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Non Tariff Measures with Market Imperfections: Trade and Welfare Implications

Organizer- John Beghin (Iowa State University)

IATRC Session 08

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Overview

- Collective book project to be published by Emerald Press (*Frontiers of Economics and Globalization* series)
- Context of the emergence of standard-like NTMs, both public and private
- Departure from traditional protectionist prior on NTMs in the context of imperfect markets
- More ambiguous prior raises interesting issues (consumer valuation of information or quality, optimality of NTM, how to characterize protectionism....)

Book Structure -Part 1

- Part 1: Five chapters providing conceptual and methodological foundations for NTM analysis with externalities and asymmetric information
- Sample of chapters follows

Part 1. Chapter sample

- **Chapter 1. A Cost-Benefit Approach for the Assessment of Non-Tariff Measures in International Trade** (Beghin Disdier, Marette, van Tongeren)
- A welfare-based conceptual framework assesses costs and benefits associated with NTM in presence of market imperfections (asymmetric information and environmental or health externalities)
- Allows for evidence-based comparative assessments of alternative regulatory approaches addressing these imperfections
- The conceptual work is illustrated with an empirical case study of labeling of internationally traded fish products

Part 1. Chapter sample

- **Chapter 2. The Economics and Potential Protectionism of Food Safety Standards and Inspections. An Application to the U.S. Shrimp Market** (Beghin, Disdier, Marette)
- investigates the effects of an inspection system influencing safety of imported and domestic food products in the domestic market in presence of potentially unsafe food going undetected
- Protectionist inspection frequency imposed on foreign producers set by a domestic social planner (in a Fisher-Serra sense)
- Calibration to the U.S. shrimp market incorporating key stylized facts of this market. Also investigates how to finance the inspection policy

Part 1. Chapter sample

- **Chapter 4. Transparency in Non-Tariff Measures: Effects on Agricultural Trade** (Lejarraga, Shepherd, van Tongeren)
- Can transparency mitigate the distortive effects of NTMs in agricultural trade?
- Explores the trade impact of greater transparency in NTMs, using a new database of transparency provisions in over one hundred Regional Trade Agreements (RTAs)
- Surveys the incidence and scope of transparency provisions in RTAs, and econometrically assesses the trade effects of these instruments on bilateral agricultural and food trade.
- Transparency provisions in RTAs associated with greater agricultural trade flows

Book structure – Part 2

- Part 2: Seven specific cases studies for particular countries and industries and NTMs
- A strong but not unique focus on North-South trade and agricultural and food industries
- Sample follows

Part 2. Chapter sample

- **Chapter 6. Investigating the Impact of MRL Standards' Similarity on Trade** (Liu and Yue)
- A similarity index of MRLs regulations is introduced into a Variable Elasticity of Substitution (VES) model to analyze the impacts of MRLs regulation similarity on trade flows and social welfare
- Consider the case of requirements set by the importing country are stricter than those of the exporting country
- The more similar the MRLs regulation between trading partners is, the more substitutable their goods are
- Developing countries upward harmonizing their MRLs standards to developed countries, could expand exports

Part 2. Chapter sample

- **Chapter 12. Building Trust through Certification and Accreditation in Trade Relationships. Evidence from the Food, Beverage and Tobacco Industry** (Blind, Mangelsdorf, Wilson)
- Examines how third party certification with the ISO 9000 quality management standard and mutual recognition of certification the IAF-MLA forum. Econometric investigation using gravity approach
- Quality management certifications are positively correlated with bilateral trade. Certifications help to reduce information asymmetries, signal commitment to quality production processes and to build bilateral trust.
- Mutual recognition of certification has a positive and significant effect on trade
- Show the importance of technical assistance in conformity assessment services in developing countries

Today's presentations

- *Choosing the Best Model in the Presence of Zero Trade: A Fish Product Analysis* Nhung Tran, Norbert Wilson, & Diane Hite
- *Trade Integration and Firm Export Status: The Case of EU Harmonization of Food Regulations* Mark Vancauteren
- *Private Food Standards and Firm-Level Trade Effects: the Peruvian Asparagus Case* Monica Schuster & Miet Maertens
- *NTMs, Protectionism, and the International Competitiveness of Agri-food Industries in Canada and the United States* Bo Xiong & John Beghin
- *The Participation of Smallholder Farmers in High-Value Export Markets Governed by Standards: The Role of Exporter Procurement Practices* Spencer Henson, Steven Jaffe, & Oliver Masakure