

WORLD TRADE REPORT 2012

Looking beyond International Cooperation on Tariffs:
NTMs and Services Measures in the XXIst Century

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Why do we care about NTMs and Services Measures?

- Tariffs have been progressively reduced and bound.
 - Even if some tariffs still represent significant barriers to trade, WTO rules and modalities are appropriate to handle them – it is mostly a matter of political will.
- New developments raise new challenges:
 - Growth in global production networks (offshoring).
 - Growing consumer concerns regarding food quality and safety or environmental issues (especially in rich countries).
 - The recent financial crisis.
 - The need to address climate change.



Why do we care about NTMs and Services Measures?

- Given these new developments, the WTO needs to:
 - Deepen our understanding of the incidence, role and effects of NTMs and services measures.
 - Offer new insights into the scope for further international co-operation in these areas.

- Why also discuss services measures?
 - Services have increased their share of global trade.
 - The complementarity between goods and services in trade has become more apparent, especially along supply chains.



Difficult questions, difficult answers

- Understanding the incidence, role and effects of NTMs and services measures is a difficult task...
- ...especially because of lack of transparency on such measures.
- Transparency is a multi-dimensional problem:
 1. Opaqueness – in terms of purpose and effects – of certain measures.
 2. Large gaps in the availability of data and numerous shortcomings in existing datasets.
 3. Methodological shortcomings in quantifying trade effects – especially in a world with offshoring.



Transparency in a world with offshoring

- As argued in WTR 2011, in the last two decades offshoring in both intermediate goods and services has grown at a faster pace than trade in final goods.
 - In particular in East Asia.
- Traditional trade patterns imply a linear supply chain in which a single good is moved from place of production to place of consumption.
- But with the location of different stages of production in different countries, it takes many more cross-border transactions to provide a single unit of a final good than before.
 - This is particularly true for manufactured goods with multiple components, such as electronics and motor vehicles.

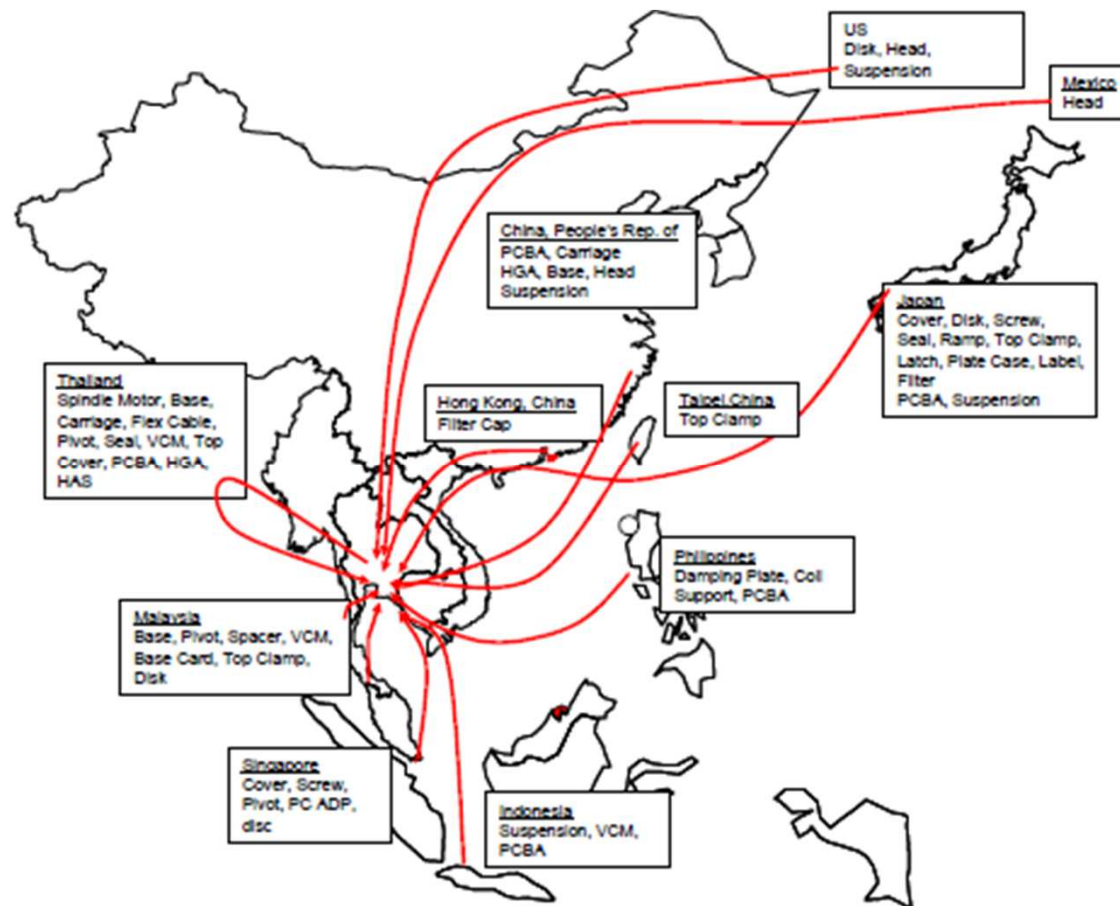


Transparency in a world with offshoring

- Offshoring gives rise to hub-and-spoke regional global supply chains.
- Example: computer disk drive (Hiratsuka, 2005).
 - Thailand acts as the hub of the supply network, using 43 components from 10 other countries along with 11 components produced in Thailand.
 - Hence, there are at least 10 moves across international borders, and perhaps more, depending on the extent to which shipments can be bundled.
 - Furthermore, since the disk drive will be shipped to the location of final computer assembly (e.g. China), at which other major components of a computer are gathered, the number of cross-border moves multiplies even further.



Transparency in a world with offshoring



Source: Hiratsuka, 2005



Transparency in a world with offshoring

ain that requires semi-finished goods to move
tional borders more than once, the effects of
er trade costs) are compounded.

marginal increase in trade costs is much larger
the case if there were a single international