Spotlight on the invisible barriers to trade

Capturing the experiences of Nepali exporters with non-tariff measures

Ursula Hermelink, Samidh Shrestha
NTM Survey launch, Kathmandu, Nepal
17 March 2016
In close collaboration with national and international partners

Ministry of Commerce, Nepal

Kusom
Ahead in Management

UKaid
from the Department for International Development

ITC
TRADE IMPACT FOR GOOD
1. **Some context: ITC’s surveys on NTMs**

2. The NTM Survey implementation in Nepal

3. How you can support us

4. Feedback / Discussion
Definitions

Non-tariff measures (NTMs)

Official policy measures on export and import, other than ordinary customs tariffs, than can potentially have an effect on international trade in goods, changing quantities traded, or prices or both.

Mandatory requirements, rules or regulations legally set by the government of the exporting, importing or transit country (in contrast to private standards which are not legally set)

Can affect both export and import
NTM & Trade obstacles Definitions

NTMs
Policy measures, other than ordinary customs tariffs, that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both. (GNTB MAST, 2009).

Excessively strict/complex requirements
The requirements are too strict or complex to comply with.

Procedural Obstacles
Practical challenges or administrative hurdles which make compliance with NTMs difficult.

Business Environment
General operating conditions in the country that are not related to NTMs but which may hinder a company’s ability to trade.

NTBs: NTMs that have a ‘protectionist or discriminatory intent’
ITC’s Programme on Non-tariff Measures

**Pillar 1**

**NTM Data Collection**
- Transparency pillar: making regulations publicly available
- Searchable by HS code, country, NTM
- Dissemination through Market Access Map
  www.macmap.org

**Pillar 2**

**Business Surveys**
- Giving SMEs a voice: identifying trade obstacles
- Surveys of exporters and importers on their experiences with government regulations
  www.ntmsurvey.org

**Pillar 3**

**Follow Up Actions**
- Overcoming trade obstacles: designing technical assistance to overcome trade obstacles
- E.g.: Trade Obstacles Alert mechanism
  www.tradeobstacles.org
### Survey Methodology: Scope

#### Goods
- Covers companies involved in international trade in goods.
- Products from all sectors included except minerals and arms.

#### Services
- The survey does not cover companies involved in cross-border trade in services such as tourism, banking, finance, telecommunication and BPO.
- A survey on trade in services requires a different methodology.

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**NTM Survey covers the following sectors:**

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; consumer electronics
10. Electronic components
11. Transport equipment
12. Clothing
13. Miscellaneous manufacturing

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Two-step interview process

**Step 1: Phone Screens (PS)**
- 300 – 1,100 samples per country
- 6-8 min per interview
- Identify products exported by the company and partner countries
- Identify if the company faces problems with burdensome regulations

**Step 2: Face-to-Face interviews (FTF)**
- Companies facing problems with NTMs as identified in PS interviewed
- 120-600 face-to-face interviews per country
- 40-60 min per interview
- All details of the problem faced by the company recorded
Type of data: Telephone interviews

1. Phone screen data gathering company level information (representative sample by sector) on:

   - Main exported/imported product (HS6)
   - Destination/origin markets (at region level)
   - Number of employees
   - Whether or not an obstacle is faced
   - Gender information (firm management / ownership / employment)
Type of data: Face-to-face interviews

2. Face-to-face data gathering company-level information (only those facing trade obstacles) on:

- All affected trade flows
- Burdensome regulations (description, official name, category of NTM, implementing body, applying country)
- Related obstacles (description, category of obstacles, implementing agency, location)
- Recommendations to overcome the obstacles
- Where the problem occurs

All traded products and partner countries
Objectives of the NTM Survey

The NTM Survey

…documents the private sector experience with NTM-related trade obstacles with a view to identify feasible options to overcome these.

…is part of a wider, collaborative approach, beyond company perceptions, which integrates all stakeholders of the import and export process. The survey report will be finalized and published after this stakeholder consultation has taken place through additional interviews and a validation meeting.

…aims at identifying concrete actions that enable Nepal to reach greater efficiency in the export process and reduce trade cost.

The NTM Survey is NOT

…a collection of or platform for complaints.

…intended to single out specific institutions to blame for inefficiencies.
ITC’s NTM Surveys in numbers

More than 22,300 phone interviews

From over 30 developing countries + 28 EU countries

Over 6,100 face-to-face interviews

More than 21,000 reported trade obstacles…

…concerning trade with 185 partner countries

⇒ A MILLION DATA POINTS TO EXPLOIT FOR HIGHER TRTA IMPACT
ITC Survey results online: www.ntmsurvey.org
1. Some context: ITC’s surveys on NTMs

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# NTM survey in Nepal – the process
(tentative dates)

## 1. Survey Inception and Preparation
- Until March 2016
- In collaboration with the Ministry of Commerce, Nepal
- Survey design adjustment to country specific needs
- Sample size calculation*
- Face-to-face training of interviewers*
- First stakeholder meeting to inform about survey objectives and encourage participation

## 2. Interview Period
- March 2016 – June 2016
- In collaboration with Kathmandu University School of Management
- 600 phone-screen interviews with exporters and importers
- 250 face-to-face interviews with exporters and importers
- Data digitalization
- Data quality control*
- Preparation of interim results for the VC diagnostic workshop (sector export strategies)

## 3. Data Analysis and Draft Report
- July 2016 – Sep 2016
- In collaboration with local expert(s) (economist, trade specialists)
- Preparation of analytical tables (by products and sectors, partner countries, types of NTMs and procedural obstacles)*
- Additional research and complementing discussions and interviews with business associations and institutions involved in export / import process
- Drafting of country report

## 4. Results Validation and Dissemination
- Q3 2016
- In collaboration and coordination with the government, TSIs and other local stakeholders (customs, certification bodies, etc.)
- Validation of survey results and formulation of policy options though a second stakeholder meeting
- Compilation of a matrix of action and definition of follow-up activities with a view to remove identified trade obstacles
- Finalization of country report

*Activities implemented by ITC
ITC survey on NTMs – Methodology

• **Global Methodology**, adjusted to specific requirements of Nepal.

  The survey will prioritize companies that export the following products, deemed of high importance by the Government of Nepal:
  
  - Coffee
  - Ginger
  - Tea
  - Honey
  - Woolen Products
  - Pashmina
  - Large Cardamom
  - Handicraft

• **Confidential**

• **Focus on exporting companies (capturing also imports)**; in addition, buyers in target markets will be interviewed. If required, further actors are taken into consideration (trade agents, non-exporting producers, indirect exporters)

• **Representative by sector**: covers all export sectors excluding services, minerals and arms that accumulatively account for +90% of a country’s export value. Several geographic regions included.
NTM Survey implementation in Nepal

• In collaboration with our local partner, responsible for the implementation of interviews:
  Kathmandu University School of Management (KUSOM)
  (selected through ITC (UN) procurement process)

• Training of interviewers and first pilot interviews:
  12 - 16 March 2016

During the phone screening, KUSOM will randomly contact exporting companies from the business register.
NTM survey Nepal: Sample

~ 2,000
Active exporting companies in Nepal in 2014

~600
Companies to be interviewed by phone

~250*
Companies to be interviewed face-to-face

*Estimated number; actual number depends on the results of the phone screening and company willingness to participate in face-to-face interviews
Exporters by sector*

Total = 709

*Sector based on the HS code of exported products.
Note: some companies may export products which may fall under multiple sectors. Only the *main* products’ sector of a company is taken into consideration for this chart.
Location (City)

Total = 709

Kathmandu: 71%
Lalitpur: 14%
Bhaktapur: 4%
Nepalgunj: 3%
Biratnagar: 3%
Pokhara: 3%
Birgunj: 3%
Ramechhap: 3%
Others: 14%

Total = 709
1. Some context: ITC’s surveys on NTMs
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Spread the word!

The survey only works if enterprises participate in interviews.

Your potential role:

Inform exporting companies that they may be contacted during the next weeks and months and encourage their participation in the survey.

→ [www.ntmsurvey.org/nepal](http://www.ntmsurvey.org/nepal)
Share contacts / lists!

Help us complete the business register!

- Improved geographical coverage
- Ensuring coverage of priority sectors
Use results!

Tell us how survey results can feed into your programmes and projects!

... to serve as evidence base for the design and implementation of ongoing and planned projects

... to ensure relevance and maximum follow-up

... to benefit from synergies between ITC’s and your work
1. Introduction to ITC
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Your feedback on the survey scope in Nepal and expected results

- Geographical coverage?
- Sector coverage? Specific product of interest?
- Current trade concerns related to NTMs?
- Specific expectations
  - in relation to the NTIS implementation
  - in relation to SAARC regional integration?
For more information:

www.ntmsurvey.org
ntm@intracen.org

Samidh Shrestha
NTM Survey manager for Nepal
Market Analysis and Research
International Trade Centre

ITCmarketanalysistools @ITC_MktAnalysis
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6. Results from surveys in other countries
How do exporters and importers perceive non-tariff measures?

Selected findings from 23 countries
Who is affected? Who applies the burdensome NTMs?

ITC’s NTM Survey results: [www.ntmsurvey.org](http://www.ntmsurvey.org)

The share of companies affected by burdensome NTMs varies across sectors and trade direction
- Exporters of agricultural products report more problems than those in manufacturing
- Exporters are more affected than importers

Small firms report more frequently problems related to burdensome NTMs
- 57% of firms with 1-4 employees face burdensome NTMs compared to about 43% of firms with more than 250 employees

Trade-hampering measures lie much closer to home than one might expect
- About 25% of obstacles reported by exporters concern measures applied by the home country on exports
- Another 20% (agriculture) to 30% (manufacturing) are NTMs applied by regional trading partners (members of regional trade agreements)

→ Despite existing agreements, regional market access is disproportionately difficult, especially for manufactured products

Source: ITC (2015); The Invisible Barriers to Trade – How Businesses Experience Non-Tariff Measures; [www.intracen.org/publications/ntm](http://www.intracen.org/publications/ntm)
Exporters of agricultural products report more problems than those in manufacturing
Share of exporters who encounter burdensome NTMs, by sector

<table>
<thead>
<tr>
<th>Product Category</th>
<th>Share of Exporters (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fresh food and raw agro-based products</td>
<td>62%</td>
</tr>
<tr>
<td>Processed food and agro-based products</td>
<td>55%</td>
</tr>
<tr>
<td>Wood, wood products and paper</td>
<td>44%</td>
</tr>
<tr>
<td>Yam, fabrics and textiles</td>
<td>40%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>37%</td>
</tr>
<tr>
<td>Leather and leather products</td>
<td>36%</td>
</tr>
<tr>
<td>Metal and other basic manufacturing</td>
<td>38%</td>
</tr>
<tr>
<td>Non-electric machinery</td>
<td>49%</td>
</tr>
<tr>
<td>Computer, telecommunications; consumer goods</td>
<td>15%</td>
</tr>
<tr>
<td>Electronic components</td>
<td>29%</td>
</tr>
<tr>
<td>Transport equipment</td>
<td>44%</td>
</tr>
<tr>
<td>Clothing</td>
<td>39%</td>
</tr>
<tr>
<td>Miscellaneous manufacturing</td>
<td>39%</td>
</tr>
</tbody>
</table>

Source: ITC (2015); The Invisible Barriers to Trade – How Businesses Experience Non-Tariff Measures; [www.intracen.org/publications/ntm](http://www.intracen.org/publications/ntm)
The trade-hampering measures lie much closer to home than one might expect.

Distribution of reported NTM cases, by country applying the measure.

- **Home (exporting) country**
  - Agriculture: 28%
  - Other developing countries: 13%
  - Manufacturing: 20%

- **OECD countries**
  - Agriculture: 39%
  - Manufacturing: 30%
  - Regional trade agreement partners: 31%

*Source: ITC (2015), Making Regional Integration Work – Company perspectives on Non-Tariff Measures in Arab States; [www.intracen.org/publications/ntm](http://www.intracen.org/publications/ntm)*
Despite existing agreements, regional market access is disproportionately difficult, especially for manufacturing products.

Share of cases of burdensome NTMs versus share of exports across trading partners

**Agriculture**

<table>
<thead>
<tr>
<th></th>
<th>OECD countries</th>
<th>Countries within RTA</th>
<th>Other developing countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>NTM cases</td>
<td>54%</td>
<td>41%</td>
<td>41%</td>
</tr>
<tr>
<td>Exports</td>
<td>28%</td>
<td>18%</td>
<td>18%</td>
</tr>
</tbody>
</table>

**Manufacturing**

<table>
<thead>
<tr>
<th></th>
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<th>Other developing countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>NTM cases</td>
<td>41%</td>
<td>41%</td>
<td>22%</td>
</tr>
<tr>
<td>Exports</td>
<td>41%</td>
<td>24%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Source: ITC (2015); The Invisible Barriers to Trade – How Businesses Experience Non-Tariff Measures; [www.intracen.org/publications/ntm](http://www.intracen.org/publications/ntm)
The challenge?
SPS & TBT measures for agriculture, rules of origin for manufacturing

- **Technical requirements**
  Regulations on product characteristics, quality, production process, etc.

- **Conformity assessment**
  Technical inspections, testing, certification, etc.

- **Inspections and other entry formalities**
  Customs clearance and border control

- **Charges and taxes**
  Service charges, customs surcharges, etc.

- **Quantity control measures**
  Quotas, licences, prohibitions

- **Rules of origin and related certificate**
  Criteria & related certificate to determine the country of origin of a product.

- **Other import-related measures**
  Finance measures, anti-competitive measures, trade remedies, etc.

Most regulations pose a problem because of procedural obstacles

Share of NTM cases, by type of difficulty

- The regulation is difficult only because of procedural obstacles
- The NTM is too strict + there are procedural obstacles
- The regulation itself is too strict/difficult

Source: ITC (2015); The Invisible Barriers to Trade – How Businesses Experience Non-Tariff Measures; www.intracen.org/publications/ntm
What types of home country procedural obstacles are reported?

- High cost: 24%
- Delays: 42%
- Admin burden: 15%
- Lack of facilities: 7%
- Other: 12%

Source: ITC (2015); The Invisible Barriers to Trade – How Businesses Experience Non-Tariff Measures; www.intracen.org/publications/ntm
Exporter testimonies from other countries
Main challenges reported:
Example customs clearance and border controls

1. Inappropriate infrastructure and lack of high-performing facilities
2. Issues related to the availability and training of officials
3. Frequently changing procedures and inadequate dissemination of information about customs clearance and related documents
4. Insufficient coordination between agencies within a country and between countries
• The need for transparency

- Ill-informed exporters arriving unprepared at the customs authority
- Lack of transparency of applied regulations, related procedures and fees
- Frequently changing procedures
• The need for border agency coordination and risk management

- Lack of coordination between agencies or different control points
- Duplication of inspections at different points within the exporting country and between exporting, transit and destination countries
- Requirement to use private inspection companies (➔ high cost)

We permanently face exaggerated inspections – and this on products that we export since many years! Each single batch is repeatedly controlled.

At the last customs point before entering the partner country, the officials ask to re-inspect the whole shipment knowing that it was previously inspected in another customs point. The process causes delays that could reach 2-3 days and may damage the goods as they need refrigeration.
Main challenges reported: Example SPS / TBT

1. Insufficient private sector capacity to comply with technical regulations

2. Difficult labelling requirements

3. Inefficient testing and certification procedures

4. High cost of certification

5. Lack of recognition of certificates and lack or harmonization

6. Lack of transparency of foreign standards and conformity assessment procedures

7. Lengthy product registration and import authorization procedures
Main challenges reported:
Example rules of origin

1. Inefficiencies in issuing the certificate of origin
2. *De jure* versus *de facto* preferential treatment
3. Strict origin requirements / mutually exclusive requirements between agreements
4. Issues related to language and product classification
Getting the certificate of origin

- Inefficiencies in issuing the certificate of origin

- Up to two weeks only for issuance

- 2 to 3 months to prepare the dossier. It’s a waste of time. In addition, it’s repetitive.

- 3-4 additional days just because I have to come to the capital

- 10 different documents, every time!

- 2 weeks to prepare the documents to be submitted, 5 days to receive the certificate

- 3-4 days
Exporter testimonies (continued)

- Language issues
- *De jure* versus *de facto* preferential treatment

The partner country doesn't apply both existing agreements although the product satisfies the rules of origin. The situation forces us to pay tariffs [...] and for some products it becomes non-profitable to export.

When exporting to any Arab country and issuing GAFTA certificate of origin, the certificate must be written 100% in Arabic. There are some technical wordings, letters and numbers that cannot be translated. The customs officials do not understand this point and usually reject the certificate.
Take-aways from ITC’s NTM Surveys

Market access begins at home

The ‘advantage’ of home-based problems is that you can solve them.
→ There is a great need to tackle before-the-border problems that businesses experience with behind-the-border measures.

Trade facilitation: make trade agreements work

*Having* policies, laws and agreements is one thing – *effectively implementing* them is another.

Transparency is key

Processes may be complicated and lengthy for good reasons. But there is no good reason for them to be unclear or non-transparent.
ITC Survey results online: www.ntmsurvey.org
New Online NTM Tool

Launched in July 2015

NTM Business Surveys
Giving Small and Medium-sized Enterprises a Voice

Companies facing difficulties with NTMs
Origin of NTMs experienced
Type of NTMs experienced by exporters
Type of NTMs experienced by importers
NTMs applied by partner countries

Survey Overview  Non-Tariff Measures  Procedural Obstacles  Business Environment

Types of burdensome NTMs faced by importers and the reason making them difficult to comply with

**Types of NTMs faced**

- Price control measures
- Technical requirements
- Conformity assessment
- Others

Number of NTM cases: 110

**Reason making the selected NTM burdensome for importers**

- NTM too strict or complex
- Both NTM and PO
- Because of related PO

Number of NTM cases: 110
All chapters

Source: NTM Business Surveys (www.ntmsurvey.org), International Trade Centre
Our publications

ITC publication series on NTMs

Making Regional Integration Work –
Company perspectives on Non-Tariff Measures in Arab States (Oct 2015)

The Invisible Barriers to Trade –

Country reports

Burkina Faso (French, 2011) Morocco (French, 2012)
Cambodia (English, 2014) Paraguay (Spanish, 2013)
Côte d’Ivoire (French, 2014) Peru (English, 2012; Spanish, 2013)
Guinea (French, 2015) Rwanda (English, 2014)
Jamaica (English, 2013) Senegal (French, 2014)
Kazakhstan (English, Russian, 2014) Sri Lanka (English, 2011)
Madagascar (French, 2013) Trinidad and Tobago (English, 2013)
Malawi (English, 2013) Tunisia (French, 2014)
Mauritius (English, 2014) Uruguay (Spanish, 2013)

Available from: www.ntmsurvey.org/publication
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  www.tradeobstacles.org
**Arab States:** Regional integration project for increased transparency of regulations, customs procedures and harmonization efforts (ROO)

**Côte d’Ivoire:** Continued public-private interaction through the creation of an online trade obstacles alert mechanism

**Sri Lanka:** Successful application to WTO STDF and implementation of a project aimed at improving safety and quality of fruits and vegetables

**Mauritius:** Elimination of 27 import permits resulting in reduced time for importing

**Jamaica:** Request to ITC for assistance in addressing capacity building needs of SMEs as well as customs officials to increase compliance with NTMs and reduce procedural obstacles

And then...? Examples of initiatives to address identified problems
For more information:

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Stakeholder Interaction on NTM Business Survey & Developing Sector Export Strategies

Jointly Organized by Ministry of Commerce, Nepal and International Trade Centre, Geneva

March 17, 2016
Kathmandu, Nepal