

Module 3: Non-Tariff Measures (NTMs) and Their Strategic Implications

Learning Objectives

By the end of this module, participants will be able to:

- Define non-tariff measures and distinguish them from non-tariff barriers
 - Classify NTMs into technical and non-technical categories
 - Identify procedural obstacles and assess compliance costs
 - Use Market Access Map to identify NTMs affecting specific products and markets
 - Analyze real-world SPS and TBT cases and their business implications
-

3.1 Understanding Non-Tariff Measures

Definition and Scope

Non-Tariff Measures (NTMs) are 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.

Key Characteristics:

- **Mandatory requirements** legally set by governments
- **Apply to both imports and exports**
- **Cover entire value chain:** production, transportation, distribution
- **Administered by various national institutions** (not just customs)
- **Can take multiple forms:** prohibitions, technical requirements, taxes, licensing

NTMs vs. Non-Tariff Barriers (NTBs)

Important distinction:

- **NTMs:** All trade-related measures other than tariffs
- **NTBs:** NTMs with protectionist or discriminatory intent
- **Key insight:** NTMs are not necessarily trade barriers - many serve legitimate purposes like protecting public health or safety

The Exporter's Perspective

From a business standpoint, tariffs are often "the last thing the exporter worries about" because they

represent a cost that's only paid after successfully meeting all other requirements:

Prerequisites before tariff concerns:

1. Finding buyers/importers
 2. Complying with mandatory importing country requirements
 3. Meeting private standards required by buyers
 4. Obtaining export licenses and documentation from home country
-

3.2 Classification of NTMs: Technical vs. Non-Technical

Technical Measures

Definition: Product-specific measures that define characteristics, technical specifications, production processes, or post-production treatments.

A. Sanitary and Phytosanitary (SPS) Measures

Purpose: Protect food safety and animal/plant health

Categories include:

- **A1:** Prohibitions/restrictions for SPS reasons
- **A2:** Tolerance limits for residues and restricted substances
- **A3:** Labeling, marking, and packaging requirements
- **A4:** Hygienic requirements
- **A5:** Treatment for pest elimination
- **A8:** Conformity assessment procedures

Real-World Example: Uganda's False Codling Moth Crisis

In 2014, the EU intercepted more than 80% of fresh fruit and vegetable exports from Uganda because they contained harmful organisms, including false codling moth and fruit flies, in capsicum and bitter gourd. This SPS measure had severe consequences:

Impact Assessment:

- Exports to the EU amount to 60% of all fresh fruit and vegetable exports
- In April 2019 the government of Uganda introduced a self-imposed ban on exports of sub-standard vegetables to Europe
- Required comprehensive capacity building and compliance systems

Response and Solutions: The Uganda Export Promotion Board has introduced a system for the 'registration of all producers of fruits and vegetables for exports' to strengthen 'efforts to ensure compliance to international sanitary standards'

Further Reading:

- STDF Project Details: <https://standardsfacility.org/PG-543>
- CABI Project Overview: <https://www.cabi.org/projects/enhancing-the-capacity-of-ugandas-fruit-and-vegetable-sector-to-comply-with-phytosanitary-requirements/>

B. Technical Barriers to Trade (TBT)

Purpose: Ensure national security, consumer safety, environmental protection

Categories include:

- **B1:** Import authorization related to TBT
- **B2:** Tolerance limits for residues
- **B3:** Labeling, marking, packaging requirements
- **B4:** Production/post-production requirements
- **B7:** Product quality, safety, performance requirements
- **B8:** Conformity assessment procedures

Real-World Example: Uganda Coffee EU Organic Certification

Uganda's organic coffee exports to the EU demonstrate complex TBT requirements:

Mandatory Requirements:

- For coffee to be labelled as organic in Europe, it must meet EU legislation 2028/848 on organic production and labelling. The new EU organic regulation, effective since January 1, 2022, means stricter inspections for producers outside the EU to prevent fraud.

Labeling Requirements:

- When you export green coffee as organic, it is mandatory to label the batch with the name and number of the organic control body and the certification number. Labels of green coffee should be written in English.
- The bulk packaging label should contain the name/code of the inspection body and certification number. This will ensure that the bags containing certified coffee have their identity preserved throughout the supply chain.

Further Reading:

- CBI Market Entry Guide: <https://www.cbi.eu/market-information/coffee/organic-coffee/market-entry>.
- EU Requirements Overview: <https://www.cbi.eu/market-information/coffee/what-requirements-should-your-product-comply>.

Non-Technical Measures

Definition: Measures not based on product characteristics, including quantitative restrictions, price controls, and administrative procedures.

Major Categories:

E. Quantitative Control Measures

- Import quotas, prohibitions, licensing requirements

F. Price Control Measures

- Additional taxes, minimum import prices

G. Financial Measures

- Foreign exchange restrictions, payment conditions

O. Rules of Origin

- Requirements to prove product origin for preferential treatment

Real-World Example: Ghana Rosewood Export Prohibition

In Ghana, since 2019 a prohibition has been placed on the export of rose wood. The prohibition has been passed to help protect the environment and above all protect the afforestation and prevent deforestation.

This demonstrates how export-related NTMs can completely prohibit trade for environmental protection purposes.

3.3 Procedural Obstacles and Compliance Costs

Understanding Procedural Obstacles

Definition: Practical challenges and administrative hurdles that make compliance with NTMs difficult, even when the underlying regulations are reasonable.

Common Types:

- **Administrative complexity:** Multiple agencies, unclear procedures

- **Transparency issues:** Requirements not clearly communicated
- **Infrastructure challenges:** Lack of testing facilities, certification bodies
- **Time delays:** Lengthy approval processes
- **Information gaps:** Requirements only available in local languages

Cost Categories

Direct Compliance Costs:

- Testing and certification fees
- Inspection costs
- Documentation and administrative fees
- Facility upgrades to meet standards
- Training and capacity building

Indirect Costs:

- Time delays affecting delivery schedules
- Opportunity costs of lost sales
- Market access restrictions limiting options
- Supply chain disruptions

Strategic Implications for SMEs

Competitive Disadvantage:

- Large firms can spread compliance costs across higher volumes
- SMEs may lack resources for comprehensive compliance systems
- Limited access to specialized expertise and technologies

Market Concentration Effects:

- High compliance costs can lead to market consolidation
- SMEs may be forced to work through larger intermediaries
- Innovation and competition may be reduced

3.4 Identifying NTMs via Market Access Map

Navigation Overview

Market Access Map provides comprehensive NTM information through several modules:

Access > Regulatory Requirements

- **Import-related measures:** Applied by destination countries
- **Export-related measures:** Applied by origin countries
- **Product-specific search:** Find measures affecting particular products
- **Country-specific analysis:** Compare requirements across markets

Practical Search Strategy

Step 1: Product Identification

- Use HS code from previous modules
- Verify product description accuracy
- Check for related product categories

Step 2: Market Selection

- Choose destination market
- Consider both developed and regional markets
- Compare requirements across potential destinations

Step 3: Measure Analysis

- Review all applicable measure types
- Identify implementing institutions
- Assess compliance complexity

Step 4: Strategic Assessment

- Compare costs across different markets
- Evaluate compliance feasibility
- Identify potential competitive advantages

Data Limitations and Considerations

Coverage Variations:

- Not all countries provide complete NTM data
- Update frequencies vary by country and measure type
- Regional variations in data quality

Verification Requirements:

- Confirm current requirements with national authorities

- Check for recent regulatory changes
 - Consult with local experts or trade associations
-

3.5 Case Examples: SPS and TBT Measures in Practice

Case Study 1: East African Flower Exports - SPS Challenges

Background: The floriculture industry is a key sector of Kenya's economy, contributing significantly to foreign exchange earnings, employment creation, and agricultural growth. With roses making up 34% of Kenya's flower exports to the (EU), maintaining market access is essential.

The Challenge: The increasing threat of the False Codling Moth (*Thaumatotibia leucotreta*, FCM) has posed a significant challenge to this thriving industry.

Regional Impact: The false codling Moth (FCM) which is locally known by Kenyan rose flower growers and citrus crop planters as orange moth is still a threat to Kenyan exports in the European markets

Business Implications:

- **Market access risk:** Potential exclusion from major export destination
- **Compliance costs:** Investment in pest management systems
- **Competitive effects:** Countries with better pest control gain market share
- **Supply chain impacts:** Traceability and monitoring requirements

Solutions Implemented:

- Training emphasised the importance of Integrated Pest Management (IPM), food safety and awareness of SPS export requirements. A total of 70 Inspectors and Commissioners have also been equipped with tools to conduct their work – such as inspection kits and personal protective clothing.

Further Reading:

- KEPHIS Response Strategy: <https://www.kephis.go.ke/kenya-takes-bold-steps-address-european-union-eu-regulations-rose-exports>
- Regional Coordination Efforts: <https://news.coleacp.org/en/uganda-updated-technical-brochure-on-false-codling-moth/>

Case Study 2: Organic Coffee Certification - TBT Requirements

Regulatory Framework: A Certificate of Inspection (COI) must be issued to sell your product with an organic label. Control authorities issue this certificate before shipment.

Compliance Requirements:

- Third-party certification by accredited bodies
- Annual inspections and audits
- Detailed record-keeping and traceability systems
- Separate handling and storage facilities
- Premium pricing opportunities offset by compliance costs

Strategic Considerations:

- **Market segmentation:** Access to premium market segments
- **Price premiums:** Higher prices for certified products
- **Investment requirements:** Significant upfront costs for certification
- **Market differentiation:** Competitive advantage over conventional products

Further Reading:

- IFOAM Organics Europe: Updates on regulatory changes and implications
 - CBI Specialty Coffee Guide: <https://www.cbi.eu/market-information/coffee/specialty-coffee/market-entry>.
-

3.6 Strategic Business Applications

Market Entry Strategy

NTM Assessment Framework:

1. **Regulatory mapping:** Identify all applicable measures
2. **Compliance cost analysis:** Calculate direct and indirect costs
3. **Competitive assessment:** Compare with competitor requirements
4. **Risk evaluation:** Assess regulatory change probability
5. **Resource allocation:** Plan compliance investments

Competitive Positioning

Advantage Identification:

- **Home country advantages:** Existing compliance systems
- **Regional preferences:** Mutual recognition agreements
- **Quality positioning:** Premium market access through standards
- **First-mover benefits:** Early compliance before competitors

Supply Chain Optimization

Compliance Integration:

- **Supplier certification:** Ensure upstream compliance
 - **Quality systems:** Integrate NTM requirements
 - **Documentation management:** Streamline compliance processes
 - **Risk mitigation:** Diversify suppliers and markets
-

3.7 Trends and Future Implications

Growing Importance of NTMs

Statistical Evidence: Based on ePing data, there have been 90,824 SPS and TBT notifications from 1995-2024, showing accelerating growth in recent years.

Key Trends:

- **Increasing complexity:** More detailed technical requirements
- **Environmental focus:** Sustainability and climate-related measures
- **Digital transformation:** Electronic certification and tracking
- **Consumer awareness:** Demand for transparency and traceability

Regional Trade Implications

Intra-African Trade Barriers: Research shows that technical measures are the main source of regulatory barriers to intra-African trade:

- **32%:** Conformity assessment requirements
- **21%:** Rules of origin and certificates
- **16%:** Charges, taxes, and price control measures
- **12%:** Technical requirements

Policy Implications:

- Need for regional harmonization initiatives
 - Mutual recognition agreements between African countries
 - Capacity building for compliance with international standards
-

3.8 Module Summary and Integration

Key Learning Points

1. NTMs are complex and often more restrictive than tariffs

2. **Technical measures** (SPS/TBT) require product-specific compliance
3. **Procedural obstacles** can make compliance difficult even with reasonable regulations
4. **Strategic planning** is essential for successful NTM compliance
5. **Market access tools** like Market Access Map provide essential intelligence

Integration with Previous Modules

This module builds on Modules 1 and 2 by:

- **Completing market access picture:** Beyond tariffs to full regulatory landscape
- **Providing practical tools:** Using Market Access Map for comprehensive analysis
- **Demonstrating complexity:** Real-world examples of compliance challenges
- **Strategic framework:** Business applications for competitive advantage

Preparation for Advanced Applications

Understanding NTMs provides foundation for:

- **Rules of origin analysis:** Detailed requirement for preferential access
- **Export development strategy:** Comprehensive market entry planning
- **Supply chain management:** Integration of compliance requirements
- **Policy advocacy:** Informed participation in trade policy discussions

Critical Questions for Reflection

1. How might climate change regulations affect Uganda's agricultural export strategy?
2. What role should regional economic communities play in harmonizing NTM requirements?
3. How can SMEs build cost-effective compliance systems for multiple markets?

This module provides comprehensive understanding of NTMs and their business implications. Participants should practice using Market Access Map to identify relevant measures for their specific products and markets, while considering both compliance costs and competitive opportunities.