



Note

Technical Barriers to Trade in the WTO Context

Considerations for South & South-East Asian countries

By George William Ngobi

Summary

This note analyses through literature review, the WTO provision on technical barriers to trade and ongoing negotiations in this respect, as well as potential implications of WTO TBT agreements for South & South East Asian countries. Ultimately some recommendations and suggestions on the way forward are provided.

Introduction

It is vital that all South and South-East Asian countries understand the TBT Agreement, its implications and how the implementation of the Agreement can be to their benefit both in bilateral and multilateral trade activities. To that end, this note aims to further examine this agreement for the South and South-Eastern Asian countries. If implemented promptly, the current TBT Agreement can reduce the cost of doing business while increasing productivity and profitability for both MESMEs and SMEs in the region. As these countries seek greater multilateral trade integration and increase export capacity therefore the accelerated implementation of the TBT Agreement is vital. This note aims to trace; the history of the agreement in international trade, its purpose, the definition and bodies responsible for the implementation of the Agreement. Given that the majority of South and South East Asian countries are very active in the manufacturing and production of both industrial and agricultural products understanding TBT issues will be of great importance to these economies.

Description of TBT Issues

What are Technical Barriers to Trade (TBTs)? They are measures and laws a country puts in place for; the protection of its environment, national security to consumer information, for the safety and health of its citizens from harm that could be caused by imported goods. Technical regulations and standards are important and they vary from country to country. When applied correctly, these standards can have of good impact to a country's trade.

Inversely if applied unilaterally without proper justification, the presence of too many different standards as set by every country makes the trade of goods across boarders very difficult for producers and exporters and can have a very negative effect on world trade. Therefore in the event of such fear and protectionism from all countries, it is evident that technical standards and requirements can be impediments to trade in such a case these regulations that deter trade are generally referred to as "TBT" in multilateral institutions and agreements. TBTs issues and concerns arise when WTO members set standards and regulations arbitrarily as a means of protection to prevent imports from entering export destinations.

What are TBTs?

In multilateral trade TBTs are domestic regulations and are issued by governments on the process or the nature of products for the protection of health, plants, animals, environment and others. They are characterized by form and nature and fall in three distinctions these include;

Technical Regulations (TR); which are country sets and demands mandatory compliance by law.

Standards; which a country sets and demands mandatory compliance by law.

Conformity Assessment Procedures (CAP) where by a country demands a products to be tested for compliance with the standards and technical requirements as demanded by law before a product is allowed on the domestic market.¹

¹ Examples of TBTs:

i) TR- A law stating that only buses with airconditioning can be sold in the market.

ii) Standard- An industry standard defining measuring ruler that has 12inches/24CMs as a Foot Ruler.

Who issues TBTs?

Members should be reminded that all government have the right to take measures to protect businesses, populations, the future of their country and the environment as a sovereign right. Rather in multilateral trade, we are concerned about the implications government measures have on international trade on products both industrial and agricultural that come from other countries seeking domestic market access.

Historical Background of the WTO TBT Agreement

The TBT Agreement stems from the Tokyo Round Standards Code 1979.² Which were a plurilateral 43 countries advanced negotiations to cover; mandatory and voluntary technical specification and regulations, Voluntary standards for both industrial and agricultural goods, with the view to prohibit discrimination and the preparation, adaptation and application of regulations, specifications and standards, in a manner that is more restrictive than necessary by urging members to use standards that are international and harmonized. The negotiations to improve the market access disciplines were extended in the Uruguay Round and between 1986 and 1995 TBT Agreement immerged as one of the 60 other Agreements which stems from Uruguay Round negotiations which were concluded in the Marrakesh Ministerial Conference in April 1994.³

iii) CAP- A country requiring as a condition for using the label "organic" for wigs that such products are not chemically treated. A testing procedure for verifying if the product is treated is a CAP. (sampling, testing and inspection, verification and assurance of conformity procedure)

As part of the GATT regime, the TBT Agreement is implemented under the premise of all GATT agreements which stipulates the use of the core GATT clauses of; Most Favoured Nation (MFN) under Art.1, National Treatment (NT) under Art.iii:4 both of which make up the GATT 1994 non-discriminations. Upon ratification of the WTO agreement, all members are expected to aspire to the rules of the TBT Agreement when applying rules and regulation of standards and technical requirements.

Overview of TBT Agreements in place within the WTO

The agreement was established during the Uruguay-Round and come into force on the 1st of January 1995. The agreement is vital for international trade of goods as it provides clarity in;

- i) In the expected mandatory compliance in the processing and production methods related to industrial and agricultural products.
- ii) In conformity assessment procedures and makes them more precise.
- It also elaborates on the general principles iii) for notification of both standards and technical regulations both as enforced and

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²https://www.wto.org/english/docs_e/gattbilaterals_e/in dexbyround e.htm

³https://www.wto.org/english/docs_e/legal_e/legal_e.ht

expected of members seeking market access into their territory. The latter is expected of both local government and non-governmental bodies.

iv) Clarity on the "Code of Good Practice" or standards issued by recognized international bodies should be observed in the; Preparation, Adoption and Application of Standards by standardizing bodies. This code of good practices is open to the private sector upon acceptance.4

TBT Agreement Content overview

The agreement is comprised of 15 articles and their provisions and 3 annexes as represented on the WTO website. For the purpose of this note, a short summary of the TBT Agreement can be found in the annex to this note. ⁵

What are the implications of the TBT Agreement for South & South East Asian Countries?

TBT Agreement obliges all South & South East Asian countries in the WTO in exercise of their right

to impose technical standards and regulations to ensure that:

All procedures / applied standards used to decide whether a product conforms to domestic requirements are fair and equitable to all goods of the same nature from any other country party to the agreement. ⁶

It discourages any methods that would give domestically produced goods an unfair advantage over those imported.⁷

The agreement also encourages countries to recognize each other's procedures for assessing whether a product conforms.8

Where members disagree on the technical standards in a good or product, where concerns are raised, products might have to be tested twice, first by the exporting country and then by the importing country.⁹

The Implementing Bodies of the TBT Agreement

The TBT Committee¹⁰ is the body responsible for the implementation of the TBT agreement.

⁴ Legal texts: the WTO agreements: The WTO's agreements are often called the Final Act of the 1986 —1994 Uruguay Round of trade negotiations. This is a summary of the agreements

⁽https://www.wto.org/english/docs_e/legal_e/ursum_e.htm#dAgreement)

⁵ <u>https://www.wto.org/english/docs_e/legal_e/17-</u>tbt_e.htm

⁶ Article 2 :2.1 TBT Agreement, <u>https://www.wto.org/english/docs_e/legal_e/17-tbt_e.htm</u>

⁷ Article 2 :2.1 TBT Agreement, <u>https://www.wto.org/english/docs_e/legal_e/17-tbt_e.htm</u>

⁸ Article 2 :2.4 TBT Agreement, https://www.wto.org/english/docs_e/legal_e/17-tbt_e.htm

⁹ Article 2 :2.6,2.7,2.8 TBT Agreement, <u>https://www.wto.org/english/docs_e/legal_e/17-tbt_e.htm</u>

¹⁰Article:15.3 https://www.wto.org/english/tratop_e/tbt_e/tbt_e.htm

This is archived through two transparent¹¹ broad arears thus:

The Regular Meetings: Review of Specific Measures and strengthening the implementation of the TBT Agreement through WTO members use the TBT Committee to address their **Specific Trade Concerns (STCs).** These may include; domestic national laws, regulations or procedures that affect their trade through a complaints and address mechanism generally known as "notifications". Members raise STCs as a voluntary review mechanism to seek clarity about the scope and implementation of the each other's regulations. The Committee normally holds three formal meetings a year¹². These meetings are open to all WTO members and observer government. The meetings also extend invitations to other international organizations several of which are standardizing bodies which are accorded an Observer status in the committee under specific guidelines.

In the Thematic Sessions: Members take part in these sessions with the view to share experiences in their endeavor to implement the TBT agreement to achieve more efficient and effective TBT Agreement implementation to address issues such as; transparency, standards, conformity assessment and Good Regulatory Practices (GRPs).

Annual Reports: The Committee is mandated to produce an annual report to highlight the activities and the decisions in all matters concerning the TBT Agreement. (Notifications, specific trade concerns,

technical assistance activities and TBT related disputes).

TBT Information System (TBT IMS): The TBT Information System (TBT IMS) can be accessed by all members. It is an enquiry point where members can search for information with regards to the implementation of the agreement. Or to refer to when addressing their particular STCS. The (TBT IMS) contains information provided by WTO Members in relation to technical regulations, conformity assessment procedures, and standards. The objective of the TBT IMS is to enhance implementation of the transparency by the notifications of technical regulations conformity assessment procedures. Notifications of bilateral or regional agreements between Members on TBT measures; notifications from standardizing bodies in relation to the Code of Good Practice; contact information for Members' TBT Enquiry Points and Notification Authorities; as well as information on specific trade concerns raised in the TBT Committee. 13

The Members Transparency Toolkit: Transparency is a cornerstone of the TBT Agreement and consists of three core elements; notifications, establishment of enquiry points, publication of requirements. The toolkit hubs information on the transparency obligations and procedures, it also contains Committee related work and other resources.

¹¹ Members' transparency toolkit, Transparency has three core elements: Notifications, establishment of enquiry points, publication requirements. This toolkit contains information on the transparency obligations and procedures, and related work in the Committee, as well as other resources.

¹² The TBT Committee is mandated to review the

operation and implementation of the TBT Agreement on a triennial basis. The Seventh Triennial Review was completed in December 2015.

¹³ This information is available in the three official languages of the WTO: English, Spanish and French. http://tbtims.wto.org/default.aspx

Recent TBT issue Developments within the WTO

The WTO membership has grown to 164 members, so has international trade and the need for country members to regulate and reinforce order for safety and health in commerce across borders. According to data collected, TBTs/SPSs are the most frequently encountered Non-Tariff Measures (NTMs) in International trade. They are also considered among the most frequent impediments to exports in business surveys.¹⁴

As of 2016 the TBT Committee has discussed 500 STCs. This achievement was commended by the DG, and encouraged members to endeavour to solve issues and concerns within the committee rather than in the Dispute Settlement Body (DSB). As of 2016 it was noted that only 2% of STCs discussed in the TBT Committee have become trade disputes since 1995. Therefore members should aspire to resolve their TBT issues through discussion and implementation reviews of each other. A detailed list of recent issues as raised by some of the South and South East Asia partners can be found on the TBT IMS. ¹⁵

Among recent developments in the WTO is the Trade Facilitation Agreement (TFA). As the 1st WTO Agreement archived from the Bali ministerial declaration, the TFA contains provisions for expediting the movement, release and clearance of goods, including goods in transit and renders further assistance on TBT compliance for members. The TFA sets out measures for effective cooperation between customs and other appropriate authorities as a means of trade facilitation and a working solution to customs compliancy issues. The agreement also contains provisions for technical assistance and capacity building in this area. ¹⁶

The Agreement aims to ease the trade of goods across boarders but assisting governments with the technical infrastructure development to reach their objective of regulating trade at boarders with the view to make it both cost and time efficient 17. In recent times, WTO have shown studies demonstrating that both the TFA and TBT agreements can complement each other and improve trade for both developing and least developed countries. In the context of the South-South-East Asian members the above is equally important. For the benefit of all members, TFA ratification would assist developing members and the LDCs acquire the financial assets which can reduce the cost incurred by member South and South East Asia in the implementation of the TBT

Facilitation Agreement, https://www.wto.org/english/news_e/news16_e/fac_18a pr16_e.htm

World Trade Report 2012- Trade and Public Policies: A closer look at Non-Tariff Measures in the 21st Century, pg.
 https://www.wto.org/english/res_e/booksp_e/anrep_e/wtr12-0_e.pdf

¹⁵<u>http://tbtims.wto.org/web/pages/search/stc/Results.asp</u>
<u>x</u>

¹⁶ WTO: 2016 NEWS ITEMS of 18 April 2016: TRADE FACILITATION United Arab Emirates ratifies Trade

¹⁷ The average international trade transaction is subject to numerous procedural and documentation requirements, which add to the costs of doing business as an importer or exporter and also use up scarce government resources.

Agreement.¹⁸ Among others Laos PDR has endeavoured to ratify the TFA and will soon be availed the funds needed to benefit from this facility and as her category a notifications are submitted. To improve the implementation of the TBT for the developing and least developed members given the implementation of the TFA, for the first time in WTO history, the requirement to implement the Agreement was directly linked to the capacity of the country to do so. In addition, the Agreement states that assistance and support should be provided to help them achieve that capacity.¹⁹

In 2015, WTO members agreed on a three-year work plan for the TBT Committee. This work will include further efforts to improve; the good regulatory practice, regulatory cooperation and transparency between members. During 2015, South and South East Asian Members raised 86 STCs discussion in the TBT Committee, the second-highest number since 1995.

In the thematic sessions members continue to share experiences and address new avenues to solve some of the TBT challenges that persist. Members continue to discuss the establishment of a voluntary mechanism of compliance and related principles of good regulatory TBT practise. Members discussed the impact of regulation on trade and how the WTO can endeavour to tackle technical assistance for developing countries more efficiently. With the thematic sessions, members continue to discuss the development of an alert system for TBT notifications with the view that other international

organizations and observers in the committee could contribute to the operation of this system. ²⁰

South and South East Asian members should be informed that in 2015 the TBT committee celebrated 20 years of TBT implementations. TBT Committee continues to perform its notification requirement assessment and implementation review work for the members. To that end, the Committee has established an online portal for this purpose. The system is up and running and has led to an increase in the number of notification since 2015. To date more than 50 per cent of all TBT notifications are submitted through the WTO online portal. Notifications are now available within two days of receipt. The system has made it easier for members to track the status of submitted notifications. The way forward, the Committee is coordination with the International Trade Centre (ITC) and the UN Department of Social Affairs (UNDESA). To establish a portal that breaks down member country TBT notifications by product coverage. This system will be made public in due time.²¹

Conclusion

With over 600 million people, ASEAN's potential market is larger than the European Union or North America. Next to the People's Republic of China and India, ASEAN has the world's third largest labor force that remains relatively young.²² It should be noted that most South and South East Asia markets are greatly affected by TBTs given the extent of trade

https://www.wto.org/english/res e/booksp e/anrep e/a nrep16_chap5_e.pdf

¹⁸<u>https://www.wto.org/english/news_e/archive_e/tbt_arc_e.htm</u>

¹⁹https://www.wto.org/english/news_e/news15_e/fac_1 4oct15_e.htm

²⁰ Annual Report 2016 WTO

²¹ WTO: Annual Trade Report 2016: Implementing and monitoring of the TBT Agreement, Page.16

²² Source: Speech by ADB Vice-President Stephen Groff. 2014. Berlin, Federal Republic of Germany. ASEAN Integration and the Private Sector

both in the global value chains as proximate suppliers and producers of both intimidate and finished products to the ASEAN economic region, the international trade participation of Pakistan, Sri Lanka, Viet Nam, Nepal and Laos in the South and South East Asian region is greatly exacerbated by their low capacity to mitigate TBT challenges. With respect to the South and South East Asian partners of whom are ASEAN community members, despite the fact that ASEAN is one of the most open economic regions in the world with and estimated total merchandise exports of over \$1.2 trillion 23, not all the members in the region enjoy the same benefits from commerce. In the case of the developing and LDCs in the South and south East Asia in context of the topic at hand, many MSMEs and SMEs still struggle to compete on the international markets given their lack of both financial and technical capacity to comply with the technical requirements and standards as demanded by both developing and developed members and their respective international firms and corporation.

In the trade of both industrial and agricultural produce SMEs in south and South East Asia still lag behind. To attain greater market access in both Europe and greater Asia, the South and South East Asia producers and exporters of goods will require greater assistance moving forward. To that end this not is optimistic that members can be able to trace the particular TBTs that are persistent in their challenges and use the auspice of the TBT Agreement and the WTO TBT Committee to address these problems for their greater international trade integration.

Annex 1

A Summary of the TBT Agreement

Article 1:

Addresses the general; scope of the agreement the coverage of the TBT agreement thus product, the guidelines on the procedures for assessment such that the general terms for standardization and procedures for assessment of conformity shall normally have the meaning given to them by definitions adopted within the United Nations system and by international standardizing bodies.²⁴; the Agreement covers all products including industrial and agricultural products the article therefore draws jurisdiction between the scope of the TBT Agreement and the

²³ Source: ADBI. 2014. ASEAN 2030: Toward a Borderless Economic Community, ASEAN Economic Community: 12 Things to Know, 29 December 2015.

 $^{^{24}}$ Annex 1: Terms and their Definitions for the Purpose of this Agreement, page. $11\,$

https://www.wto.org/english/docs_e/legal_e/17-tbt_e.htm

Sanitary and phytosanitary measures to avoid confusion.

Article 2:

Elaborates on the; technical regulations and standards, their preparation, adoption and application by central government bodies.

Article 3:

This article deals with the; preparation, adoption and application of technical regulations by local government bodies and non-governmental bodies.

Article 4:

This article obliges members to ensure that central governments standardizing bodies accept and comply with the "Code of Good Practices" by to enable the preparation, adoption and application of standards of the code mentioned above.²⁵

Article 5:

Deals with conformity with technical regulations or standards; the application of CAPs by central government bodies. The agreement stipulates that conformity procedures should not be stricter or be applied more restrictively than necessary. Members should endeavour to have confidence in reciprocal product conformity requirements for the trade of goods. The article also addresses other issues which include; transparency in conformity assessment, rules of assessment procedures, the notification obligation by all governments that is should be done through the WTO secretariat, it reiterates non-discrimination in the review process of member concerns, the article provides exceptions such that governments can uses technical requirements or procedures immediately where; safety, health, the environment and national security are compromised and require immediate action.

Article 6:

The article provides for the recognition of conformity assessment by central government bodies in a non-prejudice manner as barked by both paragraphs 3 and 4. The agreement provides that conformity assessment procedures that are warranted by international standardizing bodies in the auspice of the WTO be accepted by all members, once certified by such organizations. The article therefore aims to archive equivalence in technical regulations where future concerns may arise in the trade of similar goods.

Article 7:

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²⁵ Article 4.1 and 4.2 of the TBT Agreement/ https://www.wto.org/english/docs_e/legal_e/17-tbt_e.htm

This article stipulates in 7.1; for CAPS compliance by local government bodies without prejudice. They should endeavour to respect the national treatment clause once compliance is granted. This article exempts local government bodies from the notification obligation.

Article 8:

This article stipulates that where they are active in their territory, members shall ensure that non-governmental bodies comply with article 5 and 6 when making conformity assessment procedures for trade. These entities are also exempted from notifying their proposed conformity procedures. Member governments shall not impose adjustments requirements on such entities beyond those imposed by article 5 and 6 as minimum. The article gives local government the right to impose on NGOs and firms the latter as described in the respective articles.

Article 9:

The article provides that in international and regional market CAPs, the latter should comply with the provisions of 5 and 6. Rather governments' in regional groups do not have the right to enforce these articles in FTA, RTAs or PTA, all parties taking part in such trade do so voluntarily and cannot take any action to enforce the article 5 and 6 of the TBT Agreement in such activities.

Article 10:

This article requires members to set up a TR, CAPs, and standards inquiry point where members can access information. It stipulates that demanders have to notifications the location of such points pursuant to the TBT Committee, the location as in paragraph 3; the scope and responsibility of each inquiry point. Where such points be spread across the country, members are required to notify any standards adopted or proposed by non-governmental or regional standardizing bodies and to supply an extensive list of the members that prescribe to such entities. The article confirms that the Secretariat will circulate copies of all such notifications and others to members in; English, French and Spanish. The article adds that governments shall appoint a single body responsible for the notification procedures unless if it concerns legal or administrative issues. In event of the latter, two bodies are allowed and they should have a clearly finite scope and administrative jurisdiction.

Article 11:

This article elaborates on technical assistance to other members especially in the aid of the developing members with the view to aid them in the preparation of TRs. Technical assistance shall be granted on mutually agreed terms and conditions. With regards to the establishment of national standardizing bodies, members are encouraged to advice the regulatory bodies of the developing members on; the establishment of regulatory bodies or bodies for the assessment of conformity with TRs, the best practice methods for compliance. The article stipulates that members shall make available to the producers from the developing members the market access requirements and CAPs as set by the non-governmental bodies that operate in the territories of the members offering MA.

Article 12:

This article addresses S&D treatment for the developing members. This article is of particular interest to LDCs and developing countries. In favourable to developing members, the article mandates the committee work shall pay high attention and concern to TBT issues of particular interest to the developing members. The demanders of TBT compliance shall put into consideration the special; development, financial and trade needs of the developing members with a view not to create unnecessary obstacles to exports baskets of comparative advantage from developing and LDC member countries. The article also calls on the developed countries to preserve; the indigenous technologies and production methods of the developing countries when finding CAPs. The article attempts to provide a working scope to the benefit of the development agenda of the developing countries. Such countries are not obliged to meet international standards as TR as they cannot meet these standards due to their development levels and financial capacity limitations. The article stipulates that developed members seeking developing countries to comply with their domestic standards and TRs to provide means of facilitation as need be. The article calls on the international organizations and multilateral institutions to facilitate the greater participation of the developing and least developed countries in such forum such that they can address all their problems with regard to TBT compliance. The TBT committee is responsible for the implementation of this provision.

Article 13:

This article elaborates on the scope of the duties and responsibility of the TBT Committee. It reiterates the reasons for its establishment, member representation, the governing system and the chairman election procedure. It also states that the committee should at least once a year such that members have the opportunity to consult on matters relating to the operation of the agreement with the view to further the objectives of the agreement as determined by their national agenda.

Article 14:

This article addresses the consultations and dispute settlement process, and stipulates that TBT disputes be addressed in the auspice of the DSB under articles 22 and 23 of GATT 1994. It provides that upon request by a member thus party to a dispute, a panel of experts be granted to assist with technical questions when members feel incapable of addressing such concerns. The panel remains until such concern has been fully addressed in article; 3, 4, 7, 8 and 9 especially where a members trade interests are significantly affected. In such instance, the article provides that other members affected by such a dispute even if they are not the principal demander of the dispute panel, their interests be addressed as the original proponents to such dispute.

Article 15:

Allows members to have reserve of any of the provisions of the agreement, in other words they can exit the agreement without corrosion. This article requires members who choose to remain party to the agreement to inform the committee of the measures in existence or being taken to facilitate its implementation and administration of the agreement. This article demands members to notify the TBT Committee of any changes in measures. This article requires the committee to carry out an annual review of the implementation and operation of the Agreement and the steps taken to reach the objectives here within.



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37-39, Rue de Vermont, 1202 Geneva, Switzerland geneva@cuts.org ● www.cuts-geneva.org Ph: +41 (0) 22 734 60 80 | Fax:+41 (0) 22 734 39 14 | Skype: cuts.grc

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The Geneva Trade & Business Connexion Forum project is undertaken with funding support from the Australian Aid agency (Australian government).