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# COVID-19 Non-Tariff Measures: The Good and the Bad, through a Sustainable Development Lens

### Abstract

The 2030 Agenda for sustainable development recognizes international trade as a means to achieve the Sustainable Development Goals (SDGs). As such, a group of trade policy measures, commonly referred to as non-tariff measures (NTMs), i.e. measures other than ordinary customs tariffs that can have economic impact on international trade, may be both a boon and a bane for sustainable development.

Over 140 countries resorted to the use of such trade policy measures during the COVID-19 pandemic, both to facilitate and to restrict international trade. While many of these measures were put in place for legitimate policy objectives, such as ensuring access to or safety of essential goods, they had the potential to impact sustainable development, both directly or indirectly, through their impact on trade. Such implications, which can be both positive or negative, are often overlooked when any NTM is put in place. Taking the NTMs applied during the pandemic as a backdrop, this paper attempts to disentangle the linkages between NTMs and the SDGs. We explore the types of NTMs adopted, decode their four types of objectives, and assess the wide-ranging implications they can have for SDGs 1, 2, 3, 8, 10, 15 and 17. The goal is to encourage policymakers to carefully consider the implications such measures can have both for their economies and for others. To conclude, the paper proposes some policy considerations that should be taken in account before resorting to any potentially harmful trade policy response to difficult situations.

**Key words:** Non-tariff measures, COVID-19, Sustainable Development Goals (SDGs)



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*Disclaimer:* Data used in this study is based on several external sources including international as well as national media reports. While the authors have endeavoured to verify this information, they take no responsibility for its accuracy.

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# 1. Introduction

Contemporary trade policy increasingly involves the use of Non-Tariff Measures (NTMs) designed to address a wide array of both trade related objectives, such as limiting trade with import quotas and export restrictions, as well as non-trade, public policy objectives, such as product safety, environmental protection, or national security. Regardless of their intended objectives, NTMs can alter the volume, direction, cost, and composition of international trade. The use of NTMs has been prominent during the coronavirus (COVID-19) pandemic, as a number of temporary measures were put in place by over 140 countries in pursuit of mostly non-trade related objectives, albeit with the larger goal of safeguarding public health over economic concerns. While the majority of these NTMs sought to serve legitimate objectives, they impacted the volume and speed of trade during the pandemic: some for better, and some for worse.

Indeed, exceptional circumstances require exceptional policy responses. Nonetheless, the use of NTMs can have unintended, yet far reaching implications for sustainable development (UNCTAD, 2018). For instance, while some commonly used NTMs during the pandemic sought to ease imports of medical goods, implying positive ramifications for health and well-being, others that created restrictions on imports or exports may have had negative implications for health, livelihoods, industrial development and economic growth. Aside from such direct implications, NTMs can also affect Sustainable Development Goals (SDGs) indirectly, through their impact on trade – a key driver of sustainable development. Oftentimes, a measure put in place without consulting trade partners, while in the interest of a few, can negatively impact others. Overall, the effects of a single NTM can be multi-dimensional. As such, the linkages between NTMs and SDGs can be complex and difficult to untangle. As SDGs are a focal point of the international development agenda, and with the rising influence of NTMs in international trade the need to disentangle these linkages becomes critical for implementing sound and sustainable trade policies in the future.

This research paper examines the various NTMs imposed by countries during the COVID-19 outbreak and attempts to assess the many implications these can have for SDGs. Section 2 provides an overview of the linkages between the COVID-19 pandemic and NTMs and a statistical overview of the different types of NTMs imposed. These are coded into the International NTMs Classification developed by the Multi-Agency Support Team (MAST) and classified based on their effect on trade, i.e. whether these were trade restricting or facilitating.<sup>1</sup> It then presents four broad categories of objectives these measures sought to directly address. In section 3, the paper analyses the potential linkages of these NTMs with the various SDGs, direct and indirect; positive and negative. In doing so, it considers the rationale of these NTMs, the impacts they had during the pandemic, as well as their long-run implications. Finally, in Section 4, the paper proposes some policy recommendations based on the key lessons from the use of NTMs during the pandemic. The goal of these recommendations is to help deliberate the use of NTMs in an effective and transparent manner, during and post-pandemic as well as in the long run, such that positive effects on SDGs can be maximized and negative minimized.

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<sup>1</sup> Members to the MAST are the Food and Agriculture Organization of the United Nations (FAO), the International Monetary Fund, the International Trade Centre (ITC), the Organization for Economic Cooperation and Development (OECD), UNCTAD, the United Nations Industrial Development Organization, the World Bank and the World Trade Organization (WTO).

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## 2. Non-tariff measures during COVID-19: Incidence and objectives

Non-tariff measures are closely linked to the current COVID-19 pandemic. They play an important role to protect human, animal and plant lives and to prevent pandemic outbreaks; have been used frequently during the pandemic to achieve trade and non-trade objectives; and play an important role for the economic recovery from the devastating economic and social effects of the pandemic.

- NTMs may have contributed to the **geographical concentration of the production** of certain goods. Environmental, product or post-production requirements impact production costs and contribute to location decisions. During the pandemic, value chains were disrupted and the high concentration of the production of certain drugs and medical products was considered critical. Certain forms of active pharmaceutical ingredients (APIs) i.e. those parts of a drug that produces the intended effects, for example, are overwhelmingly produced in China and India (Horner R, 2020).
  - NTMs such as **export restrictions have been used** to prevent shortages of supplies of medical products in exporting countries as a reaction to increased domestic demands. At the same time, other NTMs have been adapted to facilitate imports of important goods.
  - **Transparency in NTMs** is important for traders. OECD (2019) finds that increased transparency on sanitary and phyto-sanitary (SPS) measures and technical barriers to trade (TBT) in regional trade agreements boosts trade by around 25 per cent. During the pandemic, transparency in NTMs coming into force during the pandemic was particularly grim. Most data were collected from news articles.
  - Import and export **procedures reflect the regulatory requirements** at the border. During the pandemic, radical measures were taken to protect the health of the population. This frequently disrupted goods trade and long queues at the border showed the fragility the system. However, facilitating trade and the transport of goods is even more important during a pandemic to avoid logistical obstacles that lead to shortages of necessary supplies.
  - **Coordinated NTMs** and those based on international standards facilitate international trade. Knebel and Peters (2019) found that a higher regulatory similarity can reduce trade costs by about 25 per cent. A significant share of NTM-related costs stems from the fact that technical regulations are often very different between countries. It is costly if producers need to investigate regulatory requirements, adjust production to comply, and provide different certificates for each export destination. Regulatory convergence, through harmonization, equivalence, or mutual recognition, can reduce this burden and create economies of scale. Adherence to international standards in technical regulations is another form of harmonization if several countries follow the same strategy. Regulatory cooperation is always facilitating trade and enhancing competitiveness and of particular importance during a pandemic.
  - Imports of medical products below **quality standards** during the pandemic have demonstrated the necessity of technical NTMs to ensure high quality of goods and to protect the safety of consumers. For example, several countries imported face masks that did not meet quality standards (Broom D, 2020).
  - In the **recovery phase after the pandemic**, it is important that trade barriers are low. Trade is an enabler for sustainable development. The poorer and smaller traders are often disproportionately affected by the COVID-19 pandemic and by NTMs (Fugazza M et al., 2017). As such, addressing NTMs and Non-Tariff Barriers has a high importance.
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The following section delves into the types of trade measures that countries used to respond to the challenges of the COVID-19 pandemic. For all NTMs imposed, the section investigates their broad underlying motives.

## 2.1 Data and Methodology

The trade policies in this research paper were found by UNCTAD and from databases of the Global Trade Alert, the ITC and the WTO with the cut-off date mid-August, 2020 (ITC, n.d.; WTO, n.d.).<sup>2</sup> Inclusion of data after mid-August would not cause a significant change in the research conclusion because only a few trade policies related to COVID-19 were newly introduced after mid-August. Goods measures in the WTO COVID-19 database are compiled by the WTO Secretariat from official sources. The Global Trade Alert and ITC databases are based on both media reports and official legislation. It is noteworthy that exhaustiveness is not guaranteed. Some trade policies may not have been covered by the research.

The trade policy data from the source databases were all compiled into one single UNCTAD COVID-19 dataset by taking all distinct measures and categorizing them by measure type.<sup>3</sup> When a trade policy was taken due to COVID-19, and phased out later, each stage of the phase-out was recorded separately in the source databases as if it was a new trade policy. However, the compiled dataset treated the phase-out as a part of the original trade policy, as long as its type such as ban, authorisation, technical requirements stays the same. For example, if a country imposed an export ban in March, 2020 and exempted some products or countries from the ban in June, 2020, one export ban was considered to be in existence in total, despite the change in a list of banned products or countries.

For categorizing trade policies, the research used the International Classification of NTMs (hereafter, NTM classification), which is officially recognized by the United Nations (United Nations, Department of Economic and Social Affairs, Statistics Division, n.d.).<sup>4</sup> UNCTAD and other members to the MAST developed this NTM classification to clearly identify and distinguish various forms of NTMs, collect data and develop statistics. It defines NTMs 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 (UNCTAD, 2012). Within this predefined scope of NTMs, it categorises the measures into 16 chapters from A to P based on several criteria including

- (a) whether it applies to import or export;
- (b) whether it is a technical measure such as SPS measures or TBT, or a traditional instrument of commercial policy such as quotas, price control or contingent trade protective measures; and
- (c) whether it applies at the border or applies to the operation of firms in a market behind the border, such as local content requirements, trade-related investment measures and government procurement.

Description of each chapter is available in the Appendix.

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<sup>2</sup> Per the WTO database "COVID-19: Trade and trade-related measures", trade measures are divided into three categories – goods measures, services measures and intellectual property measures. The research in this paper pertains only the goods measures.

<sup>3</sup> The UNCTAD COVID-19 dataset is available in an excel format on UNCTAD's website. See <https://unctad.org/topic/trade-analysis/non-tariff-measures/covid-19-and-ntms>

<sup>4</sup> The NTM classification was developed in 2012 and revised in 2019 (UNCTAD, 2015a; UNCTAD, 2019). In this research, the 2019 revised version was used.

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## 2.2 Incidence of NTMs during COVID-19

As of mid-August, countries had imposed 384 trade policy measures as a response measure to the COVID-19 pandemic. The countries relied on more NTMs than tariff measures by recording 283 and 101 measures, respectively.

As shown in Figure 1, the way of using tariff measures and NTMs differed - most tariff measures were to facilitate trade and targeted imports with over 100 countries either reducing or eliminating tariffs on essential goods, while NTMs were mainly used to restrict trade and applied to exports. To be specific, 97 out of 101 tariff measures were trade facilitating while only 4 measures were trade restricting. Also, slightly less than one third of NTMs (104 out of 283) were trade facilitating measures, while almost two thirds of them (179 out of 283) were trade restricting measures.

Figure 1. COVID-19 trade measures

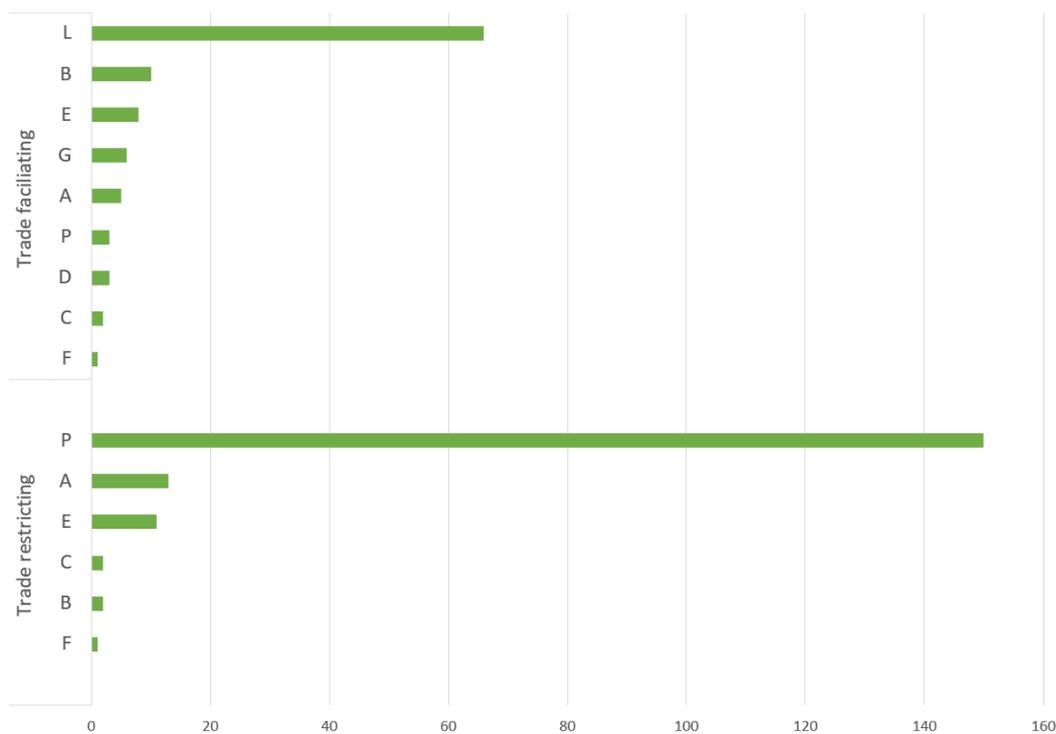


Source: Authors' calculations based on data as described in the methodology.

Figure 2 shows trade facilitating and restricting NTMs in detail. On the one hand, trade facilitating NTMs range across 8 chapters, namely *A. Sanitary and phytosanitary measures*; *B. Technical barriers to trade*; *C. Pre-shipment inspection and other formalities*; *D. Contingent trade-protective measures*; *E. Non-automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions not including sanitary and phytosanitary measures or measures relating to technical barriers to trade*; *F. Price-control measures, including additional taxes and charges*; *L. Subsidies and other forms of support*; and *P. Export-related measures*. They intervened mostly on import. There were only three applied to export - and did not have behind-the-border measures.

On the other hand, trade restricting NTMs ranged across 6 chapters, omitting chapters D and L. Five sixth of them (150 out of 179) applied to exports. They also included behind-the-border measures, affecting operations of firms.

Figure 2. Number of COVID-19 NTMs by chapter



Source: Authors' calculations based on data as described in the methodology.

To look at trade-facilitating measures more closely in Figure 3.a), countries tried to ease financial constraints of importing firms and relaxed requirements of imported products.

Firstly, countries took *L41 Tax and duty exemptions, reductions, other fiscal incentives reducing burden of taxes otherwise due* and *G4 Regulations concerning terms of payment for imports* to keep vitalizing importers. For example, Singapore eliminated import tariffs and other duties and charges on essential goods including medical, hygiene, pharmaceutical products and agricultural products. Also, Saudi Arabia postponed the collection of customs duties on imports for 30 days and the submission of a bank guarantee for three months.

Secondly, countries lifted quantitative restrictions that had already existed on imported goods such as *E125 Licensing for the protection of public health* and *E325 Prohibition for the protection of public health* under quantitative restriction chapter E. This trend extends to relaxation of *E231 Global allocation of import quota* and *E69 Other tariff-rate quotas not elsewhere specified*. For example, Switzerland temporarily increased the threshold of tariff-rate quotas of eggs, milk and cream, and butter to meet the demand in the retail trade. Moreover, countries exempted imported goods from SPS and TBT requirements under chapters A and B such as certification or good manufacturing practices. The exemption from domestic requirements was either conditional to the compliance with exporting countries' requirements or unconditional.

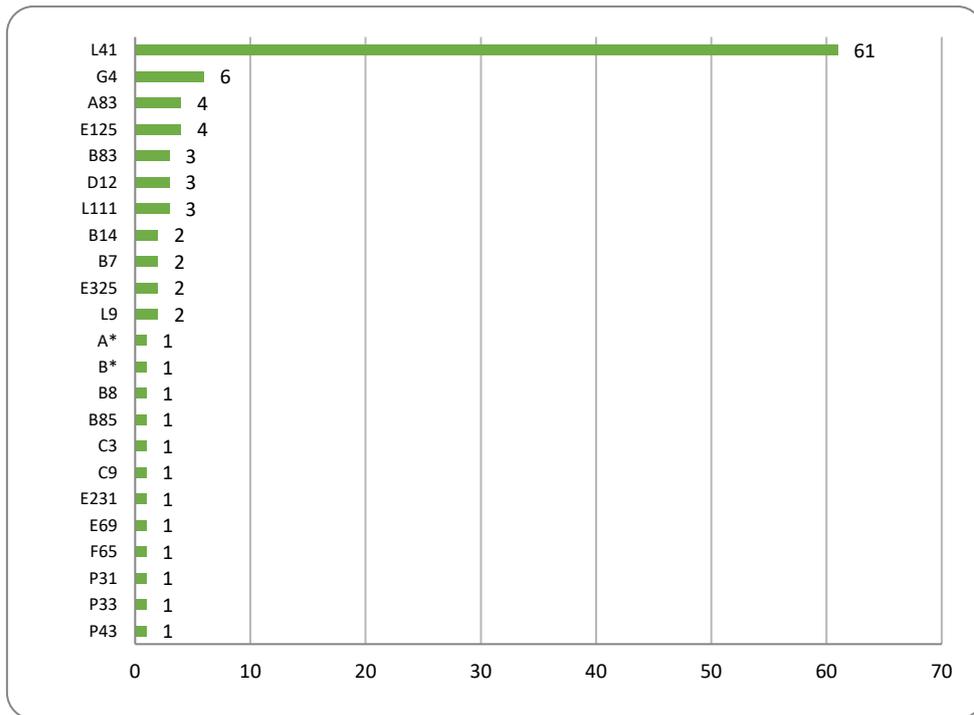
Trade formalities under chapter *C Pre-shipment inspection and other formalities* or subsidy measures other than *L41* under chapter *L Subsidies and other forms of support* recorded low. However, this low record is because the NTM classification does not consider procedural implementations as NTMs and because the databases did not capture subsidy measures that lack direct or indicative implication on trade.<sup>5</sup> Besides those in the databases, countries adopted many measures streamlining and simplifying

<sup>5</sup> The combined database which was a subject of this analysis contains subsidy measures reported by only one country, Australia.

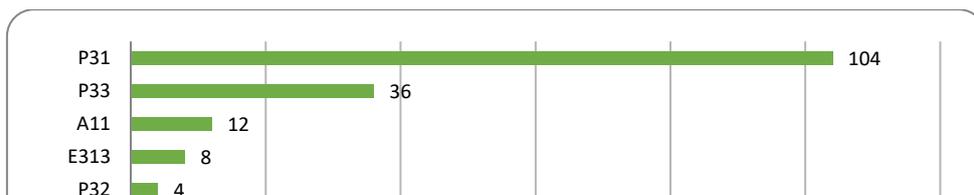
procedural formality of trade such as accepting an electronic copy of documents or an original document that is not yet translated to an importing country's language. Moreover, various measures that countries introduced or are introducing to save firms such as through bail-out or equity injection may in part have entailed elements that would be seen as NTMs under subsidy chapter L.

Figure 3. COVID-19 NTMs, by NTM Code

a) Trade facilitating NTMs



b) Trade restricting NTMs



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