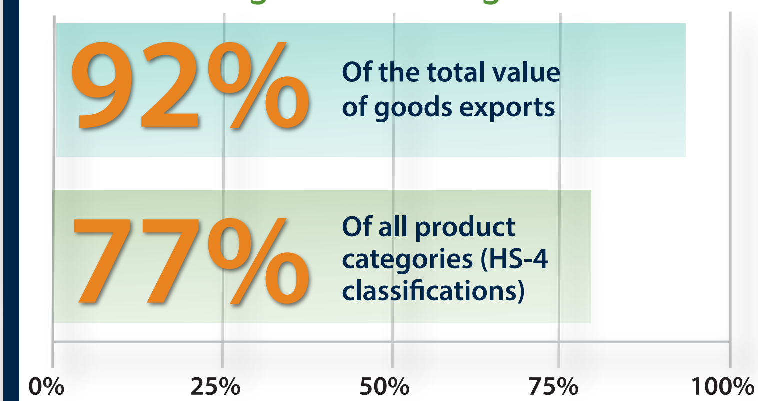
INTERNATIONAL TRADE ADMINISTRATION

Standards and Regulations: Measuring the Link to Goods Trade

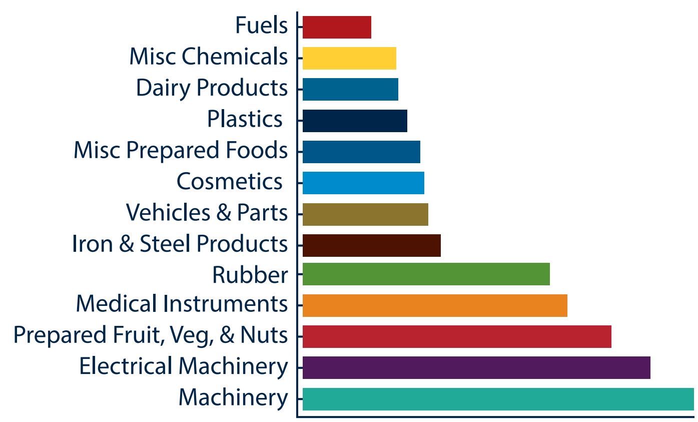
Standards and technical regulations are important to U.S. exporters because they set the rules for entering foreign markets.

When these regulations and accompanying testing and certification procedures diverge from international standards—especially in ways that are unnecessarily trade-restrictive—they create powerful challenges for U.S. exporters.

U.S. Goods Exports Potentially Affected by Foreign Technical Regulations



Regulations are Concentrated in Certain Sectors



We analyzed notifications by World Trade Organization (WTO) members to the Technical Barriers to Trade (TBT) committee under the WTO TBT Agreement from 2006 to 2015. These cover technical regulations with potentially significant trade impact that are not in accordance with relevant international standards or for which there are no existing international standards.

As the notifications appear to represent a small subset of the true stock of regulations, we assume that the presence of regulations in one country serves as a good proxy for the overall global regulatory environment.

Some WTO Members Notify More Often

1. European Union
2. China
3. Saudi Arabia
4. United States
5. Israel
6. Uganda
7. South Korea
8. Brazil
9. Kenya
10. Qatar
11. Bahrain
12. Japan
13. Canada
14. Ecuador
15. Thailand

The pervasiveness of technical regulations reinforces the need for policy engagement—whether through trade agreement disciplines, multilateral/regional bodies, or bilateral meetings—to help ensure our trading partners do not allow these regulations to become unnecessary barriers to trade.

How ITA Can Help

ITA seeks to ensure transparency, stakeholder participation, and fairness when trading partners develop standards and technical regulations. Through U.S. trade agreements, ITA seeks commitments from trading partners to publish new regulations and conformity assessment procedures in advance and to give businesses a reasonable amount of time to comment on and comply with new requirements. These commitments make it easier for U.S. exporters to have their goods tested or certified for export to foreign markets.

(Source: Okun-Kozlowicki, "Standards and Regulations: Measuring the Link to Goods Trade," June 2016). *REVISED January 2017*

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Frequently Asked Questions

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Q: What is the difference between standards and technical regulations?

A: Compliance with technical regulations is required by law to get a product in the market, while compliance with standards is not. Governments can make standards into technical regulations by incorporating them into domestic law. This paper focuses on technical regulations because they can be easily linked to the types of goods they affect.

Q: Why look at notifications to the Technical Barriers to Trade Committee?

A: Notifications contain technical regulations that could significantly affect exporters. WTO members are obligated to notify regulations that could have a substantial impact on trade and that differ from relevant international standards.

Q: Why not examine notifications before 2006?

A: We did not examine earlier notifications in detail because WTO members notified less frequently: they notified an average of 625 notifications per year from 1995 through 2005, compared to 1,327 per year from 2006 to 2014. In addition, only 32 percent of notifications before 2006 contained information on products affected, leaving even fewer regulations to link with goods trade. Even so, U.S. exports potentially affected by technical regulations increases to 95 percent when we analyze notifications from 1995 to 2015.

Q: Do notifications represent trade barriers?

A: Notifications do not represent trade barriers unless they create unnecessary obstacles or restrictions on trade. Nevertheless, regulations that diverge from international standards can increase costs for exporters if they require additional testing and product redesign, or if they reduce economies of scale.

Q: Do notifications represent regulations that are in force?

A: Although only 15.4 percent of notifications examined contained the date on which the measures would come into force, we found around 86.8 percent of notifications with product-level information but no date of entry into force have been placed in force.

Q: Why do notifications serve as a good proxy for the overall global regulatory environment?

A: Because they are voluntary and only cover new measures, WTO notifications seem to be a small subset of the true stock of regulations with potential trade impact. Nevertheless, they seem to represent how countries want to regulate and which products are subject to more regulations. To calculate the link with goods trade, the paper assumes that a regulation made by any WTO member on a particular product can be linked with all exports of that product, regardless of destination.

Q: Why analyze separate data on European Union regulations?

A: We focus on a single economy and use another data source to test the assumptions made about WTO notifications. For countries that reliably their publish regulations, UNCTAD data may more accurately reflect the stock of technical regulations because they are collected by outside experts, based on official government documents, and include only regulations that are in force. We chose to examine the EU because it was the largest trading partner of the United States for which UNCTAD had collected data, as well as the partner to which the U.S. exported the second-most varieties of goods in 2015.

Based on Okun-Kozlowicki, "Standards and Regulations: Measuring the Link to Goods Trade," June 2016.