



Issues on NTMs in Some Countries

Jakarta,
19 April 2018

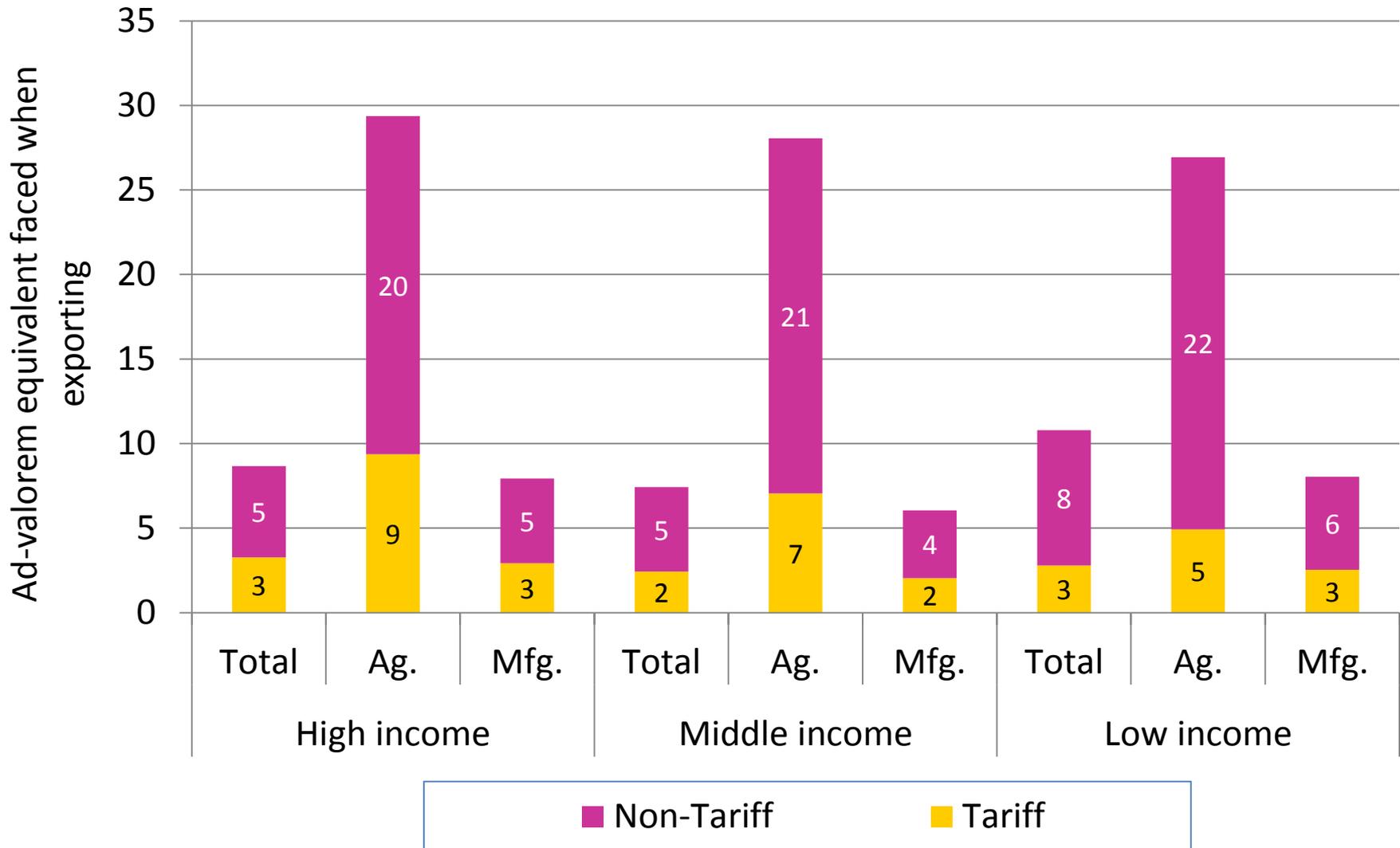
Dr. Ernawati Munadi

Proyek Kemitraan Indonesia-Australia untuk
Perekonomian (PROSPERA)

Outlines

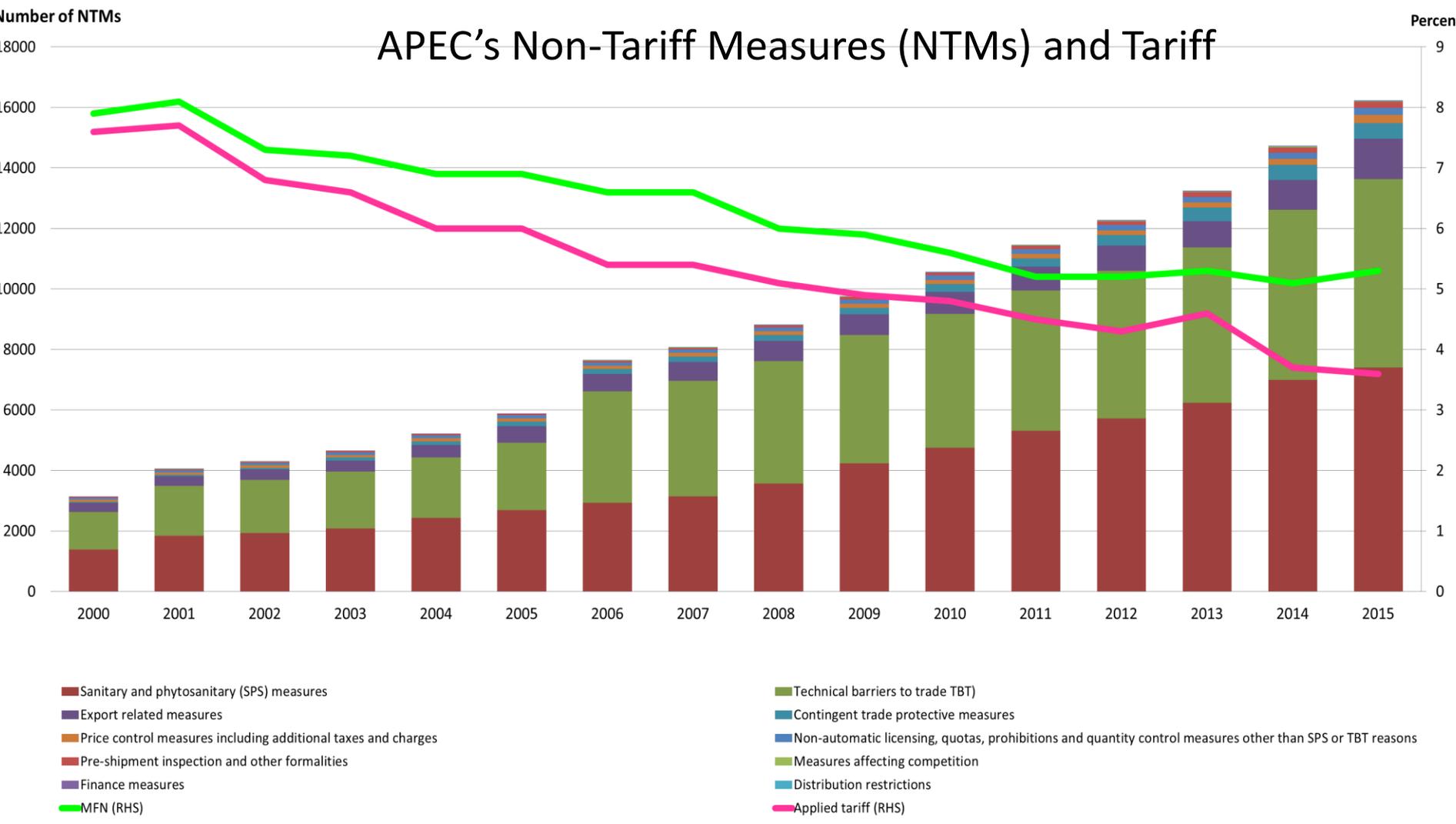
- Why NTMs is matter
- Issues on NTMs
 - NTMs is Less Transparency
 - Burdensome NTMs and Procedural Obstacles
 - Specific Issues on NTMs by Country
- Summary and Recommendations

The impact of NTMs is higher than tariff, particularly on Agriculture Products



While the use of tariff has declined, the use of NTMs has significantly increased

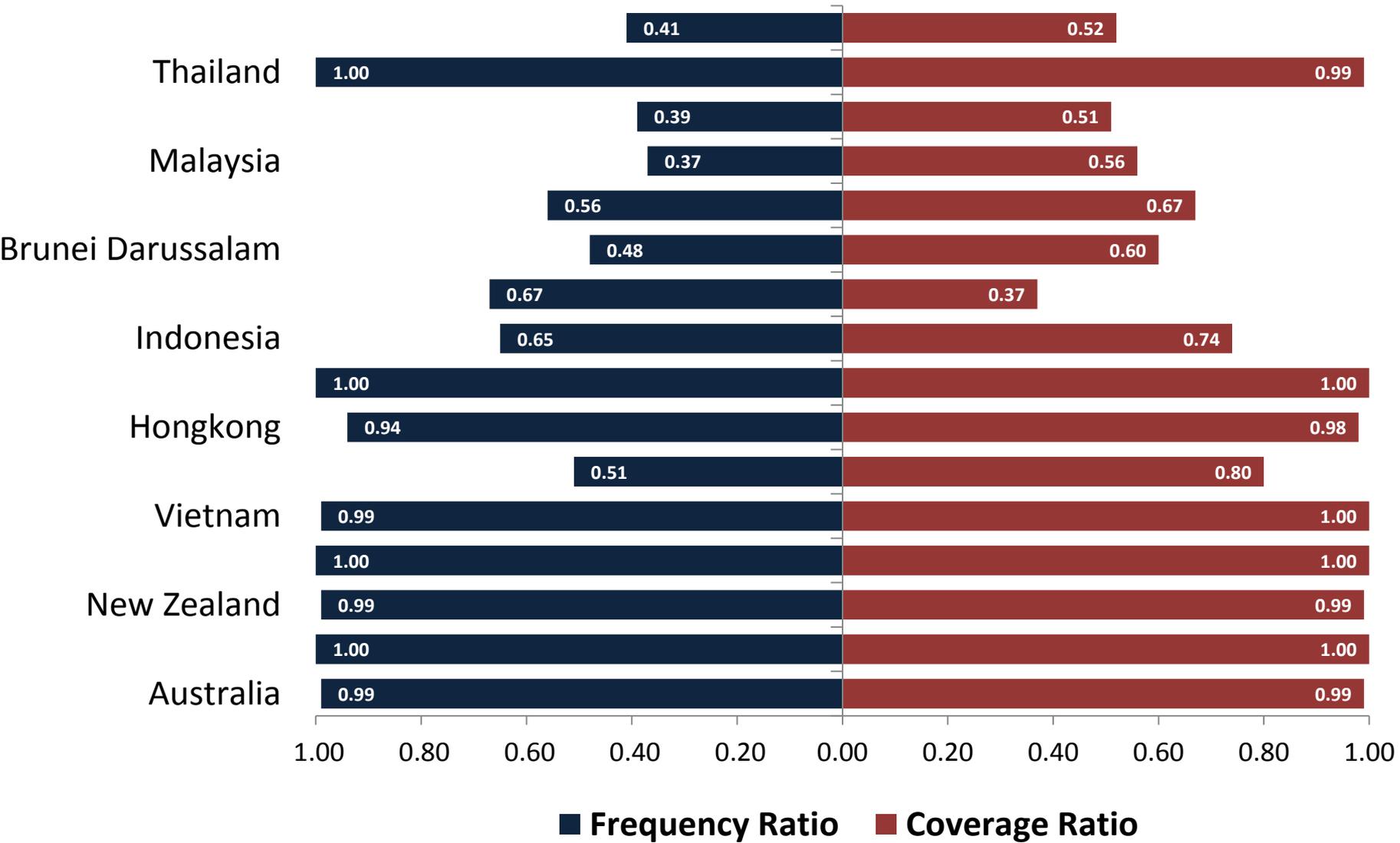
APEC's Non-Tariff Measures (NTMs) and Tariff



Source: 2016 UNCTAD NTM database, Calculated by Author

Note: Due to unavailable data, South Korea, Philippines, Taiwan, PNG, Canada, USA and Russia are not included in the analysis

Most traded products are today covered by one measures or another (100% coverage ratio), APEC members



Source: 2016 UNCTAD NTM database, Calculated by Author

Note: Due to unavailable data, South Korea, Philippines, Taiwan, PNG, and Russia are not included in the analysis

Compared with tariff, NTMs is Less Transparency

- **Broad definition of NTMs** : Sanitary and Phytosanitary Standards, Technical Barriers to trade and Pre-shipment Inspections, and price and quantity control measures, threat measures (e.g. antidumping and safeguards), and trade-related finance and investment measures.
- Unlike tariff, **NTMs data are not expressed as numerical values** but are often complex pieces of regulation.
 - often introduced to address market failures
 - to assess their impacts on trade and welfare is challenging.

Compared with tariff, NTMs is Less Transparency

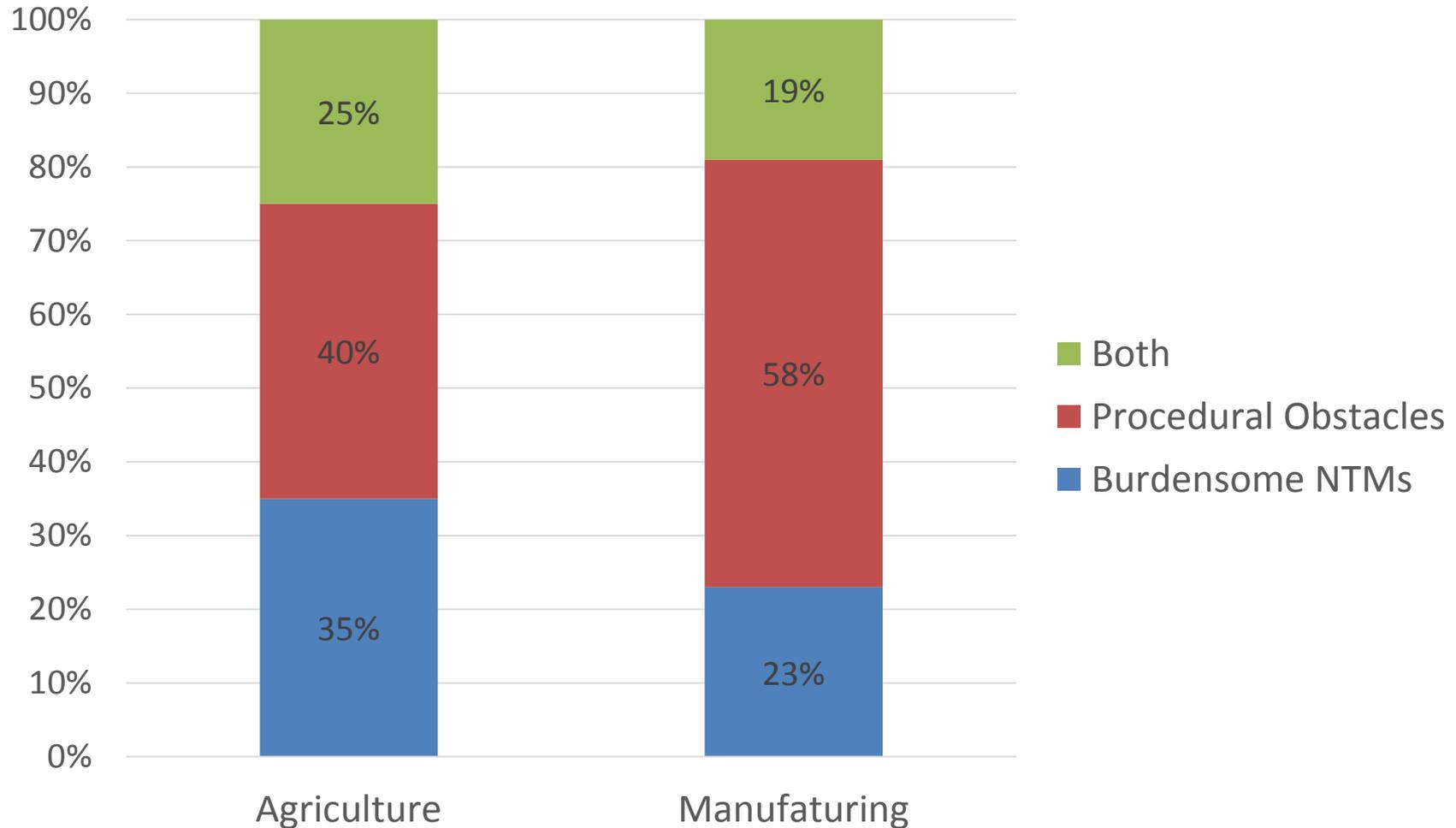
- NTMs is **fragmented and spread over** a large number of government agencies which has different mandates.
 - Personnel are unlikely to have much in common in term of training and vision – **NTMs are so purely designed.**
 - The externalities would not be taken into account in national decision making – **Outcome wouldn't be optimal.**
 - **Coordination problem exists** within countries in the area of NTMs – both developing and implementation

Compared with tariff, NTMs is Less Transparency

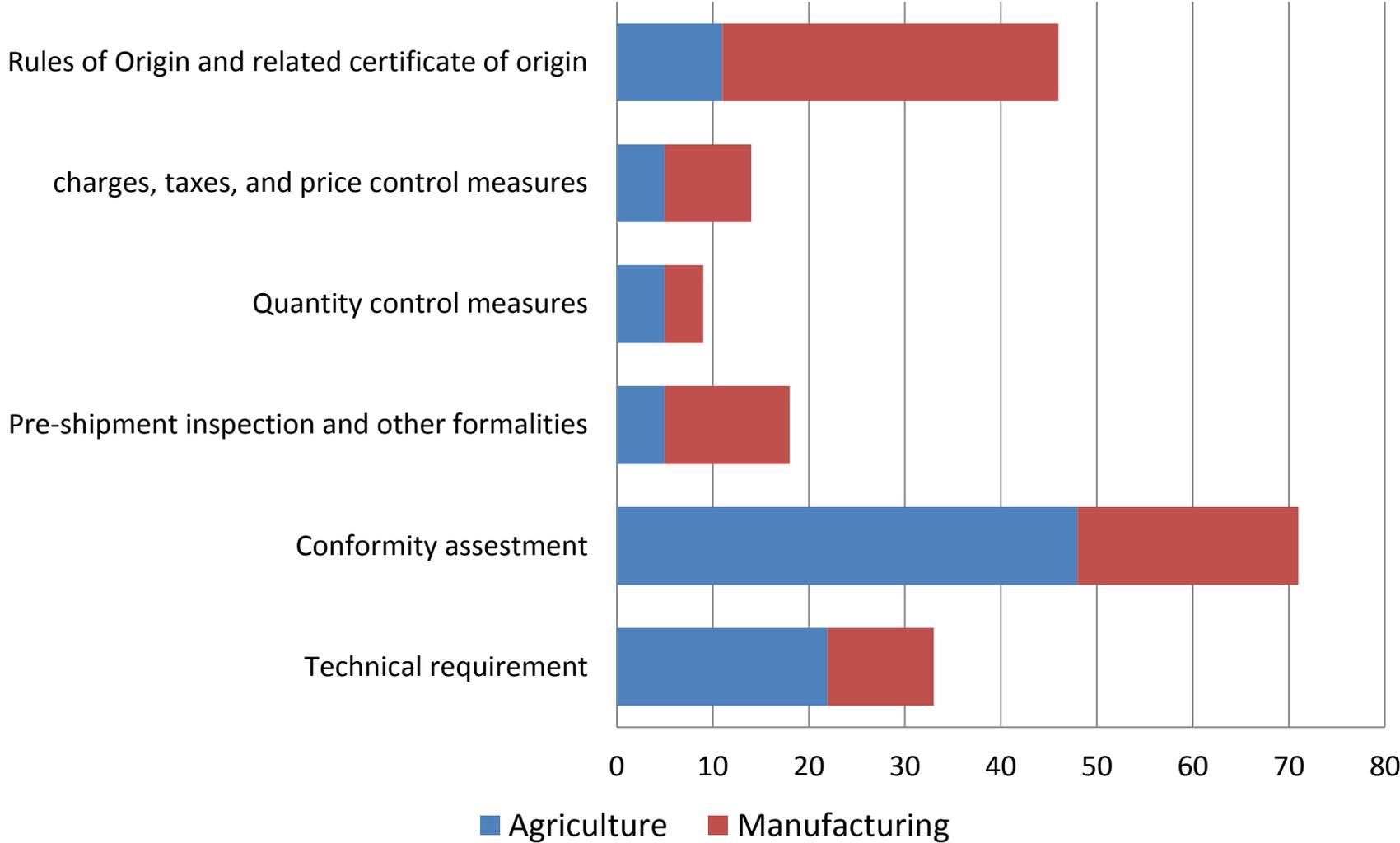
- Drafting regulations process is not inclusive, implementation is not clear.
- There is no mechanism to periodically review regulations.
- Resulted on a negative impact on businesses - implementation costs, its financial and time-prolonging.

Procedural Obstacles has created more problems for exporters than Burdensome NTMs

Issues related to NTMs for exporters

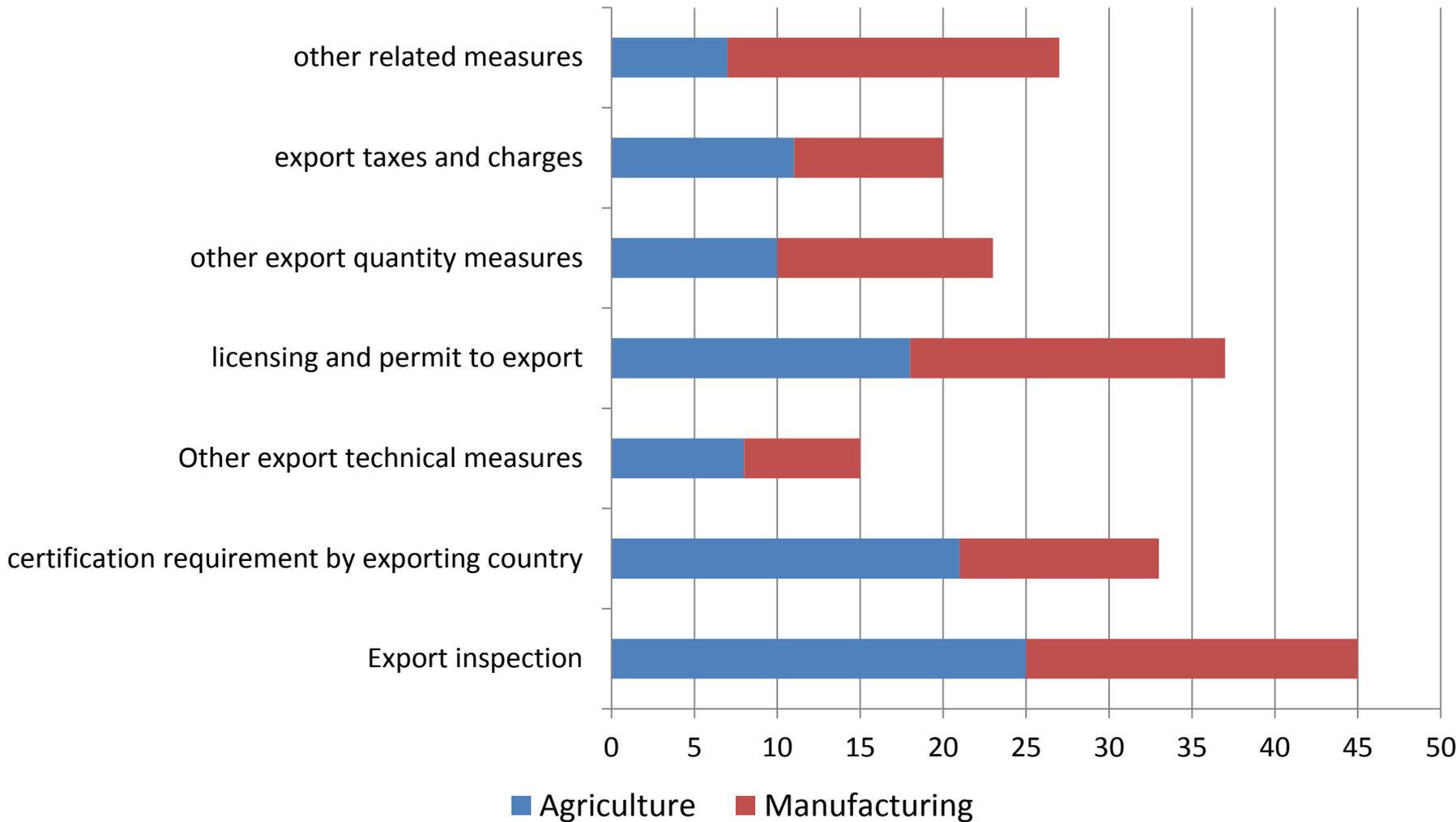


Burdensome NTMs applied by partner countries



Source: ICT Series on NTMs, 2010 – 2016, Compiled by Author

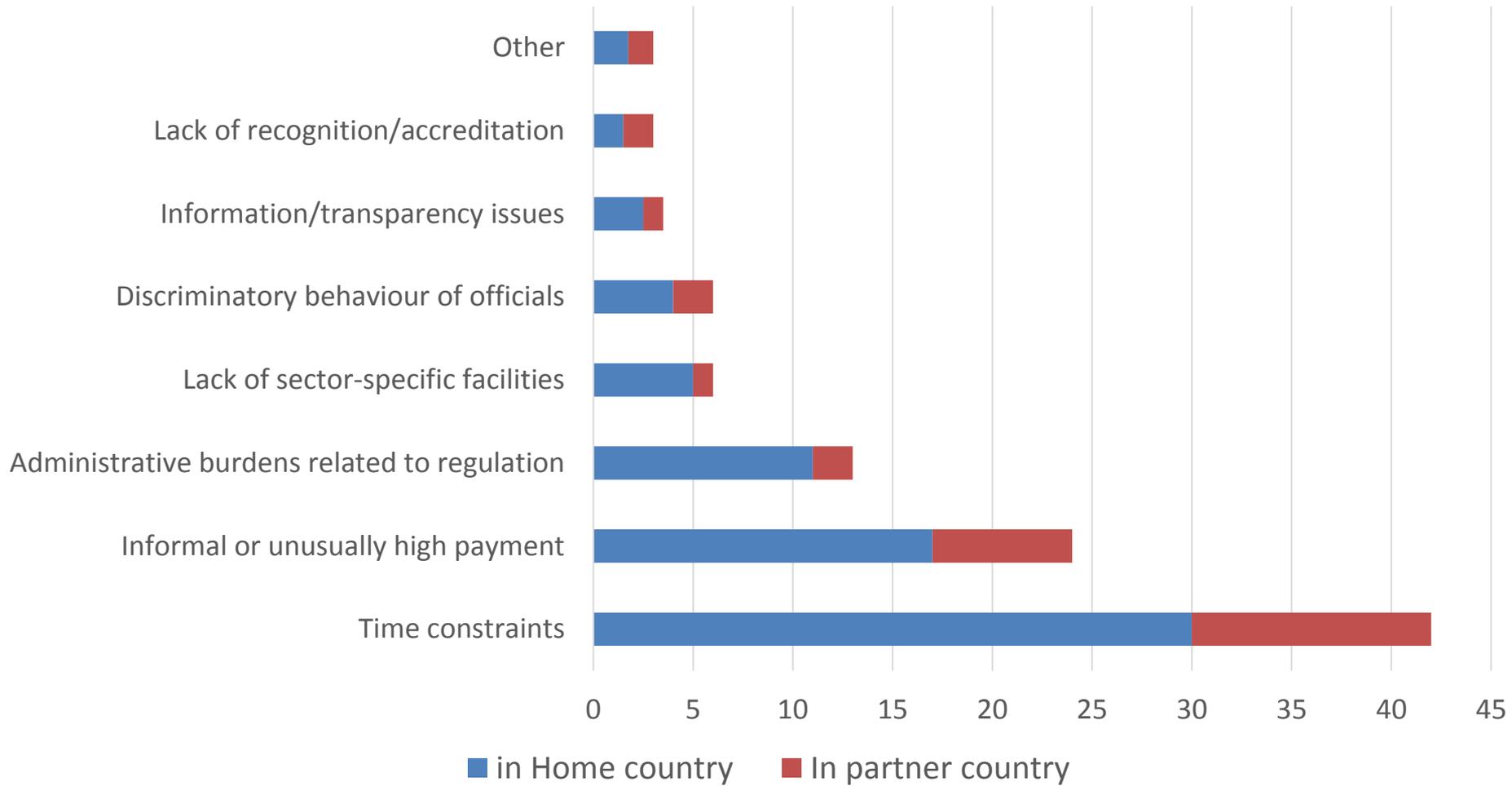
Burdensome NTMs applied by home country to export



Source: ICT Series on NTMs, 2010 – 2016, Compiled by Author

NTMs related-Procedural Obstacles

Procedural obstacles related to NTMs applied to exports (%)



Specific Issues Facing by European Businesses

Burdensome NTMs	Specific issues	Detail Issues
Conformity assessment	Strict certification requirements	<ul style="list-style-type: none"> Exporting malt extract to Indonesia need to obtain ‘a health certificate which requires a very detailed and precise product description. Exporting lamb to Ghana requires a Health Certificate issued by a vet. The certificate has to be immaculate, a small typo could result in the goods being rejected.
	Complex certification procedures	<ul style="list-style-type: none"> Exporting lamps and lighting fittings to the USA needs certificate which can only be issued by SGS in Switzerland. Obtaining Saudi Arabia’s halal certificate for frozen yogurt, exporter need to refer to an independent private organization in Austria due to the lack of a certifying authority in certain country. Export of Fabricated structural metal products to the Russian Federation requires product certification, which is only implemented by one public certifying authority in the Russian Federation – Rostechnadzor. Exporter of wooden windows to China need to obtain the China Compulsory Certificate (CCC), which can only be obtained after the products have been tested in China.
Technical requirements	Strict labelling requirements	<ul style="list-style-type: none"> Exporting to the USA, need to obtain a certificate of label approval which is very strict and include warnings to pregnant women, drunk driving, health issues, etc., and labels have to reflect content. Interpretation of labelling legislation for seafood differs from port to port in China. The company has to send details of the product labelling in advance of the shipment to the customs authority in the port. Exporting plastic tubes, pipes and hoses, and fittings to Saudi Arabia, requires ensuring that the COO appears on label of each item, as well as on the packaging and the pallets. Need to adjust its moulds, costly as only required by one partner country.
Export related measures	Procedural obstacles	<ul style="list-style-type: none"> Non-preferential certificate of origin issued by the Chamber of Commerce and Industry needs to be translated into Arabic and notarized by the Ministry of Foreign Affairs as well as the Embassy of Egypt in the country. It is allowed to put an origin declaration EUR.1 stamp on the invoices, however Dominican Republic Customs officials still requires hard copy of EUR.1 certificate.

Specific Issues Facing by Philippines's Businesses

Burdensome NTMs	Specific issues	Detail Issues
Conformity assessment	Strict requirements	<ul style="list-style-type: none"> The Middle East prohibits use of colour additives, preservatives and alcohol content. The regulation on alcohol contents is very strict and often become a reason to reject shipment as they detected a very tiny percentage of alcohol.
	POs: Complex product certification and testing	<ul style="list-style-type: none"> The need for companies to refer to an accredited third-party entity (mostly private but also sometimes public) designated by the regulator to perform the certification. Lack of local testing and certifying standards facilities has affected the exporter ability to comply lighting standard in the US and EU market. As a result, products have to be sent to Singapore or Hong Kong where facilities are available. Getting an SPS certificate for furniture export requires fumigation treatment on the per shipment basis. The Department of Agriculture's policy requires additional accreditation and certification, it is redundant given that exporter are already dealing with accredited private fumigators. Obtaining FDA product certification clearance (Certificate of Product Registration and Licence to Operate) for export is very difficult due to lack of facility. In some regions, there are only two people handling the processing that takes up to three years.
Technical requirements	Strict labelling requirements and Fumigation	<ul style="list-style-type: none"> Australia requires Australian Fumigation Accreditation Scheme (AFAS)-approved fumigation treatment of methyl bromide for exported products. Increased cost due to complying to testing, marking and supervision of the fumigation treatment. Importing chemicals used for the manufacture of bombs requires five to seven permits from chemicals regulating agencies including the Philippine National Police, Philippine Drug Enforcement Agency, and Comelec. DENR requires suppliers' contracts from exporters for the raw materials they use, however these are very difficult for suppliers to provide, and sometimes need to be notarized by embassies from the country of origin of the raw materials.
Export related measures	POs: Lengthy export procedures	<ul style="list-style-type: none"> Export documents must be submitted online, but BOC still require to manually deliver the ED forms, accompanied by P70 payment per shipment before the forms can be truly processed. Discrepancies in export procedure policies between Customs or port authorities. Lacks of administrative staff is the problem. The Bureau of Fisheries and Aquatic Resources requires HACCP certification from exporters. It involves 29 lab tests, even though HACCP is not required for some markets such as Japan, China and Chinese Taipei.

Specific Issues Facing by Indonesian Businesses

Burdensome NTMs	Specific issues	Detail Issues
Technical requirements	Strict labelling requirements and Fumigation	<ul style="list-style-type: none"> • Strict environmental and food safety standards (stringent SPS measures) have created difficulties to comply due to lack of human resource capacity to attain higher quality standards. • Fumigation has raised difficulty including re-fumigation of previously fumigated goods in the country of destination.
	Others	<ul style="list-style-type: none"> • Non-automatic licensing as well as restrictions imposed on certain products, such as crude palm oil by Malaysia. • The need to procure a taxpayer identification number and other requisite documents, export inspection, and export registration.
	Procedural Obstacles	<ul style="list-style-type: none"> • All NTMs applied by Indonesian authority has related to POs such as administrative red tape and delays in the application process, high fees and charges, arbitrary behaviour by officials
Conformity assessment	Complex testing and certification procedures	<ul style="list-style-type: none"> • Difficulty to comply health regulations, SPS certification - export of coral and similar products to USA and EU is subject to international cyanide detection testing. • Exporters of natural honey reported has difficulty to comply national testing requirements of Brunei Darussalam, Malaysia and Singapore.
	Procedural Obstacles	<ul style="list-style-type: none"> • Administrative red tape and delays in application process
Export related measures	Inspections and other entry formalities	<ul style="list-style-type: none"> • Port restriction requirement of certain port is burdensome NTMs for export (double charges for inspections in each port). • Pre-shipment inspection carried out by government-approved surveyors at the loading port. • Export inspection and export registration
	Procedural Obstacles	<ul style="list-style-type: none"> • Administrative red tape and delays in application process
Rule of origin	Procedural obstacles	<ul style="list-style-type: none"> • Multiple windows to process for obtaining the certificate of origin is considered burdensome.
Other measures	Procedural obstacles	<ul style="list-style-type: none"> • Pre-shipment inspection and other entry formalities-delays, high fees or charges • Quantity control measures – the number of windows and organizations and redundant documents

Summary and Recommendations

- The problem with NTMs is not protectionism but regulatory incoherent resulted on NTMs bad design
 - They are not targeted at the right problem
 - Too broad ranging
 - They involve unduly cumbersome compliance verification mechanism
- Only NTBs should be eliminated, while NTMs should be improved to minimize their costs for the private sector.
- Given an objective of improvement rather than elimination, the issues become different.
 - Making NTMs less trade-distorting are essentially “better-regulation” problems
 - The improvement of domestic regulations.

Thank You