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**Economic and Social Commission for Asia and the Pacific****Seventy-sixth session**

Bangkok, 21 May 2020

Item 5 (h) of the provisional agenda\*

**Review of the implementation of the 2030 Agenda for Sustainable Development in Asia and the Pacific: trade and investment****Trade and investment as drivers for accelerated implementation of the 2030 Agenda for Sustainable Development****Note by the secretariat***Summary*

The present document is focused on how trade and investment could contribute towards accelerating the implementation of the 2030 Agenda for Sustainable Development in Asia and the Pacific. It contains an overview of policies associated with trade and investment, in particular non-tariff measures that have multifaceted and sometimes contradictory relationships with some of the aspects of the 2030 Agenda. The rise of non-tariff measures is highlighted, including how they relate to the Sustainable Development Goals. The document also includes a discussion of the effects of non-tariff measures on trade and investment. The importance of good governance and trade facilitation, as well as other policy recommendations and good practices, for streamlining non-tariff measures towards sustainable development are discussed.

The Economic and Social Commission for Asia and the Pacific may wish to consider the issues contained in the present document and provide guidance to the secretariat on the future direction of its work to support economies in the region in their efforts to utilize trade and investment to further accelerate the implementation of the 2030 Agenda.

**I. Introduction**

1. The 2030 Agenda for Sustainable Development recognizes international trade and investment as engines for inclusive economic growth and poverty reduction, and as important enablers for achieving almost all of the Sustainable Development Goals. Recognizing the importance of trade and investment, Governments in the region have been actively promoting trade through multilateral, plurilateral and unilateral efforts. At the same time, trade tensions

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\* ESCAP/76/L.1/Rev.1.

within the region and beyond, together with ongoing issues concerning the future of the World Trade Organization (WTO) and the threat of the spread of coronavirus disease 2019 (COVID-19), raise uncertainty, already resulting in declining trade volumes in 2019 and threatening the hopes of a recovery in 2020. In that context, policymakers need to look beyond traditional approaches to trade and investment policies in order to accelerate progress towards the achievement of sustainable development.

2. Trade, investment and associated policies have a multifaceted link to the Sustainable Development Goals. Broadly speaking, they can impact the Sustainable Development Goals in three ways. First, they can affect economic growth, influencing the ability of countries to finance the efforts to achieve aspects of sustainable development. Second, trade and investment can influence the development of certain sectors, as well as the availability and affordability of products that are essential for sustainable development. Third, subsets of trade policies, namely non-tariff measures, can affect some aspects of sustainable development directly by ensuring that the actual products traded, as well as their production processes, meet certain standards that aim to protect human, animal and plant health or protect the environment. Whereas the focus of most discussions highlighting the relationship between trade and investment and sustainable development have revolved around the first two aspects, the present document is intended to highlight the third one.

3. The first way trade and investment impact the Sustainable Development Goals is as a means of implementation of the overall 2030 Agenda, in relation to Goal 17 (Partnerships for the Goals). This Goal includes trade-related targets that seek to promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system, significantly increase the exports of developing countries and realize timely implementation of duty-free and quota-free market access on a lasting basis for all least developed countries. Foreign direct investment (FDI) is also featured in Goal 17, in terms of mobilizing additional financial resources for developing countries, and adopting and implementing investment promotion regimes for least developed countries. Foreign direct investment is furthermore explicitly mentioned in Goal 10 (Reduced inequalities) in terms of encouraging investment to States where the need is greatest, as well as in Goal 1 (No poverty) through promoting targeted investments.

4. The second way in which trade and investment influence the achievement of the Sustainable Development Goals is through its impact on sectoral Goals such as those focusing on food security, health and safety, and environment and climate. Trade and investment in the agricultural sector, for example, affect food security (Goal 2); trade and investment in renewable energy technologies affect affordable and clean energy (Goal 7); and trade and investment in the medical sector affect good health and well-being (Goal 3). As such, trade and investment policies in certain sectors, further to their economic development aspects, can also indirectly affect related Goals. Trade and investment in such sectors that relate to sustainable development can be affected by traditional trade and investment policy instruments such as tariffs and investment liberalization policies. Furthermore, trade in such goods is increasingly affected by non-tariff measures, which are now estimated to contribute to trade costs more than double that of tariffs.

5. As the third way in which trade and investment can influence the Sustainable Development Goals, non-tariff measures have the potential to directly affect the achievement of a number of Goals. Non-tariff measures often serve important public policy objectives, such as protection of human, animal and plant health or protection of the environment, and can therefore help to

implement the 2030 Agenda. Most recently, some non-tariff measures (temporary geographic import prohibitions) were used by certain member States in the region with the stated aim of controlling the spread of COVID-19. Failure to have essential technical non-tariff measures in place, or their poor implementation, may have serious detrimental effects (for example, the spread of diseases such as the African swine fever in parts of Asia and the Pacific). As such, if implemented effectively, non-tariff measures may have a particularly important role to play in accelerating progress towards the Sustainable Development Goals by (re)shaping trade and investment.

6. In this context, the present document includes a framework for channelling trade and investment into sustainable development in section II. Section III contains an overview of trends and developments of non-tariff measures in Asia and the Pacific, including how non-tariff measures relate to the Sustainable Development Goals. Estimates of the impacts of non-tariff measures on trade and investment are presented in section IV, together with a private sector perspective that includes an outline of difficulties due to non-tariff measures and related procedural obstacles. Section V contains policy recommendations and good practices on streamlining non-tariff measures towards accelerating the achievement of sustainable development. Section VI contains conclusions for the consideration of the Commission.<sup>1</sup>

## **II. Framework for channelling trade and investment into sustainable development**

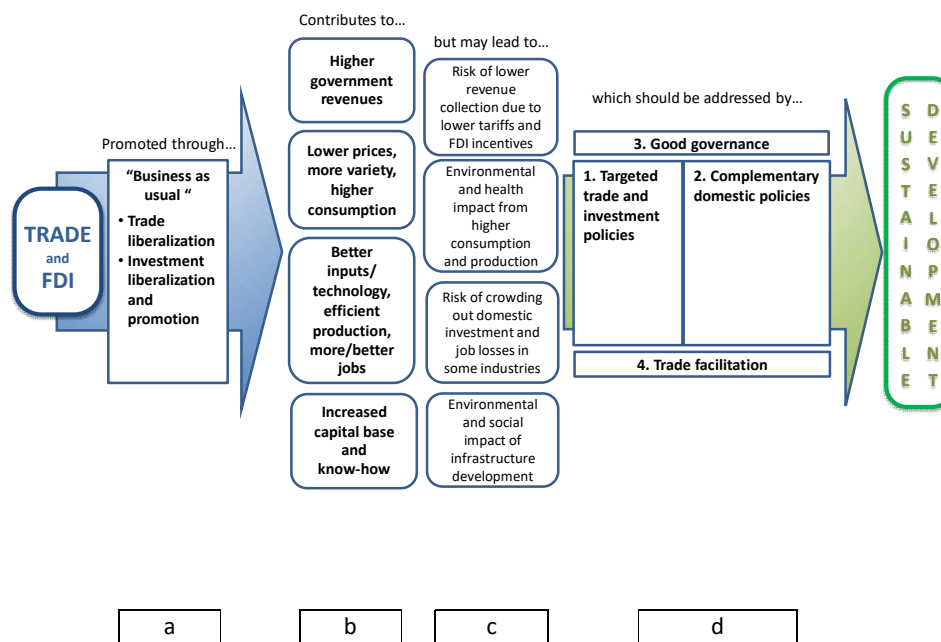
7. The linkages between trade, investment and sustainable development outcomes are complex and continue to be debated. It is, however, generally accepted that trade and investment are necessary but not sufficient conditions for sustainable development. As such, there is a need for policymakers to take proactive actions to channel trade and investment into activities and sectors that can help mitigate the negative environmental and social impacts while still capturing the economic benefits.

8. Figure 1 depicts a framework for understanding the impact of trade and FDI and how they can be channelled towards achieving sustainable development. The framework is intended to highlight that a business-as-usual model of market-driven trade and investment policies (figure 1, column a), typically designed with aggregate-level economic impacts in mind, can effectively contribute to the overall growth of an economy (figure 1, column b). Trade can provide a greater variety of goods to consumers at lower prices. By enabling access to better technology and inputs, trade and FDI can increase production efficiency and lead to more and better-paying jobs. FDI can also help to build the capital base and know-how often lacking domestically for large infrastructure or industrial development projects.

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<sup>1</sup> The present document draws on research and analysis contained in *Asia-Pacific Trade and Investment Report 2017: Channelling Trade and Investment into Sustainable Development* (United Nations publication, Sales No. E.17.II.F.22); and *Asia-Pacific Trade and Investment Report 2019: Navigating Non-tariff Measures towards Sustainable Development* (United Nations publication, Sales No. E.19.II.F.14). See these publications for more in-depth discussions, available at [www.unescap.org/publication-series/asia-pacific-trade-and-investment-report](http://www.unescap.org/publication-series/asia-pacific-trade-and-investment-report).

Figure 1  
**Channelling trade and investment into sustainable development:  
 a framework**



Source: *Asia-Pacific Trade and Investment Report 2017: Channelling Trade and Investment into Sustainable Development* (United Nations publication, Sales No. E.17.II.F.22).

9. The framework shows that, while at the aggregate level trade and FDI are likely to be beneficial, the liberalization of trade and investment also has potential downsides (figure 1, column c). For example, lowering tariffs or extending too many FDI incentives in the form of tax breaks may adversely affect government revenue or distort sectoral allocation if not managed carefully. In addition, foreign investors may crowd out domestic investment, affecting the development of small and medium-sized enterprises. The reallocation of resources as a result of import competition may also lead to job losses or the disappearance of some activities or industries. Accelerated infrastructure development or industrialization through FDI may also negatively affect the livelihood of certain communities or their cultural heritage and result in significant environmental degradation. Finally, the new growth opportunities generated by trade and investment might put pressure on the environment and increase health risks, for example through increased amounts of waste and polluting emissions.

10. In that context, the framework highlights four key elements needed to more effectively channel trade and FDI into sustainable development (figure 1, column d). The first is concerned with ensuring that general policies on trade and investment liberalization are accompanied by targeted trade and investment policies aimed at achieving specific Sustainable Development Goals. For example, achieving quality education for all (Goal 4) may involve liberalization

of some education services.<sup>2</sup> Similarly, enhancing the potential for generating women's employment (in relation to Goal 5) may be achieved by incorporating relevant targeted sustainable development criteria in the selection of FDI projects.<sup>3</sup>

11. The second, and possibly most important, element in this framework refers to complementary domestic policies. These policies do not necessarily specifically relate to trade or FDI and apply more generally to all products, services, firms and people in the country regardless of origin. For example, domestic policies that make it easier for workers to move across industries or regions and to acquire new skills (a combination of labour market, education and public transport policies in this case) can help lower trade adjustment costs for displaced workers or firms. Domestic environmental regulations are also essential, as they can help ensure that foreign investors do not see a country as a pollution haven in which they can manufacture products without regard for the environment. All policies that improve the overall domestic business and investment climate, as illustrated by the World Bank "ease of doing business" rankings, are also included. Such policies include investment facilitation, which is currently an important discussion item at WTO.

12. The third component is concerned with good domestic governance. It is needed to ensure that the aforementioned policies are efficiently implemented. Improving domestic governance implies that sufficiently strong public institutions are in place in order to strengthen the rule of law, make it easier to conduct business and involve all relevant stakeholders, including small and medium-sized enterprises and civil society, in shaping policies. Good governance is also essential for effective revenue collection and its subsequent use towards sustainable development.

13. The fourth element is concerned with simple and efficient trade procedures through trade facilitation, which are key to ensuring that trade is inclusive and that the transaction process itself creates as few environmental impacts as possible. These can be best accomplished by a broad approach to trade facilitation that covers: (a) commercial procedures, including e-commerce; (b) regulatory procedures, including paperless trade; (c) transport procedures; and (d) payment procedures. Importantly, both import and export procedures should be facilitated to enable participation in regional and global production networks.

### **III. Non-tariff measures as policy tools to accelerate the achievement of the Sustainable Development Goals**

14. The framework described earlier identified targeted trade and investment policies and complementary domestic policies as two important elements to channel trade and investment into sustainable development. Non-tariff measures make up a growing part of these policies. As such, following an overview of non-tariff measures in the Asia-Pacific region, this section contains a discussion on the relationship between non-tariff measures and the Sustainable Development Goals in more detail.

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<sup>2</sup> Matthias Helble and Ben Shepherd, eds, *Win-Win: How International Trade Can Help Meet the Sustainable Development Goals* (Tokyo, Asian Development Bank Institute, 2017).

<sup>3</sup> Developed economies are already expected to accord preferential treatment and tariff exemptions to least developed countries (Sustainable Development Goal targets 10.a and 17.11) and to establish policies that promote FDI to these economies (target 17.5).

## A. The rise of non-tariff measures

15. Thanks to multilateral and regional trade agreements as well as unilateral efforts, applied tariffs in the Asia-Pacific region have been halved during the past two decades. Meanwhile, the number of non-tariff measures, including sanitary and phytosanitary measures and technical barriers to trade, has risen significantly. Non-tariff measures often serve legitimate and important public policy objectives, but their trade costs are estimated to be more than double that of ordinary customs tariffs. The economic cost of sanitary and phytosanitary measures and technical barriers to trade is estimated to be up to 1.6 per cent of global gross domestic product, amounting to \$1.4 trillion. As such, they have become a key concern for traders as well as for trade policymakers aiming to ensure that trade can continue to support sustainable development.

16. Non-tariff measures are 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. The universe of non-tariff measures is diverse. While sanitary and phytosanitary measures and technical barriers to trade account for the bulk of the measures, policies on licensing, subsidies, distribution restrictions, quotas, prohibitions, and excise taxes, among others, are also included. Non-tariff measures as policy instruments are not inherently good or bad. Technical non-tariff measures can also boost demand and trade under certain conditions (see box 1).

### Box 1

#### **Sanitary and phytosanitary regulation as a promoter of exports in Georgia**

In 2014, the Government of Georgia signed the European Union Association Agreement, paving the way for the establishment of the Deep and Comprehensive Free Trade Area. The Agreement entered into force on 1 July 2016.<sup>a</sup> The purpose of the Agreement, in part, is to increase Georgia's trade with the European Union and other major trading partners across the world, by reforming economic regulations.

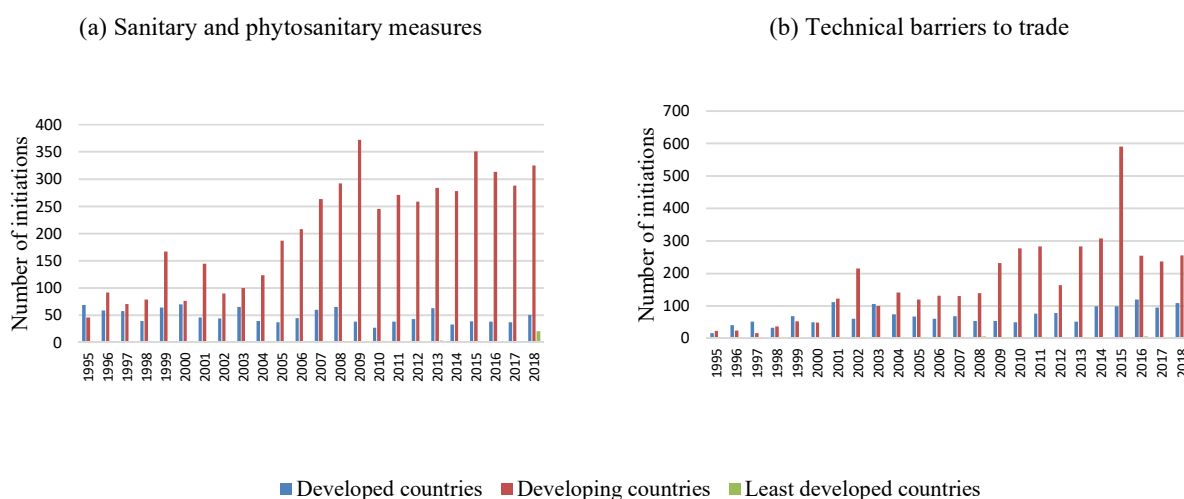
Prior to the establishment of the Free Trade Area, the sanitary and phytosanitary regulatory framework of Georgia was devoid of most forms of sanitary and phytosanitary control. This was largely due to the Government's previous rounds of unilateral liberalization efforts and its fight against corruption. However, in the process of meeting the conditions for the Free Trade Area, in 2010 Georgia started to harmonize its sanitary and phytosanitary regulations with those of the European Union. This approximation process involved ongoing adoption of 271 separate acts of legislation, of which 102 concerned food safety, 84 were veterinary and 85 were phytosanitary. While sanitary and phytosanitary regulations were only a part of the Free Trade Area, they were arguably the most difficult to address, both for regulators as well as for producers. The reforms were costly, with exports to the world and the European Union declining by 4 per cent and 11 per cent, respectively, immediately before the new legislation was put in place. However, uninhibited access to the agricultural market of the European Union and beyond, together with increased protection of food safety and animal welfare, have evidently been worth the trouble: between 2016 and 2018, total exports of Georgia to the European Union and to the world increased by 28 per cent and 59 per cent, respectively.

<sup>a</sup> Michael Emerson and Tamara Kovziridze, *Georgia and Europe: a short guide* (Brussels, Centre for European Policy Studies; Tbilisi, Georgia, Reformatics, 2016).

17. At the same time, a key characteristic of non-tariff measures is that they usually generate costs for producers and traders, potentially inhibiting international trade. Non-tariff measures are usually more complex, less transparent and more difficult to monitor than tariffs, and are sometimes used by Governments with a protectionist intent, rendering them non-tariff barriers. Such non-tariff barriers are increasingly used in lieu of tariffs in current trade tensions, such as contingent trade protective measures on steel and aluminium, subsidies to farmers, embargos, and export licensing. The use of such non-tariff barriers inadvertently increases trade costs throughout the global value chains, disproportionately affecting small and medium-sized enterprises, and ultimately raises prices for consumers.

18. On average, each imported product in Asia and the Pacific faces 2.5 non-tariff measures, and 57 per cent of imports are affected by at least one non-tariff measure. The number of new or updated sanitary and phytosanitary measures and technical barriers to trade initiated globally and notified to WTO in 2018 reached 3,466 – a 16 per cent increase from the previous year. In Asia and the Pacific, the number of new initiations reached 1,360 measures – a 15 per cent year-on-year increase. In comparison, in 2007, globally 1,875 sanitary and phytosanitary measures and technical barriers to trade were initiated, of which 522 are in Asia and the Pacific. It is generally agreed that this increase is due to the efforts of developing countries to improve their technical regulatory frameworks; least developed countries alone notified 21 initiations of sanitary and phytosanitary measures in 2018, almost twice their total number of notifications between 1995 and 2017. In contrast, annual notifications by developed economies have remained fairly constant across the years (see figure 2).

Figure 2  
**Notifications of initiations of sanitary and phytosanitary measures and technical barriers to trade to WTO by Asia-Pacific economies**

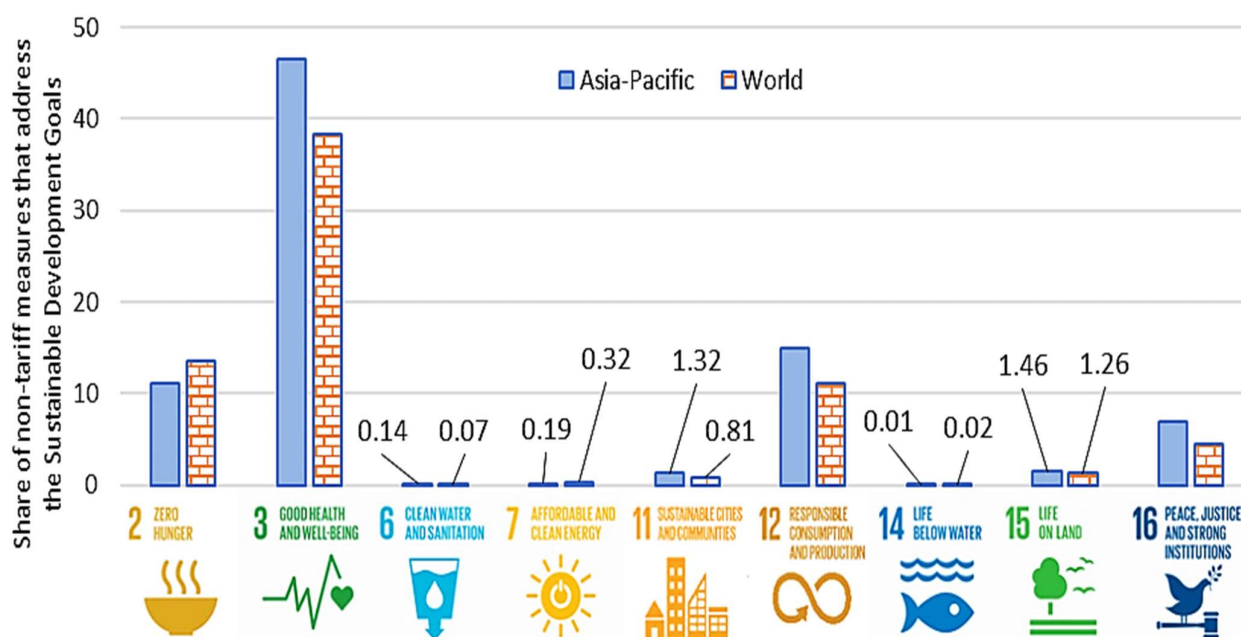


Source: Economic and Social Commission for Asia and the Pacific (ESCAP) calculations based on data from WTO, “Integrated analysis and retrieval of notified non-tariff measures” Integrated Trade Intelligence Portal (I-TIP) Goods database. Available at <https://i-tip.wto.org> (accessed 15 May 2019).

## B. Why non-tariff measures matter for sustainable development

19. ESCAP and the United Nations Conference on Trade and Development (UNCTAD) have found that almost half of non-tariff measures in Asia and the Pacific directly address the Sustainable Development Goals.<sup>4</sup> The highest share of Sustainable Development Goal-related non-tariff measures in the Asia-Pacific region and globally directly address Goal 3 (Good health and well-being) (see figure 3). Non-tariff measures that address this Goal include regulation of medicines, food safety, technical regulations on vehicle safety, and regulations on trade and packaging of alcohol and tobacco products. Non-tariff measures that arise due to international agreements, such as the Montreal Protocol on Substances that Deplete the Ozone Layer, and that address Goal 12 (Responsible consumption and production) are also prevalent, highlighting the need for international collaboration to achieve the Sustainable Development Goals (see box 2).

Figure 3  
**Distribution of non-tariff measures that directly address the Sustainable Development Goals, by Goal**



Source: ESCAP calculations based on the UNCTAD Trade Analysis Information System database and methodology developed by ESCAP and UNCTAD, as explained in A. Kravchenko and others, “Exploring linkages between non-tariff measures and the Sustainable Development Goals: a global concordance matrix and application to Asia and the Pacific”, Trade, Investment and Innovation Working Paper Series, No. 4/19 (Bangkok, ESCAP, 2019).

<sup>4</sup> *Asia-Pacific Trade and Investment Report 2019: Navigating Non-tariff Measures towards Sustainable Development* (United Nations publication, Sales No. E.19.II.F.14).



## Box 2

**Non-tariff measures and plastic waste**

Currently, approximately 300 million tons of oil-based plastic waste are produced every year. A significant amount of plastic waste ends up in the oceans, having a detrimental effect on marine ecosystems and coastal communities (Goal 14, Life below water). Most of this waste originates from the Asia-Pacific region. If unaddressed, by 2050 there could be more plastic than fish in the oceans. Recognizing the problem, the 2030 Agenda for Sustainable Development addresses plastic pollution in the ocean. It is widely acknowledged that regulating single-use plastics and microplastics is a major component in achieving this target. An increasing number of countries in the Asia-Pacific region and across the world are now introducing regulations addressing consumption, production and trade in single-use plastics and plastic waste, in line with Goal 12 (Responsible consumption and production).

While many developed countries remain better at ensuring that plastics and other waste do not end up in waterways through adequate refuse collection mechanisms and littering fines, recycling remains an issue. This was seemingly addressed through exporting waste plastic for recycling to other countries, most significantly to China. Since 1992, China imported almost half of the world's plastic waste for recycling. However, recognizing the negative effect these imports were having on its environment and air quality, in 2018, the Government of China banned the importation of plastic waste. Over the coming decades, as much as 111 million tons of plastic will have to find a new place to be processed or otherwise disposed of as a result of the ban. The ban led exporters to seek other markets, and exports of plastic waste to other countries in the region, such as India, Indonesia, Malaysia and Thailand have skyrocketed. Expectedly, this resulted in deteriorating environmental situations in the recipient countries and generated backlash: following the example of China, both Malaysia and Thailand have since banned the import of plastic waste.

Recognizing the damaging effect of trade in plastic waste, on 11 May 2019, a total of 180 Governments adopted an amendment to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal to include plastic waste in a legally-binding framework that will make global trade in plastic waste more transparent and better regulated, while also ensuring that its management is safer for human health and the environment. According to this Convention, exporting countries will now have to obtain consent (a type of non-tariff measure) from countries receiving contaminated, mixed or unrecyclable plastic waste.

20. While other Goals are addressed by relatively fewer non-tariff measures, they are nonetheless important for sustainable development. In fact, some targets remain unaddressed by trade regulations. For example, approximately only 10 per cent of the economies in Asia and the Pacific have at least one non-tariff measure addressing illegal, unreported and unregulated fishing and illegal timber trade. As such, there seems to be more scope for member States in the region to address these aspects of sustainable development through trade measures.

21. Many non-tariff measures are also found to have no direct linkages to the Sustainable Development Goals. This is not to say that they lack public policy objectives. For example, while motor vehicle safety can be linked to reducing traffic accident fatalities, safety of consumer and commercial products cannot be directly linked to any Sustainable Development Goal target. Taking a gender focus as another example, non-tariff measures aimed at controlling and reducing

the use of alcohol and narcotics can also reduce violence against girls and women (target 5.2). Many, if not most, non-tariff measures affect a number of the Sustainable Development Goals simultaneously (see box 3). In some cases, well-intentioned non-tariff measure regulations addressing one dimension of sustainable development may inadvertently, negatively and severely affect other dimensions. As such, detailed sustainability impact assessments at the country and sector levels are recommended in order to draw accurate conclusions for each new or existing measure.

**Box 3**

**The effect on the Sustainable Development Goals of the European Union import ban on seafood from Sri Lanka**

Non-tariff measures can have a direct impact on trade performance of trading partners. In addition to trade performance, non-tariff measures may have direct and indirect linkages with Sustainable Development Goals of these trading partners. Sandaruwan and Weerasooriya explored the performance of the seafood export industry of Sri Lanka before, during and after the European Union instituted an import ban on Sri Lankan seafood because of the Government's systematic failure to address illegal, unreported and unregulated fishing.<sup>a</sup>

Prior to the ban, the European Union was the single largest export market for Sri Lankan seafood. After the European Union instituted the import ban, Sri Lanka's market share in the European Union's seafood market dropped precipitously. As a direct result, domestic wholesale prices of fish plummeted. Furthermore, the number of employment opportunities in offshore fisheries decreased by 10 per cent (Goal 8, Decent work and economic growth), and fishermen's household expenditure was reduced by 31 per cent. As a remedial measure to income reduction, 90 per cent of fishermen took loans from money lenders by mortgaging their properties; however, 25 per cent were unable to settle their loans after two years (Goal 1, No poverty).

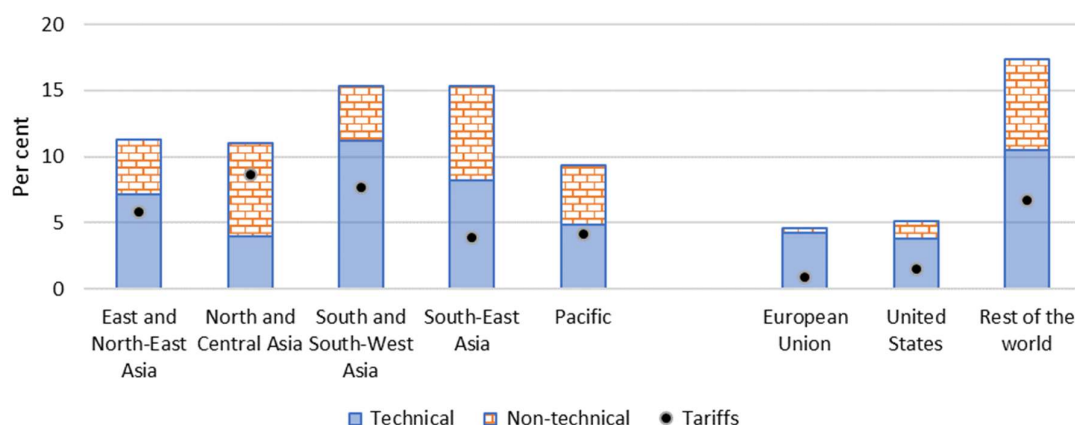
To placate the European Union regulators, the Government of Sri Lanka instituted a number of domestic technical regulations that had significant and positive effects on sustainability. Due to the vessel monitoring system, awareness programmes for fishermen and boat inspections in the harbour and at sea, the movement of fishermen to foreign sea territories as well as the rate of fishermen arrested by foreign countries have declined by as much as 85 per cent since the ban. The vessel monitoring system not only increased prevention of illegal, unreported and unregulated fishing (targets 14.4 and 14.6), but also reduced the risk to fishermen who are now able to use it for distress calls, get weather information and fishing ground forecasting. In addition, the indirect effect of a local surplus meant that at the time of the ban, domestic consumer prices for seafood produce decreased, and boat crews were able to take 37 per cent more catches home free of charge (Goal 2, Zero hunger).

<sup>a</sup> K.P.G.L. Sandaruwan and Senal A. Weerasooriya, "Non-tariff measures and sustainable development: the case of the European Union import ban on seafood from Sri Lanka", Asia-Pacific Research and Training Network on Trade (ARTNeT) Working Paper Series, No. 185/2019 (Bangkok, ESCAP, 2019).

#### IV. The impact of non-tariff measures on trade and investment in Asia and the Pacific

22. While non-tariff measures often serve legitimate and necessary purposes, they add to trade costs. It is estimated that the average combined cost of all non-tariff measures for imports is 15.3 per cent in Asia and the Pacific, whereas tariffs account only for 5.8 per cent. In the agricultural and automotive sectors, the combined costs of non-tariff measures are up to 20 per cent of imports. While the United States of America and the European Union have more non-tariff measures in place, costs related to non-tariff measures are higher in Asia and the Pacific, suggesting that the design or the implementation of non-tariff measures in the Asia-Pacific region is less efficient (see figure 4).

Figure 4  
**Tariffs and non-tariff measures' tariff-equivalents imposed by economies, by subregion (Import-weighted)**



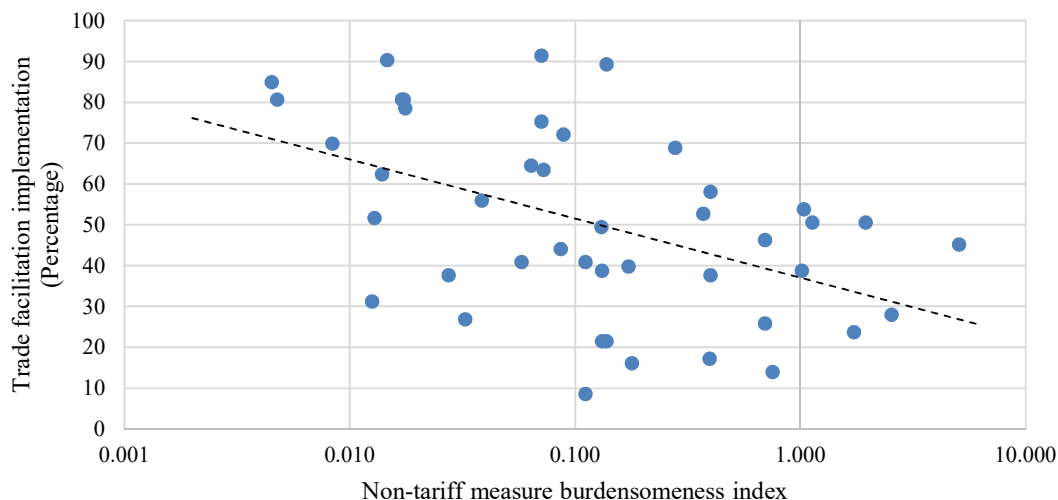
Source: ESCAP calculations.

23. Through their effects on imports, non-tariff measures may indirectly affect inward FDI. Overall, the analysis suggests that increasing the average number of non-tariff measures applied to a product by one (for example, from 2.5 to 3.5 non-tariff measures per product) could boost FDI by 12 per cent. This suggests that in some cases non-tariff measures may act as significant barriers, inducing firms to invest strategically to circumvent them. Case study analyses confirm that certain non-tariff measures, such as intellectual property rights, local content requirements and technical barriers to trade in selected sectors, seemingly have a significant impact on FDI. This could prove increasingly relevant to policymakers aiming to generate investment in key Sustainable Development Goals sectors. At the same time, a potentially positive effect of non-tariff measures on FDI may be offset by the negative effect on trade; hence, these impacts cannot be considered in isolation. As such, any sustainability impact assessment of non-tariff measures needs to consider their effects on FDI as well as trade (and other aspects of sustainable development).

24. A synthesis of studies on non-tariff measures in the Asia-Pacific region based on country-level private sector surveys conducted by the International Trade Centre reveals that, on average, 56 per cent of all interviewed firms in the region reported encountering problems related to non-tariff measures when engaging in international trade. Most significantly, it was reported that domestic procedural obstacles – rather than the required standards embedded in non-tariff measures – are the primary reason why foreign and domestic non-tariff measures

are perceived to be burdensome. Such procedural obstacles are not non-tariff measures themselves, but they exist because of non-tariff measures. They include time constraints, informal or unusually high payments, lack of transparency, discriminatory behaviour of government officials and a lack of appropriate testing facilities. As such, policymakers wishing to promote exports need to address domestic procedural obstacles through trade facilitation (see figure 5) as a priority – it also is easier than trying to change export partners’ trade regulations.

Figure 5  
**Trade facilitation implementation and “burdensomeness” of non-tariff measures in 44 Asia-Pacific economies**



Sources: Global report of the United Nations Global Survey on Trade Facilitation and Paperless Trade Implementation, conducted by the United Nations regional commissions in 2017, available at <https://untfsurvey.org/report>; ESCAP; and International Trade Centre, *Making Regional Integration Work: Company Perspectives on Non-tariff Measures in Asia-Pacific* (forthcoming).

## V. Streamlining non-tariff measures for sustainable benefits

25. As discussed so far, non-tariff measures help to achieve important public policy objectives, and therefore can be used to accelerate the progress towards the 2030 Agenda for Sustainable Development. At the same time, non-tariff measures raise costs to traders, potentially offsetting some of their benefits. The following section contains an outline of policy recommendations meant to reap the benefits of non-tariff measures, while minimizing their costs.

### A. International standards

26. A significant share of trade costs stem from the fact that technical regulations (sanitary and phytosanitary measures and technical barriers to trade) are often very different between countries. Since such non-tariff measures are necessary to protect health, safety and the environment, they need to be coordinated or harmonized rather than eliminated. Research suggests that a similar level of protection of health, safety and the environment could be achieved at lower costs if regulations were more similar or mutually recognized.

27. The use of international standards – a form of regulatory harmonization – is one way of overcoming challenges related to heterogeneity of regulations. International standards are considered scientifically justified and are accepted as the benchmarks against which national measures and regulations are evaluated. According to the WTO Agreement on the Application of Sanitary and Phytosanitary Measures, unless there is a scientific justification for a more stringent sanitary and phytosanitary protection, members must base their sanitary and phytosanitary measures on international standards in order to achieve broad harmonization. Similar to the Agreement on the Application of Sanitary and Phytosanitary Measures, the WTO Agreement on Technical Barriers to Trade also places an obligation on member States to use international standards wherever they exist as a basis for their technical regulations and standards, unless the existing international standards or their parts are ineffective or inappropriate to fulfilling the respective legitimate objectives.

28. Most countries in Asia and the Pacific have been found to diverge from the recommendations of international standards bodies listed in the WTO Agreement on the Application of Sanitary and Phytosanitary Measures and have fewer measures. A likely reason for underregulating is that many developing countries lack the necessary quality infrastructure to assess conformity, and thus apply less regulations. Many of the economies with relatively higher similarity to international sanitary and phytosanitary standards are significant agricultural goods traders, either as agricultural exporters such as New Zealand or as food importers such as the Republic of Korea. Developing countries should more actively participate in the standard-setting process to ensure that they are relevant and can be adapted to their needs.

## **B. Good governance and regulatory practices**

29. As noted in figure 1, column d, earlier, good governance is essential to ensuring that trade and complementary policies achieve their intended impacts on sustainable development. Without good governance, enabled by effective public institutions as envisaged in Sustainable Development Goal 16 (Peace, justice and strong institutions), policies will not be enforced, no matter how sustainable they may be. Policy implementation depends on the strength of the domestic institutions responsible for enforcing all related laws and regulations, including non-tariff measures, in an effective and coherent manner. Regulations, including non-tariff measures, also need to be designed, as well as regularly reviewed when in place, in accordance with accepted principles of good regulatory practice. The Association of Southeast Asian Nations (ASEAN) Good Regulatory Practice Core Principles, for example, promotes regulatory cooperation and consists of the following: principle 1 – Clarity in policy rationale, objectives, and institutional frameworks; principle 2 – Produce benefits that justify costs and be least distortive to the markets; principle 3 – Be consistent, transparent and practical; principle 4 – Support regional regulatory cooperation; principle 5 – Promote stakeholder engagement and participation; and principle 6 – Be subject to regular review for continued relevance, efficiency and effectiveness. Using these principles, the Government of Malaysia, under the auspices of the Malaysia Productivity Corporation, reviewed the entire stock of the country's non-tariff measures, streamlining them by abolishing unnecessary ones and reducing the compliance costs of others.

30. As part of the regulatory impact assessments, stakeholder consultation mechanisms are essential to gauging the necessity as well as the positive and negative effects of a non-tariff measure on different groups. This is well-recognized in both the WTO Agreement on Technical Barriers to Trade and the WTO Agreement on the Application of Sanitary and Phytosanitary Measures, which require that draft measures be notified to the WTO membership before they are put in place.

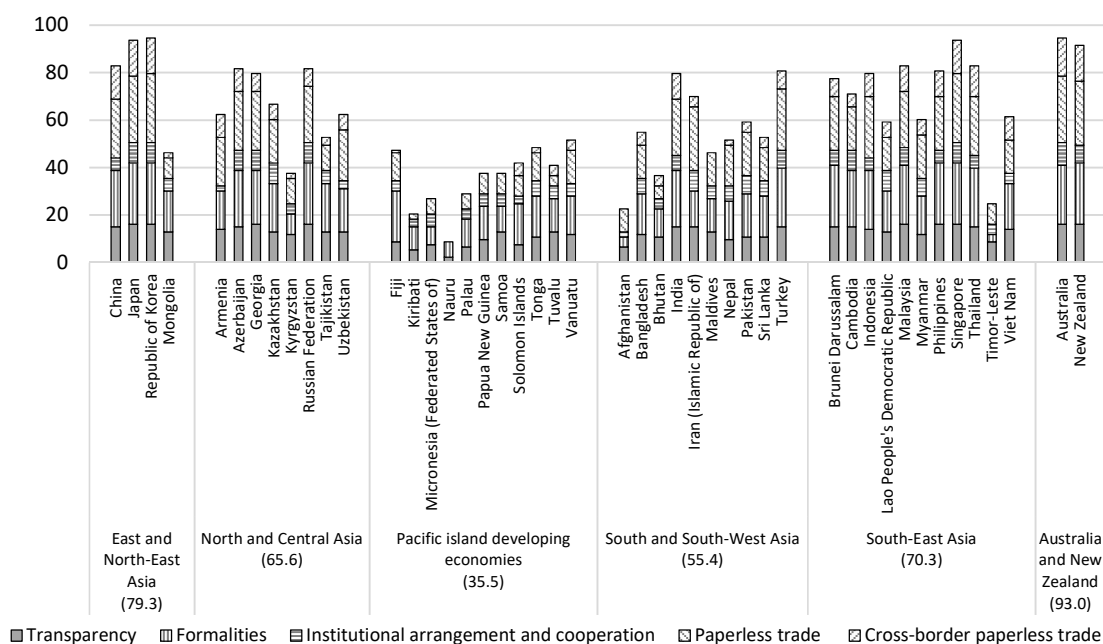
31. Due to the proliferation of non-tariff measures and their inherent transboundary nature, there is an increased need for international governance of trade through multilateralism to reduce the trade costs associated with non-tariff measures. International governance includes regulatory cooperation, such as the use of international standards described above, as well as cross-border trade facilitation described in the following section. As such, it is imperative for Governments to proactively engage and cooperate in multilateral efforts, in particular as part of WTO, to complement their domestic policies and make sure that their countries' priorities are reflected in multilateral forums.

### **C. Transparency and trade facilitation**

32. Enhancing transparency in non-tariff measures and associated procedures can also reduce costs related to non-tariff measures and is a necessary precondition for any streamlining efforts – as highlighted in figure 1, column d. This may be done as part of the implementation of transparency provisions under the WTO Agreement on Trade Facilitation or relevant regional trade agreements. Many countries have already established national trade portals that support this objective, at least in principle. Enhanced transparency serves as a driver for reform and streamlining: some countries simply do not know how many trade regulations are in place and which agency is responsible. Enhanced transparency can also serve as a tool for capacity-building, as establishing trade portals synthesize all the available information for government officials.

33. Complying with non-tariff measures typically requires exchange of information between traders and trade control agencies, both within and across borders. Moving to web-based applications and exchange of information is expected to ultimately reduce trade costs by 25 per cent on average in the region, generating savings for both Governments and traders that could exceed \$600 billion annually. Good progress has been made in trade facilitation implementation, particularly on the WTO Agreement on Trade Facilitation measures, but there is scope to do more according to the most recent data from the United Nations Global Survey on Digital and Sustainable Trade Facilitation, coordinated by ESCAP (see figure 6). In particular, the implementation of cross-border paperless trade remains very challenging with, for example, electronic exchange of sanitary and phytosanitary certificates across borders typically remaining rare. This indeed prompted the development of the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific, adopted as a United Nations treaty in 2016.

Figure 6  
**Implementation of trade facilitation and paperless trade in Asia-Pacific, 2019**  
 (Percentage)



Sources: ESCAP, “Digital and Sustainable Trade Facilitation in Asia and the Pacific: Regional Report 2019” (Bangkok, 2019); and United Nations, *Global Survey on Digital and Sustainable Trade Facilitation* (2019), available at <https://untfsurvey.org/report>.

34. Effectively addressing procedural obstacles for non-tariff measures requires a broader approach to trade facilitation than simply implementing measures under the WTO Agreement on Trade Facilitation. The lack of quality infrastructure (for example, domestic sanitary and phytosanitary testing laboratories and an accreditation system for such laboratories) is frequently cited as one of the greatest difficulties faced by exporters, particularly agricultural exporters. Capacity-building and retention of expertise needs to be strengthened, both at the domestic and the regional levels, supported by the sharing of best practices. An integrated approach involving producers, officials, exporters and other affected parties may ensure more effective capacity-building with longer-lasting results. More emphasis on the training of trainers may also help.

35. To maximize the sustainable benefits of non-tariff measures, it will also be important that trade facilitation measures and efforts benefit not only larger traders, but also groups and sectors that tend to be excluded or disadvantaged. The United Nations Global Survey on Digital and Sustainable Trade Facilitation 2019 has found that trade facilitation measures aimed at the food and agricultural sector are relatively well implemented, but measures targeted at small and medium-sized enterprises and women remain rare.<sup>5</sup>

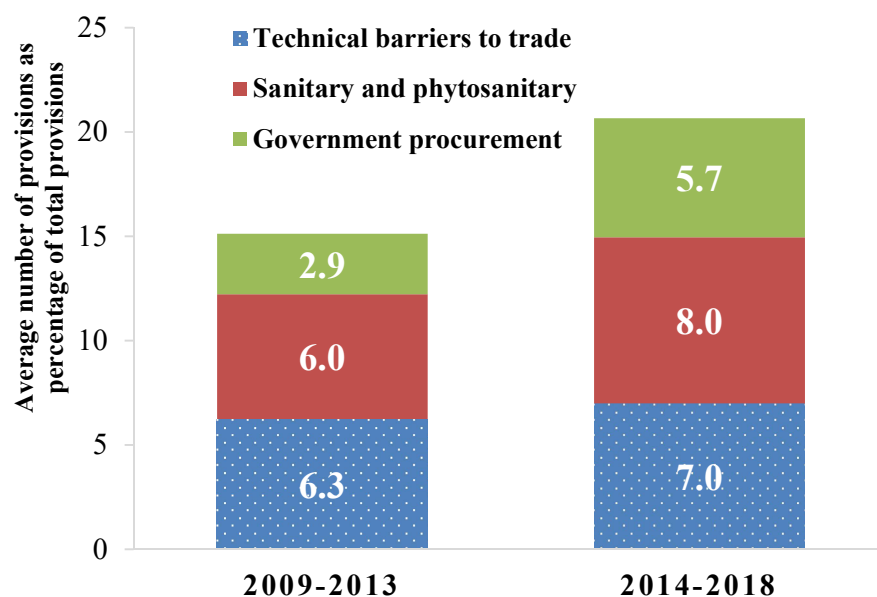
#### D. Trade agreements and next generation non-tariff measures

36. Non-tariff measures are increasingly addressed through trade agreements, as indicated by the growth of provisions on non-tariff measures in agreements signed in recent years (see figure 7). Most of the examined regional

<sup>5</sup> United Nations, *Digital and Sustainable Trade Facilitation: Global Report 2019*. See <https://untfsurvey.org/>.

trade agreements contain technical barriers to trade and sanitary and phytosanitary chapters. Government procurement provisions are less common, although there has been a noticeable increase in recent years. Provisions on risk analysis and taking emergency measures would support achievement of the Sustainable Development Goals, particularly through their protection of human, plant and animal life. Best practices on addressing non-tariff measures through regional trade agreements include: the use of international standards; technical assistance for less-developed members; removal of duplicate measures; transparency; ensuring that technical regulations are binding; and ensuring that the application of regulations is carried out on a national treatment basis.

Figure 7  
**Number of provisions on non-tariff measures in regional trade agreements involving Asia-Pacific economies**



Source: ESCAP calculations; see Trivedi and others, “Non-tariff measures in regional trade agreements in Asia and the Pacific: SPS, TBT and government procurement”, Trade, Investment and Innovation Division Working Paper Series No. 3 (Bangkok, ESCAP, 2019).

37. Mutual recognition arrangements may lower the costs related to non-tariff measures, even between countries that have no existing trade agreements. At the same time, deeper levels of regional integration often aim to streamline intraregional non-tariff measures. For example, the ASEAN Economic Community Blueprint 2025 identifies the reduction of the cost of non-tariff measures as core component of its trade facilitation strategy. In the case of the Eurasian Economic Union, certain non-tariff measures are shared among members, and the development of sanitary and phytosanitary measures and technical barriers to trade requires consensus by all Eurasian Economic Union member States; a dedicated online web portal and protocols exist to address conflicts related to measures deemed inconsistent with the Treaty on the Eurasian Economic Union by some members.

38. Similar to trade in goods, international trade in services is affected by barriers, although the nature of regulations and barriers in services can be different from those affecting trade in goods. The Asia-Pacific region is significantly more restrictive in trade in almost all services sectors. This may, in part, explain why trade in services in Asia and the Pacific as a share of total trade



lags behind the global average, and more attention should be given to assessing the efficacy of barriers in the services sectors. Encouragingly, on average since 2014, restrictiveness in trade in services in Asia and the Pacific across all sectors has decreased, whereas in economies outside of the Asia-Pacific region, it has increased. At the same time, there has also been an increase in the incidence of certain policy measures that hinder the cross-border transfer of data, such as privacy protection regulations and digital taxation policies. Sharing data electronically can reduce the costs both of implementing non-tariff measures and of trade and investment in general. Examining ways to address such “next generation” non-tariff measures may facilitate future growth in trade and sustainable development of the region.

## **VI. Way forward and issues for consideration by the Commission**

39. Trade and FDI are key means of implementation of the 2030 Agenda. The positive links between trade, FDI and economic growth are well established. However, the social and environmental impacts of trade and investment liberalization are less clear. There is growing recognition that liberalization creates both winners and losers even when economies grow in aggregate. In this context, the present document contains a framework on channelling trade and FDI into sustainable development. The framework stresses the need for targeted trade and FDI policies to complement traditional trade and investment policies, which are typically focused on generating aggregate economic gains. Such targeted policies may include tariff cuts on green goods or prioritization for FDI of the Sustainable Development Goals-related sectors such as the renewable energy sector. Careful assessment of the impacts of such targeted measures should be carried out to avoid unnecessarily distorting the market.

40. The potential role of non-tariff measures in accelerating countries’ achievement of the Sustainable Development Goals is also highlighted in the present document. Based on their intended public policy objectives, almost half of the non-tariff measures in Asia and the Pacific directly and positively address the Sustainable Development Goals such as, for example, those on health, safety and the environment. However, the non-tariff measures also add 15 per cent to the price of imports and can also have a significant impact on investment. Data from private sector surveys suggest that domestic procedural obstacles are the primary reason why traders find it difficult to comply with non-tariff measures. As such, to reap full benefits offered by non-tariff regulations, it is necessary that their implementation and review is based on the principle of good governance, and their implementation and design are complemented by trade facilitation addressing associated procedural obstacles.

41. To address trade costs while maintaining the benefits of non-tariff measures, Governments need to further enhance cooperation at all levels, as suggested in this document. At the multilateral level, the WTO Agreement on the Application of Sanitary and Phytosanitary Measures, the WTO Agreement on Technical Barriers to Trade and the WTO Agreement on Trade Facilitation should be fully implemented, while international standards, that are adapted to countries at different levels of development, should be developed and adopted. Regional initiatives should also be actively pursued, such as non-tariff measure harmonization and mutual recognition initiatives in regional trade agreements. Digitalization of non-tariff measure-related procedures should also be prioritized, as already envisaged under the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific. At the national level, new and existing non-tariff measures and related procedures should be systematically subjected to sustainability impact assessments; this

should include effective consultations with the private sector and stakeholders with special needs, including small and medium-sized enterprises and women.

42. The Commission may wish to deliberate on the issues and recommendations contained in the present document and provide guidance to the secretariat on its role in promoting and facilitating the implementation of these recommendations, including:

(a) Developing regional guidelines on sustainability impact assessment of new/existing non-tariff measures since their impact spans well beyond national borders;

(b) Establishing a regional non-tariff barrier private sector reporting mechanism, possibly backed by an intergovernmental agreement to ensure that any barriers found are addressed.

43. The Commission may also wish to discuss how Asia-Pacific countries can take initiative or further prioritize other initiatives, individually and collectively, with the support of the secretariat, to better utilize trade and investment to accelerate implementation of the 2030 Agenda, including through the following:

(a) Supporting an open and well-functioning multilateral trading system and pursuing complementary regional trade agreements;

(b) Facilitating trade digitization, including the implementation of the WTO Agreement on Trade Facilitation and the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific;

(c) Promoting trade in green goods and services and reducing the impact of trade on the environment;

(d) Improving international investment agreements to enhance their contribution to sustainable development;

(e) Implementing complementary domestic policies for those affected by reallocation of resources and jobs across sectors as a result of trade and/or investment liberalization.

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