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**The International Classification of Non-Tariff Measures (NTMs)**

UNCTAD, on behalf of MAST group



## **The International Classification of Non-Tariff Measures (NTMs)**

UNCTAD on behalf of MAST group, 28 March 2017

### **1. Non-Tariff Measures (NTMs) and the need for an International Classification**

In today's world trade, the relative importance of non-tariff measures (NTMs) vis-à-vis tariffs has grown significantly as the latter have reached low levels for most products achieved either by successive rounds of multilateral trade negotiations, by unilateral liberalization, or by the creation of preferential trade agreements (PTAs). Therefore, the ability to gain and to benefit from market access opportunities depends increasingly on compliance with non-tariff measures (NTMs), such as sanitary and phytosanitary measures and technical regulations and norms. Recent research confirms that NTMs are two to four times more important than tariffs.

Despite the increasing importance and awareness there is/was a lack of clarity and transparency. Non-tariff measures (NTMs), defined as 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, encompass a broad range of policies. Therefore, a detailed classification is of critical importance so as to better identify and distinguish among the various forms of non-tariff measures. It is equally important to have a classification that is recognized internationally for the harmonization of data collection across countries and for international comparability of NTMs data.

This new classification of NTMs has been recognized and adopted by a number of international organizations including the United Nations Conference on Trade and Development (UNCTAD) and the International Trade Centre (ITC) for official NTM data collection, and the World Trade Organization (WTO) secretariat for its existing notification mechanisms. A number of regional organizations such as ALADI, the Tripartite (COMESA-EAC-SADC) and ASEAN are also using the classification to collect NTMs data in their respective regions.

### **2. Development of the International Classification of NTMs**

UNCTAD has a long history of collecting, organizing and disseminating data on NTMs. It developed the first comprehensive NTMs classification and started collecting and organizing data on NTMs in the early 1990s.

In 1994, UNCTAD began the collection and classification of non-tariff measures according to a customized Coding System of Trade Control Measures (TCMCS).

This coding system classified tariffs, para-tariffs and non-tariff measures (NTMs) into over 100 sub-categories. Concurrently, a Trade Analysis and Information System (TRAINS) database was developed by UNCTAD, which subsequently grew into the most complete collection of publicly available information on NTMs. Later, in collaboration with the World Bank, TRAINS became accessible to researchers through the World Integrated Trade Solution (WITS) software application.

In 2006, given the growing importance of NTMs and a classification (UNCTAD TCMCS) that had to be substantially revised, the Secretary-General of UNCTAD decided to set up a Group of Eminent Persons on NTMs drawn from governments, international organizations, academia and civil society with the main purpose to discuss the definition, classification, collection and quantification of NTMs as to identify data requirements, and consequently to facilitate our understanding of the implications of NTMs.

To carry out the technical work of the Group of Eminent Persons, a Multi-Agency Support Team (MAST) was created. In addition to UNCTAD, the MAST is composed of the following organizations: the Food and Agriculture Organization of the United Nations (FAO), International Monetary Fund (IMF), International Trade Centre UNCTAD/WTO (ITC), Organization for Economic Co-operation and Development (OECD), United Nations Industrial Development Organization (UNIDO), World Bank and World Trade Organization (WTO). It was also represented by observers from the United States Department of Agriculture (USDA), the United States International Trade Commission (USITC) and the European Commission. The team is composed of experts drawn from the above international organizations dealing with substantive analysis of NTMs. Under the general guidance of UNCTAD, MAST had the following objectives (i) provide a clear and concise definition of NTMs (ii) based on the TCMCS classification, develop a new classification taking into account the new reality of NTMs (iii) devise an efficient way to collect NTMs and (iv) provide guidelines for the use of collected data.

The definition that was developed and agreed (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) does deliberately not judge over the legitimacy or direction of the potential trade impact of policy measures.

In 2008, after a series of meetings and consultations, members of MAST came up with a first draft of a new classification of NTMs reflecting the above definition in a comprehensive manner. Subsequently, the new classification was tested and used, on a pilot basis, to collect NTMs in seven countries (Brazil, Chile, India, Philippines, Thailand, Tunisia and Uganda). The pilot data collection comprised four phases:

(a) Organization of initial workshops/training sessions with a Country Reporting Officer (CRO), national partner institutions, Ministry officials, Chamber of Commerce and other stakeholders.

(b) Testing of NTMs classification and collection of data and preparation of country reports.

(c) Presentation of country reports at the national workshop to initiate discussion arising from the classification, codification and storing of NTMs database.

(d) Introduction of an analytical framework on the basis of pilot studies to systematically monitor and quantify NTMs for policymakers to better understand impacts of NTMs.

Following this pilot classification testing and data collection exercise, the classification was further improved based on feedback received from pilot countries and the first version of the new classification was endorsed and launched in 2009 by the Group of Eminent Persons on NTMs. This classification was then used to collect NTMs data in a number of countries until it was again revised by MAST group in 2012 (current version).

### 3. Description of the NTMs classification

The classification of non-tariff measures is a taxonomy of all those measures considered relevant in today's situation in international trade. This is a unique classification that exists today in this area. The current version of the classification is dated 2012 and has been considered as the first version of the International Classification of NTMs. A revised version of the classification is envisaged in 2017.

The classification follows a tree/branch structure where measures are categorized into 16 chapters (table 1) depending on their scope and/or design with each comprising measures with similar purposes. Then each chapter is further differentiated into several subgroups to allow a finer classification of the regulations potentially affecting trade. The NTM classification encompasses 15 chapters on import related measures and one chapter on export related measures. Each individual chapter is divided into groupings with a depth of up to three levels (one, two and three digits) (figure 1). Although a few chapters reach the three-digit level of disaggregation, most of them stop at two digits. The chapters of the NTMs classification are illustrated in table 1 below. Chapters A to O reflect the requirements of the importing country on its imports, while chapter P reflects measures imposed on exports by the exporting country. A brief description of each chapter is provided in table 2. Five chapters (J to O) need further development.

**Table 1: Classification of non-tariff measures (chapters)**

Imports Technical measures	A SANITARY AND PHYTOSANITARY MEASURES B TECHNICAL BARRIERS TO TRADE C PRE-SHIPMENT INSPECTION AND OTHER FORMALITIES
Imports Non-technical measures	D CONTINGENT TRADE PROTECTIVE MEASURES E NON-AUTOMATIC LICENSING AND QUANTITY CONTROL MEASURES F PRICE CONTROL MEASURES, ADDITIONAL TAXES AND CHARGES G FINANCE MEASURES H MEASURES AFFECTING COMPETITION I TRADE-RELATED INVESTMENT MEASURES J DISTRIBUTION RESTRICTIONS K RESTRICTION ON POST-SALES SERVICES L SUBSIDIES M GOVERNMENT PROCUREMENT RESTRICTIONS N INTELLECTUAL PROPERTY O RULES OF ORIGIN
Export measures	P EXPORT-RELATED MEASURES

**Figure 1: Tree-structure of the Classification**

A SANITARY AND PHYTOSANITARY MEASURES
A1 Prohibitions/restrictions of imports for SPS reasons
A2 Tolerance limits for residues and restricted use of substances
(...)
A8 Conformity Assessment related to SPS
A81 Product registration requirement
A82 Testing requirement
A83 Certification requirement
A84 Inspection requirement
A85 Traceability requirement
A851 Origin of materials and parts
A852 Processing history
A853 Distribution and location of products after delivery
A859 Traceability requirements n.e.s.
A86 Quarantine requirement
A89 Conformity assessments related to SPS n.e.s
A9 SPS Measures n.e.s.
B TECHNICAL BARRIERS TO TRADE
C PRE-SHIPMENT INSPECTION AND OTHER FORMALITIES
D CONTINGENT TRADE PROTECTIVE MEASURES
E NON-AUTOMATIC LICENSING, QUOTAS, PROHIBITIONS ...
F PRICE CONTROL MEASURES INCLUDING ADDIT. TAXES ...
G FINANCE MEASURES
H MEASURES AFFECTING COMPETITION
I TRADE-RELATED INVESTMENT MEASURES

**Table 2: Brief description of the chapters in the classification of non-tariff measures**

<p><b>Chapter A</b> on sanitary and phytosanitary measures refers to measures affecting areas such as restriction for substances and measures for preventing dissemination of disease. It also includes all conformity assessment measures related to food safety, such as certification, testing and inspection and quarantine.</p> <p><b>Chapter B</b> on technical measures refers to measures such as labelling and other measures protecting the environment, standards on technical specifications and quality requirements.</p> <p><b>Chapter C</b> classifies the measures related to pre-shipment inspections and other customs formalities.</p> <p><b>Chapter D</b> groups contingent measures implemented to counteract particular adverse effects of imports in the market of the importing country, including measures aimed at “unfair” foreign trade practices, contingent upon the fulfilment of certain procedural and substantive requirements.</p> <p><b>Chapter E</b> on licensing, quotas and other quantity control measures groups the measures that are intended to limit the quantity traded, such as quotas. It also covers licences and import prohibitions that are not SPS- or TBT-related.</p> <p><b>Chapter F</b> groups price control measures implemented to control or affect the prices of imported goods in order to, inter alia, support the domestic price of certain products when the import prices of these goods are lower; establish the domestic price of certain products because of price fluctuation in domestic markets, or price instability in a foreign market; or to increase or preserve tax revenue. This category also includes measures, other than tariff measures, that increase the cost of imports in a similar manner (para-tariff measures).</p> <p><b>Chapter G</b> on finance measures refers to measures restricting the payments of imports, for example when the access and cost of foreign exchange is regulated. It also includes measures imposing restrictions on the terms of payment.</p> <p><b>Chapter H</b> refers to measures affecting competition. These measures grant exclusive or special preferences or privileges to one or more limited groups of economic operators. They refer mainly to monopolistic measures, such as State trading, sole importing agencies, or compulsory national insurance or transport.</p> <p><b>Chapter I</b> on trade related investment measures groups the measures that restrict investment by requiring local content, or requesting that investment should be related to exports in order to balance imports.</p> <p><b>Chapter J</b> on distribution restrictions refers to restrictive measures related to the internal distribution of imported products.</p> <p><b>Chapter K</b> refers to the restriction on post-sales services, for example, restrictions on the provision of accessory services.</p> <p><b>Chapter L</b> contains measures that relate to the subsidies that affect trade.</p> <p><b>Chapter M</b> on government procurement restriction measures refers to the restrictions bidders may find when trying to sell their products to a foreign Government.</p> <p><b>Chapter N</b> groups restrictions related to intellectual property measures and intellectual property rights.</p> <p><b>Chapter O</b> on rules of origin groups the measures that restrict the origin of products, or their inputs.</p> <p><b>Chapter P</b> on export measures groups the measures a country applies to its exports. It includes export taxes, export quotas or export prohibitions, etc.</p>
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#### 4. Further development of the classification and its future revisions

The international classification of NTMs is seen as evolving as new NTMs are introduced constantly by countries. The classification should therefore adapt to the reality of international trade, trade policy and data collection needs. In this respect, UNCTAD, as the secretariat for the classification, jointly with the MAST group members and other experts continues its work to further develop the International Classification of NTMs by both regularly revising the existing chapters, as well as exploring the possibilities of developing the chapters that have not yet been disaggregated. For the development of the five currently not disaggregated chapters, UNCTAD has established open expert groups for each chapter chaired by an international organisation (all members of the MAST group). The World Intellectual Property Rights Organisation (WIPO) is part of the expert group on Intellectual Property. Recent MAST group meetings were held in September 2015 and October 2016 in UNCTAD. Experts and government officials were invited. The next meeting is planned for 25-26 September in UNCTAD.

An advantage of this inclusive approach with relevant international organisations and experts has been (in addition to their expertise) the development of a unique classification of NTMs used by relevant international and regional organisations.

#### 5. Examples of the application of the classification to produce statistics

The classification is used widely for statistical purposes. Below are examples where the classification has been used to systematically disseminate data, produce statistics and indicators.

- Data dissemination and collection of complaints by traders
  - [i-tip.unctad.org](http://i-tip.unctad.org)
  - [wits.worldbank.org](http://wits.worldbank.org)
  - [www.macmap.org](http://www.macmap.org)
  - [asean.i-tip.org](http://asean.i-tip.org)
  - [www.tradebarriers.org](http://www.tradebarriers.org)
  - [cefta.int/trade-info-centre/transparency-pack/](http://cefta.int/trade-info-centre/transparency-pack/)
- Statistics

- Frequency index and coverage ratio, see e.g. UNCTAD (2013) Non-Tariff Measures to Trade: Economic and Policy Issues for Developing Countries; CEPII (2015) NTM-MAP: A Tool for Assessing the Economic Impact of Non-Tariff Measures; UNCTAD (2015) Key Statistics and Trends in Trade Policy 2015
  - ITC business surveys ([www.intracen.org](http://www.intracen.org))
- Sophisticated indicators such as ad-valorem equivalents (as if the NTMs were ad valorem tariffs)
  - Several scientific research paper, e.g. one forthcoming update of the frequently cited paper: Kee, Nicita, Olarreaga (2009), "Estimating trade restrictiveness indices". Economic Journal, vol. 119, p. 172--199.

## 6. Annex: the classification

The classification is available in both hard copies and electronic format and exists in all six languages of the UN namely Arabic, Chinese, English, French, Russian and Spanish. An electronic copy of the classification can be downloaded at:

<http://unctad.org/en/Pages/DITC/Trade-Analysis/Non-Tariff-Measures/NTMs-Classification.aspx>.

<http://unctad.org/ntm>

## 7. Contact

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