

The Financial Express, 12 February, 2018

Non-tariff measures: For trade, here is how challenge can be turned into opportunity

Policy orientation in modern-age trade negotiations has progressively turned to non-price measures looking beyond tariff liberalisation.

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Published: February 12, 2018 5:04 AM



A better information system for domestic exporter will assist upgrade of domestic industry to meet global norms. (Reuters)

Policy orientation in modern-age trade negotiations has progressively turned to non-price measures looking beyond tariff liberalisation. In the past, India's FTAs did not necessarily and always benefit domestic exports and exporters. Instead, imports increased more than exports in most cases. So, there exist instruments, other than custom tariffs, that are operative in constraining access to markets abroad. Such policy measures are referred to as non-tariff measures and predominantly include quality control measures; para-tariff measures such as anti-dumping and safeguards measures; technical barriers

to trade (TBTs) for manufactured goods; and sanitary and phytosanitary (SPS) measures for food products, plants and animals.

According to data collected by the United Nations Industrial Development Organisation (UNIDO), TBTs, quality control and SPS are the most prevalent non-tariff measures exercised globally. On an average, countries impose TBTs, quality control and SPS on 32%, 24% and 16% of trade, respectively. Compliance to non-tariff measures such as TBT and SPS requires meeting stated process benchmarks and certifications, which add to costs, thus wearing out the competitive advantage due to low labour costs or enhanced market access acquired through tariff cuts during negotiations.

An earlier survey of Indian exporters has revealed the non-tariff measures experienced in the US, UAE, UK, Germany, France, Japan, Kenya and New Zealand, citing predominant procedural obstacles in the form of arbitrary or inconsistent behaviour and non-transparent practices. The frequent revisions of TBTs and SPS standards demonstrate a 'goalpost change syndrome' in developed countries, where the attempt is to introduce tougher and prohibitive norms, making compliance more difficult for the exporting partner, which is generally a developing country. India's affected export sectors include industries with competitive advantage—textiles, leather, electrical equipment, electronics and chemicals. India's own non-tariff measures mostly cover food, engineering equipment, medical equipment, metal, and gems and jewellery. India has participated in non-tariff measure regimen through specifying the labelling requirements, registration procedures, certifications and test, quarantined requirements, and measures for food products.

India's most recent engagement in negotiations has been that on the RCEP agreement. The regional dimensions of the proposed RCEP will be the among the sturdiest, with a combined share of 30% in world GDP and 40% in world trade. Evaluation of benefits from trade is seminal to assessing the potential from an international arrangement of such high order. For India, regional trade with 15 RCEP member nations is significant, accounting for 18.9% of India's world exports. Even more important is the import relationship, with the share

of imports from RCEP as high as 35.5%. Therefore, the issues of import are likely to be tougher as India's import dependence on RCEP is notably higher than for exports. India has a high intra-RCEP trade deficit, too.

The prevalent use of TBT and SPS measures in Japan (an RCEP member) and by developed regions such as the EU has highlighted India's inability to address the challenge for its exporters. Flexing muscles for tariff cuts alone will not be of much use unless supported with simultaneous negotiations on mutual recognition of TBTs and SPS between trading partners. Since future trade wars are likely to be battled on non-price measures, understanding the TBT and SPS regime of partners becomes essential. This will have dual benefits. On export front, information on measures adopted in partner countries will enable India to expand opportunities of mutual trade through signing of Mutual Recognition Agreements.

A better information system for domestic exporter will assist upgrade of domestic industry to meet global norms. On import front, improved domestic standards will be useful to raise and tighten standards in India's notifications on TBTs and SPS. Stricter norms for imports will not only benefit through better health and safety of human life, plants and animals, but will also provide a level-playing field to India in negotiations on TBTs and SPS.

Thus, addressing the information gap with regard to TBTs and SPS measures between India and its trade partners is instrumental in realising the trade potential. This is a common priority, both for exports and imports, which can be useful in turning the non-tariff measure challenge into an opportunity for trade.

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