Standards and Technical Regulations

Why are they important?

• Set the rules on entering the market
• Can lead to increased costs for exporters
• Tough to measure impact
• Trade agreement disciplines can be limited
Outline

• WTO TBT Agreement
• Assumptions
  – Data Source: WTO Member notifications
• Findings
  – Size of the link
  – Leading countries
  – Leading industries
• Robustness test: UNCTAD NTMs
• Why does it matter?
• What is ITA doing about it?
WTO TBT Agreement

• Seeks to ensure regulations, testing procedures, and certification procedures do not create unnecessary obstacles to trade

• Obligates members to notify pending technical regulations that
  – “may have significant effect on trade”
  – not “in accordance with relevant international standards”
WTO TBT Agreement - Notifications

- Notifications are NOT necessarily TBTs
- Only cover new measures
- Many contain information on products affected
Assumptions

- WTO notifications
  - underrepresent the stock of regulations with trade impact
  - are a good proxy for the overall global regulatory environment

- **KEY ASSUMPTION:**
  A notification by one economy for a particular product can be linked to all global exports and U.S. exports.
Data Source: WTO Member Notifications

- WTO notifications from
  January 1, 2006 to August 18, 2015

- Commodity classification information at
  Harmonized System 4-digit or 6-digit level
Findings: Goods Exports Covered by WTO Notifications

92.9% of world exports (2014)
91.7% of U.S. exports (2015)

Calculations based on WTO notifications from January 1, 2006 to August 18, 2015 by all WTO members

(Source: WTO notifications from WTO I-TIP database; 2015 U.S. export data from U.S. Department of Commerce; and 2014 global exports data from UN Comtrade.)
### Findings: Leading Countries by Number of Notifications

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of Notifications</th>
</tr>
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<tbody>
<tr>
<td>European Union</td>
<td>1,198</td>
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<tr>
<td>China</td>
<td>949</td>
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<tr>
<td>Saudi Arabia</td>
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<td>United States</td>
<td>856</td>
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<td>ISRAEL</td>
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<td>Uganda</td>
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<td>Brazil</td>
<td>445</td>
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<td>Kenya</td>
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<td>Qatar</td>
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<td>Bahrain</td>
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<td>Japan</td>
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<tr>
<td>Canada</td>
<td>310</td>
</tr>
<tr>
<td>Ecuador</td>
<td>310</td>
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</tbody>
</table>

Calculations based on WTO notifications from January 1, 2006 to August 18, 2015 by all WTO members.

* includes notifications made by the EU and its member states.

# excludes Hong Kong and Macao, which made a combined 25 notifications.

(Source: WTO notifications from WTO I-TIP database)
**Findings: Leading Countries by Number of Notifications**

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<td>390</td>
</tr>
<tr>
<td><strong>All others</strong></td>
<td><strong>6,028</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12,840</strong></td>
</tr>
</tbody>
</table>

Calculations based on WTO notifications from January 1, 2006 to August 18, 2015 by all WTO members.
* includes notifications made by the EU and its member states.
# excludes Hong Kong and Macao, which made a combined 25 notifications.
(Source: WTO notifications from WTO I-TIP database)
Top Commodities by Number of Notifications

Note: Based on entries created from notifications by all WTO members except the United States from January 1, 2006 to August 18, 2015. Only entries with an HS-4 or an HS-6 code were used. One measure may have multiple entries under the same HS classification. (Source: WTO notifications from WTO I-TIP database.)
Finding: Notifications in Each 4-digit Category

- **Textiles and Shoes**
  - Furniture/bedding
  - Apparel, fabrics, fibers, filaments
  - Footwear

- **Foods and agricultural products**
  - Meat, prepared meat/fish
  - Coffee/tea, sugar, vegetables, fruits
  - Milling products and cereals

- **Other chemical products**
  - Explosives
  - Fertilizers
Findings: What is NOT frequently notified?

- Certain raw or natural materials
  - Nickel and tin goods
  - Cork and wood pulp
  - Straw goods
  - Live trees/plants
  - Pearls and precious stones

- Certain consumer goods
  - Photography/cinematography goods
  - Artworks and antiques
  - Clocks and watches
  - Umbrellas
  - Musical instruments
Robustness Test: UNCTAD TBT NTMs

- Classified by UNCTAD experts
- Based on official government documents
- Only available for selected economies

- Focus: European Union (2012-2014)
Robustness Test: Goods Exports Covered by UNCAT TBT NTMs

94.4% of EU imports (6-digit level)

91.8% of EU imports (8-digit level)

Assumptions about WTO Notifications seem reasonable

(Source: EU TBT NTM Data from World Bank WITS; 2015 U.S. export data from U.S. Department of Commerce; 2014 HS-6 EU import data from UN Comtrade; and 2014 CN-8 EU import data from Eurostat.)
Recap

• **Assumptions**
  - WTO notifications are a good proxy for the overall global regulatory environment
  - One economy’s notification can be linked to all exports

• **Findings**
  - Size of the link: **92 to 93 percent**
  - Leading countries: **EU, China, Saudi, U.S.**
  - Leading industries: **Machinery, food, vehicles, cosmetics, fuel, textiles, etc.**

• **Robustness test**: UNCTAD NTMs
  - Size of the link: **92 to 94 percent**
  - Our assumptions seem reasonable
Why does it matter?

Standards and Technical Regulations are Important!

- Technical regulations are pervasive
- Differing regulations can create challenges for exporters
- Useful information to convince leadership to get more involved or devote more resources
What is ITA doing about it?

- Engaging on standards issues
  - *Success Story*: ASEAN Conformity Mark
  - *Success Story*: Automobiles in South America

- **ITA Messaging and Data Analysis**
Success Stories: ASEAN Conformity Mark

- ITA leads standards cooperation work with the ASEAN Consultative Committee on Standards and Quality (ACCSQ)

- Priority sectors for regulatory alignment include:
  - medical devices
  - building products
  - processed food
  - electrical products
  - autos
  - pharmaceuticals

- Engagement helps ensure U.S. products have access to the ASEAN regional market
Success Stories: ASEAN Conformity Mark

• **Issue:** Proposed ASEAN mark to verify conformance with harmonized requirements for low voltage electrical and electronic products

• **ITA response:**
  – Stakeholder engagement
  – Workshop for ACCSQ Conformity Assessment Group

• **Result:** ASEAN opted not to proceed with a mark
Success Stories: Autos in South America

• U.S. auto industry faces challenge as many markets shifting to accept EU-only auto standards

• **General Approach:** Ongoing engagement with the governments of the GCC, Israel, Algeria, Egypt, Morocco, Colombia, and Ecuador
  – ITA-led interagency meetings
  – Formal engagement through WTO TBT committee
Success Stories: Autos in South America

• **Issue:** Colombia & Ecuador propose new regulations that could have blocked U.S.-built autos

• **Response:** ITA and Industry Partnership with ANSI and Standards Alliance
  – April 2016 COPANT meeting: workshop on Automotive Standards and Regulations in the America
  – *Message:* set rules in the least trade-restrictive manner

• **Result:** Colombia & Ecuador continuing to accept both U.S. and European standards
Goal: make the case for devoting more resources and attention to standards

- Partnership with Stakeholders
- Messaging Documents
- Data Analysis and Visualization
Standards & Regulations

Measuring the Link to Goods Trade

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Office of Standards and Investment Policy (OSIP)

http://www.trade.gov/td/osip/