

Introduction to the Special Issue of the *World Trade Review* on ‘standards and non-tariff barriers in trade’

Guest editors

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Standards are increasingly important in international trade. The literature identifies two characteristics of standards which affect trade. On the one hand, they can be trade facilitating by reducing transaction and information costs. On the other hand, they can be trade constraining: many trade economists consider them as non-tariff barriers to trade that may be used with a protectionist motive to replace tariffs and other traditional trade barriers restricted under WTO rules.

In some areas of trade, both public and private standards are rapidly growing in importance. This introduces important new issues for trade policy. In fact, there is serious and growing concern of how to deal with private standards in an international framework. WTO rules on TBT (Technical Barriers to Trade Agreement) and SPS (Sanitary and Phytosanitary Agreement) apply to public standards but not to private standards. However, if privately imposed standards apply to the vast majority of imported goods, private standards may become *de facto* mandatory from an exporter’s perspective. As a consequence, somewhat paradoxically, the most debated issue in recent years in the WTO SPS committee is private standards, although this issue is strictly speaking not officially dealt with by the WTO.

Interestingly, it turns out that in practice the distinction between ‘private’ and ‘public’ is not as clear-cut as often suggested and many actual standards have both ‘private’ and ‘public’ elements, either in their design and/or their implementation. This, in turn, has potentially important implications for how they can be dealt with under WTO rules.

This special issue combines theoretical, methodological, and empirical papers on the role of private and public standards in international trade. Systematic reviews of the vivid economic literature in this area and original research contributions allow for a state-of-the-art look at various sides of the issue.¹

¹ The idea for this special issue originally came up in the context of a theme day on ‘Private Standards and Non-Tariff Barriers: Measurement, Impacts and Legal Issues’, 13 December 2009, at the annual meeting of

The first papers present and review various conceptual frameworks to analyse the welfare effects of standards and non-tariff barriers. John Beghin and colleagues present a partial equilibrium model of the welfare effects of non-tariff measures in the presence of market imperfections, while Ian Sheldon uses a general equilibrium approach. Swinnen and Vandemoortele complement this by reviewing models which have looked at the distribution of rents from standards and non-tariff measures and the incentives for lobbying governments to introduce standards. While Sheldon concludes that there are clear theoretical foundations for the hypotheses of standards as barriers to trade, this is not necessarily the case for the hypothesis of barriers as catalysts for trade. In contrast, both Beghin *et al.* and Swinnen and Vandemoortele conclude that in the presence of information costs and market imperfections, standards may enhance trade and that the optimal level of NTM or standard is not the absence of regulation.

The next three papers, by Natalie Chen and Dennis Novy, by Mauro Vigani and colleagues and by Marie-Agnes Jouanjean present and review different ways of measuring the effects of standards and technical regulations, with empirical applications. Chen and Novy distinguish between direct and indirect approaches with the first attempting to measure extent and impact of observed trade costs or proxies thereof and the second comparing actual trade flows with those simulated under a hypothetical scenario of frictionless trade. They conclude that the two approaches are complementary, differing with respect to the type of results and empirical requirements. Vigani and colleagues measure the impact of GMO regulations with a newly developed composite index for 60 countries. Apart from this innovative approach to a complex issue, an interesting additional feature of the article is that the authors explicitly allow for the endogeneity of standards (implicitly taking into account the political economy pressures on domestic policy makers following from international trade) and show that standards are indeed endogenous for the case they analyse (regulations of genetic engineering in food production). Marie-Agnès Jouanjean distinguishes productivity and quality sorting, thereby allowing to separate the effects of standards and consumer quality preferences on trade. Her empirical application analyses the impact of reputation on exports from Latin-America to the US. Using a unique dataset on import refusals in the US, she concludes that reputation damages can have profound and lasting effects on export prices.

The legal aspects of standards and NTMs, in particular how they relate to the WTO, are the focus of the two subsequent papers. Roy Santana and Lee Ann Jackson contrasts GATT terminology with the definitions frequently found in the literature and describe the multilateral tools that were used in the past to identify

the International Agricultural Trade Research Consortium (IATRC), see www.iatrcweb.org. Adding to a selection of papers from the theme day, the scope of the special issue was broadened afterwards by inviting papers from other experts in the field.

NTBs (non-tariff barriers). They also look at provisions cited by complainants in more than 60 years of multilateral disputes, and conclude that agricultural and non-agricultural products face very different NTBs. They propose the establishment of a new multilateral instrument to collect and classify information on NTBs based on specific trade concerns. Jan Wouters and Dylan Geraets examine to what extent existing SPS and TBT agreements cover private standards and conclude that only the TBT agreement acknowledges the importance of private standards with its 'Code of Good Practice for the Preparation, Adoption and Application of Standards' (CGP). The possibility of adding a similar CGP to the SPS agreement or deciding 'per analogy' to the TBT CGP is considered unlikely in the near future. Mitigation for the trade restrictiveness of private standards using the Standards and Trade development facility appears more realistic, but an intensive dialogue involving developing countries as well as public and private standard setters is generally required for a long-term solution.

The last set of papers are detailed empirical studies of the impact of standards, NTBs, and aid programs on trade from Asia and Africa, using new and innovative data and empirical approaches. Melise Jaud and Olivier Cadot analyse whether technical assistance programs to address quality and safety concerns in the context of quality and safety standards in export destinations can help developing country exporters. More specifically, the study looks at the effect of the Pesticides Initiative Program in Senegal and finds that the program had no significant effect on exports as a whole, but did have one on horticultural exports to the EU. Axel Mangelsdorf and his colleagues analyse the impact of voluntary and mandatory standards on food exports from China. They find that standards have a positive effect on China's export performance. They conclude that the benefits from standardization (reduced transaction costs and information asymmetries) outweigh compliance costs. Their analysis suggests that developing countries can benefit from basing their domestic standards and regulations on international measures.