supports the local survey company and experts.

Before the start of the NTM survey, the local partner company, including project managers and interviewers are fully trained on the different aspects of the NTMs, the international NTM classification and the ITC NTM Survey methodology. ITC representatives stay in the country for the survey launch and initial interviews, and remain in contact with the local partner during the entire survey duration, usually around six months, to ensure a high-quality survey implementation. ITC experts closely follow the work of the partner company and provide regular feedback on the quality of the captured data (including classification of NTMs) and the general development of the survey, which helps the local partner to overcome any possible problems.

ITC also helps to construct a business register (list of exporting and importing companies with contact details), which remains at the disposal of the survey company and national stakeholders. The business register is a critical part of any company-level survey, but unfortunately, it is often unavailable, even in advanced developing countries.

ITC invests much time, effort and resources into constructing a national business register of exporting and importing companies. The initial information is obtained with the help of national authorities and other stakeholders (for example, sectoral associations). In cases where it is not available from government sources or a sectoral association, ITC purchases information from third companies, and in certain cases digitalizes it from paper sources. The information from various sources is then processed and merged into a comprehensive list of exporting and importing companies.

Upon completion of the NTM Survey, the local partner company is fully capable of independently implementing a follow-up survey or other company-level surveys as it is equipped with the business register and trained on the survey methodology as well as trade and NTM-related issues.

Caveats

The utmost effort is made to ensure the representativeness and the high quality of the NTM Survey results, yet several caveats must be kept in mind.

First, the NTM Surveys generate perception data, as the respondents are asked to report burdensome regulations representing a serious impediment to their exports or imports. The respondents may have different scales for judging what constitutes an impediment. The differences may further intensify when the results of the surveys are compared across countries, stemming from cultural, political, social, economic and linguistic differences. Some inconsistency may be possible among interviewers. For example, these are related to matching reported measures against the codes of the NTM classification due to the complex and idiosyncratic nature of NTMs.

Second, in many countries a systematic business register covering all sectors is not available or incomplete. As a result, it may be difficult to ensure random sampling within each sector and a sufficient participation rate in smaller sectors. Whenever this is the case, the NTM survey limitations are explicitly provided in the corresponding report.

Finally, certain NTM issues are not likely to be known by the exporting and importing companies. For example, exporters may not know the demand-side constraints behind the borders. An example is 'buy domestic' campaigns. The scope of the NTM survey is limited to legally operating companies and does not include unrecorded trade, for example shuttle traders.

Following up on the ITC Non-Tariff Measure Survey

The findings of each ITC NTM Survey are presented and discussed at a stakeholder workshop. The workshop brings together government officials, experts, companies, donors, non-governmental organizations (NGOs) and academics. It fosters a dialogue on NTM issues and helps identify possible solutions to the problems experienced by exporting and importing companies.

The NTM survey results serve as a diagnostic tool for identifying and solving predominant problems. These problems can be addressed at the national or international level. The NTM survey findings can also serve as a basis for designing projects to address the challenges identified and for supporting fundraising activities.

Appendix III Non-tariff measures classification

Importing countries are very idiosyncratic in the ways they apply non-tariff measures (NTMs). This called for an international taxonomy of NTMs, which was prepared by the Multi-Agency Support Team, a group of technical experts from eight international organizations, including the Food and Agricultural Organization of the United Nations, the International Monetary Fund, ITC, the Organisation for Economic Co-operation and Development, the United Nations Conference on Trade and Development, the United Nations Industrial Development Organization, the World Bank and WTO. It is used to collect, classify, analyse and disseminate information on NTMs received from official sources such as government regulations.

For the purpose of the large-scale company surveys on NTMs, ITC uses a simplified version of this international classification.

The NTM classification for surveys differentiates measures according to 16 chapters (denoted by alphabetical letters, see below), each comprising sub-chapters (denoted by two letters) and the individual measures (denoted by two letters and a number). The following sketches the content of each of the 16 chapters.

Chapter A – Technical Regulations

Product-related requirements that are legally binding and set by the importing country. They define the product characteristics, technical specifications of a product or the production process and post-production treatment and comprise the applicable administrative provisions, with which compliance is mandatory. Technical requirements include sanitary and phytosanitary measures, which are generally implemented to protect human, animal and plant life, and health.

Chapter B – Conformity Assessment

Measures determining whether a product or a process complies with the technical requirements specified under Chapter A. It includes control, inspection and approval procedures – such as testing, inspection, certification and traceability – which confirm and control that a product fulfils the technical requirements and mandatory standards imposed by the importing country, for example, to safeguard the health and safety of consumers.

Chapter C – Preshipment Inspection and Other Formalities

Practice of checking, consigning, monitoring and controlling the shipment of goods before or at entry into the destination country.

Chapter D – Trade remedies

Measures implemented to counteract particular adverse effects of imports in the market of the importing country, including measures aimed at "unfair" foreign trade practices, contingent upon the fulfilment of certain procedural and substantive requirements. They are also known as trade contingent protective measures.

Chapter E – Quantity Control Measures

Measures that restrain the quantity of goods that can be imported, regardless of whether they come from different sources or from one specific supplier. These measures can take the form of restrictive licensing, fixing of a predetermined quota or through prohibitions.

Chapter F – Charges, taxes and price-Control Measures

Measures implemented to control the prices of imported articles in order to: support the domestic price of certain products when the import price of these goods is lower; establish the domestic price of certain products because of price fluctuation in domestic markets, or

price instability in a foreign market; and counteract the damage resulting from the occurrence of 'unfair' foreign trade practices.

Chapter G – Finance Measures

Measures that are intended to regulate the access to and cost of foreign exchange for imports and define the terms of payment. They may increase import costs in the same manner as tariff measures.

Chapter H – Anti-Competitive Measures

Measures intended to grant exclusive or special preferences or privileges to one or more limited groups of economic operators.

Chapter I – Trade-Related Investment Measures

Measures that restrict investment by requesting local content, or requesting that investment be related to export to balance imports.

Chapter J – Distribution Restrictions

Restrictive measures related to the internal distribution of imported products.

Chapter K – Restrictions on Post-Sales Services

Measures restricting the provision of post-sales services in the importing country by producers of exported goods.

Chapter L – Subsidies

Measures related to financial contributions by a government or government body to a production structure, be it a particular industry or company, such as direct or potential transfer of funds (e.g. grants, loans, equity infusions), payments to a funding mechanism and income or price support.

Chapter M – Government Procurement Restrictions

Measures controlling the purchase of goods by government agencies, generally by preferring national providers.

Chapter N – Intellectual Property

Measures related to intellectual property rights in trade. Intellectual property legislation covers patents, trademarks, industrial designs, layout designs of integrated circuits, copyright, geographical indications and trade secrets.

Chapter O – Rules of Origin

Covers laws, regulations and administrative determinations of general application applied by the governments of importing countries to determine the country of origin of goods.

Chapter P – Export-related Measures

Encompasses all measures that countries apply to their exports. It includes export taxes, export quotas or export prohibitions, among others.

The structure of the NTM classification for ITC surveys

Non-tariff measures classification for surveys

A to O. Import related measures

Measures imposed by the country importing the goods. From the perspective of an exporter, these are the measures applied by the destination country of your product. From the perspective of an importer, these are the measures applied by your own country on the goods that you import.

Technical measures	A. Technical requirements	
	B. Conformity assessment	
Non-technical measures	C. Pre-shipment inspection and other entry formalities	
	D. Trade remedies (antidumping, countervailing and safeguards)	
	E. Quantity control measures (e.g. licences, quotas, prohibitions)	
	F. Charges, taxes and price control measures	
	G. Finance measures	
	H. Anti-competitive measures	L. Subsidies
	I. Trade-related investment measures	M. Government procurement restrictions
	J. Distribution restrictions	N. Intellectual property
	K. Restriction on post-sales services	O. Rules of origin and related certificate of origin

P. Export related measures

Measures imposed by the country exporting the goods. From the perspective of an exporter, these are the measures imposed by your own country on the goods you export from your country. From the perspective of an importer, these measures are imposed by the country of origin on the goods you import from this country.

P.O. List of procedural obstacles

This list provides a categorization of the problems related to NTMs that exporters and importers experience.

February 2015

Source: International Trade Centre, NTM classification adapted for ITC surveys, 2015 (unpublished document).

Appendix IV Procedural obstacles

Following is a list of POs related to compliance with non-tariff measures and to an inefficient trade-related business environment and infrastructure.

A

Administrative burdens related to regulations

- A1. Large number of different documents
- A2. Documentation is difficult to fill out
- A3. Difficulties with translation of documents from or into other languages
- A4. Numerous administrative windows/organizations involved, redundant documents

B

Information or transparency issues

- B1. Information on selected regulation is not adequately published and disseminated
- B2. No due notice for changes in selected regulation and related procedures
- B3. Selected regulation changes frequently
- B4. Requirements and processes differ from information published

C

Discriminating behaviour of officials

- C1. Arbitrary behaviour of officials regarding classification and valuation of the reported product
- C2. Arbitrary behaviour of officials with regards to the reported regulation

D

Time constraints

- D1. Delay related to reported regulation
- D2. Deadlines set for completion of requirements are too short

E

Informal or unusually high payments

- E1. Unusually high fees and charges for reported certificate/regulation
- E2. Informal payment, e.g. Bribes for reported certificate/regulation

F

Lack of sector-specific facilities

- F1. Limited/inappropriate facilities for testing
- F2. Limited/inappropriate facilities for sector-specific transport and storage, e.g. Cold storage, refrigerated trucks
- F3. Other limited/inappropriate facilities, related to reported certificate/regulation

G

Lack of recognition or accreditations

- G1. Facilities lacking international accreditation/recognition
- G2. Other problems with international recognition, e.g. lack of recognition of national certificates

H

Other procedural obstacles

- H1. Other procedural obstacles

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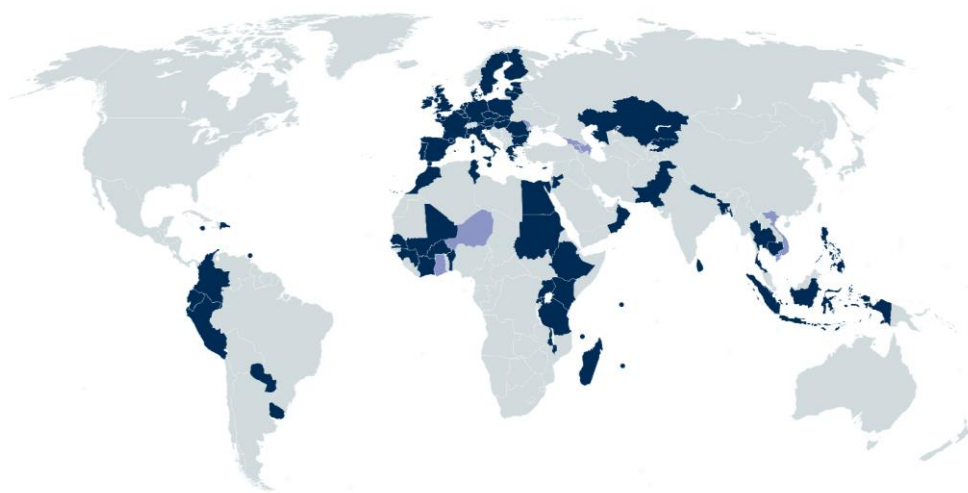
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ITC BUSINESS SURVEYS

Available cross-country reports

- Made by Africa: Creating Value through Integration (2022)
- From Europe to the World: Understanding Challenges for European Businesswomen (2019)
- Navigating Non-Tariff Measures: Insights from a Business Survey in the European Union (2016)
- Making regional integration work – Company perspectives on non-tariff measures in Arab States (2015)
- The Invisible Barriers to Trade: How Businesses Experience Non-Tariff Measures (2015)
- Non-Tariff Measures and the fight against malaria: Obstacles to trade in anti-malaria commodities (2011)

Country reports



Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.



Available Country Reports

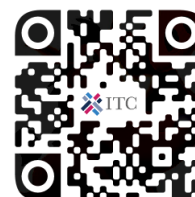
Bangladesh (2017)	Kazakhstan (2014)	Rwanda (2014)
Benin (2017)	Kenya (2014)	Senegal (2014)
Burkina Faso (2011)	Kyrgyzstan (2018)	Sri Lanka (2011)
Cambodia (2014)	Madagascar (2013)	State of Palestine (2015)
Comoros (2018)	Malawi (2013)	Sudan (2021)
Côte d'Ivoire (2014)	Mali (2018)	Thailand (2016)
Ecuador (2018)	Mauritius (2014)	Trinidad and Tobago (2013)
Egypt (2016)	Morocco (2012)	Tunisia (2014)
Ethiopia (2018)	Nepal (2017)	Uganda (2018)
European Union (2016)	Oman (2021)	United Republic of Tanzania (2014, 2022)
Guinea (2015)	Pakistan (2020)	Uruguay (2013)
Indonesia (2016)	Paraguay (2013)	
Jamaica (2013)	Peru (2012)	
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