

## **EC FP7 research project “Assessment of the impacts of non-tariff measures – NTM on the competitiveness of the EU and selected global trade partners”**

### **Summary of project activities in Year 1 (April 2009 – March 2010)**

#### **Objectives & organization**

The overall objective of the project is to collect and analyze new data on non-tariff measures (NTMs), particularly on governmental standards and regulations that prescribe the conditions for exporting agri-food products to foreign markets. In order to ascertain the NTM impact on EU agri-food exporters the proposed project applies a comparative analytical approach that requires information on the requirements of the EU’s main competing players and the EU for comparison.

The Consortium is made up of 19 partners from countries including member states and third countries (Fr, De, NL, UK, Be, Br, Ar, Us, Ca, Nz, In, Ru, Sv, Cn, Au, Jp). The overall coordination is with the French CIRAD, through its project management office in Buenos Aires with administrative and financial management support from its headquarters in Montpellier.

The research is organized in 5 work packages that are coordinated by a WP1 on project coordination, and supported by a WP2 on Information management and diffusion. WP3 plays a pivotal role at the project’s start-up as an “analytical framework development” work package, in which preparatory research will be conducted to generate information that will be needed. WP4 deals with basic NTM data base, fed by data from 10 +EU countries, by WP6 conducting 14 product case studies, and by WP7 on one norm-setting comparative EU-US study and three LDC impact studies. WP5 concentrates the larger part of the comparative analyses. It works with data from the central data base, and informs the quantitative case studies WPs.

#### **First year activities**

(WP1) After a slow start due to complying with legal and administrative requirements that were especially cumbersome for several of the third country partners, the project’s Kick-Off Meeting was held on 29 June – 2 July, 2009, at the University Foundation in Brussels. The complete partner consortium participated, complemented by several Commission representatives from DG RTD, SANCO and AGRI. In addition an UNCTAD specialist on the TRAINS data base participated. The meeting’s objectives of partner presentation, socialization, coordination, and research activities programming for Year 1 were fulfilled.



(WP3) This first partner meeting also discussed a 1<sup>st</sup> draft of the project’s Analytical Framework. The analytical framework elaborates on two important aspects: First, sound economic analysis of the impact of regulations and standards on agri-food trade is linked to the specific research questions of the different analyses within the NTM-Impact project, considering specifically multilateral versus country regulatory measures, compliance costs, private standardization, and the matter of developing countries. Second, issues of data selection and methods to analyze the impact

of regulations and standards are discussed. An overall literature review considering relevant methodologies of quantitative analysis based on and adding to the state of current scientific knowledge is part of this framework. After subsequent discussions and comments from partners this work resulted in the first Project Working Paper 09/01 by Rau & Schlueter<sup>1</sup>.

(WP4) Under WP4 we collect, store and make accessible a set of primary data on standards and regulations that are imposed on EU exports of food and agricultural products into the US, Russia, Canada, Japan, China, India, Brazil, Argentina, Australia and New Zealand. For comparison, data are collected on the import conditions of the EU as a single harmonized entity, and on the recommended standards of Codex/WHO/OIE.

To stimulate the conceptual development with real data and to ensure a cross-over between the practicalities of data collection and the framework of analysis, it was deemed useful to commence data collection in the setting of a test run. The pivotal step in the formulation of the data need was to define variables and indicators for the purpose of cross-country comparison. Apart from the contribution of other work packages, perspectives were obtained from selected exporters of pig meat and dairy, food law experts and experts on the technical dimensions of food safety. As a result, the scope of the test run was refined to a limited set of regulatory instruments in the area of food safety, in particular food safety limits, which provides a useful starting point for a comparative analysis on the relative stringency of import requirements across trade partners. Data was collected on the food safety limits as they apply to apples, cheese and pork in the 10 countries.

(WP5) A framework of regulatory elements to control food safety and quality in the context of international agri-food trade has been brought forward in order to facilitate a common understanding, which is necessary for the subsequent comparative comparison of requirements across countries. The framework elaborates on the following main elements of requirements: i) firm-level requirements, ii) conformity assessment and iii) country-level requirements. While taking the EU perspective as a starting point, the framework is general enough to accommodate for the requirements, which EU exporters face when supplying the markets of different importing countries, and thus seems suitable for the systematic comparative analysis envisioned in WP5. Based on the concept of regulatory heterogeneity, an index has been conceptualized to point out regulatory similarities and dissimilarities heterogeneity. The heterogeneity index has been developed by specifically considering the challenges arising when comparing regulations. The interpretation of the index has been made explicit and its application/outcome has been demonstrated in terms of graphical and quantitative output. As soon as the data will be collected under WP4, the index will be applied.

(WP6). The main objective of WP6 is to analyze relative barriers on imports from the EU compared to other major players exporting the same product through case studies. These case studies must explicitly address the relative competitiveness of EU exporting firms compared to major players. The first step towards this objective was for each partner to select a case study and summarize the rationale behind their selection by focusing on the product significance and the import market significance for EU stakeholders, the specifics behind the Non-Tariff Measure(s) (NTM), the anticipated impact on EU exporters' competitiveness and concerns raised at the WTO or through other forums about potential trade frictions due to the NTM(s). This effort led to the first WP6 deliverable titled "Rationales for the Case Studies". Each of the partners has now submitted a draft of a methodology that provides specific details relevant to the analysis of each case study. These

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<sup>1</sup> [http://www.ntm-impact.eu/innovaportal/file/228/1/Working%20Doc%2009-01%20-%20rau\\_schlueter\\_11%2009%2009.pdf](http://www.ntm-impact.eu/innovaportal/file/228/1/Working%20Doc%2009-01%20-%20rau_schlueter_11%2009%2009.pdf)

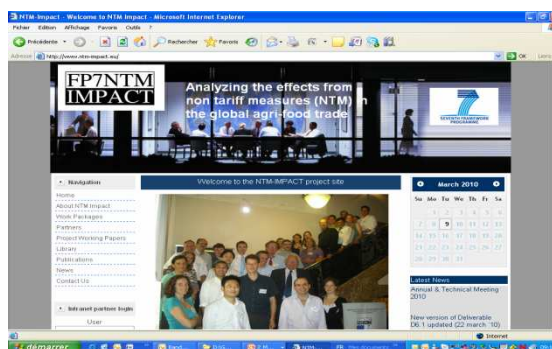
drafts will form the basis of the second WP6 deliverable tentatively titled “A Review of the Methodologies for the Product Trade Cluster Case Studies”.

(WP7) Case studies have been identified during two technical meetings with WP7 partners:

- Standard setter case study: standard setters will be interviewed in EU and US. Products of interests are complementary with products in WP4-5-6.
- Country case studies: the following country-product comparisons have been selected : litchi in Madagascar, green beans and mangoes in Senegal and green beans and mango in Peru. The restrictiveness of standards and implications for the organization of the supply chain will be studied in all countries and for all products.

A common approach for the exporter questionnaire has been developed and experiences exchanged to improve the survey instrument. A common framework from the household questionnaires has been discussed and agreed upon. A common methodology for sampling method and estimating income has been agreed upon. Literature on the issue has been collected and exchanged by the different partners. Hypotheses have been formulated (see technical reports of the meeting on the website). A semi-structured questionnaire is currently being developed for the standard setters case study. Instruments for semi-structured interviews with exporters and other key stakeholders have been developed, tested and adapted. The survey instrument for the household survey has been discussed and a common framework is agreed upon.

(WP2) has constructed a web-based Information Management system [www.ntm-impact.eu](http://www.ntm-impact.eu), designed the project logo, designed and distributed a first project brochure and facilitated the diffusion of the project’s “existence” in several scientific fora and meetings. In addition, 2 Project Working Papers were published on the website. An action plan for further publications and output diffusion was formulated.



(WP1) has seen to the coordination of partners, integration and dialogue between and with WP leaders, through monthly Web meetings, and communications with the Commission. It distributed first year EC funds (except one partner, pending a contract amendment). Actions with the full Advisory Committee were less satisfactory. A first period project progress meeting was held with Commission officers at the end of March.

### First year main results

- Project Working Paper 09/1 – Rau, M.L. and S. Schlueter. 2009. “Framework for analyzing regulations and standards in the NTM project”<sup>2</sup>.
- Project Working Paper 10/01- Schlueter et al. 2010. Analytical Framework for the NTM project”<sup>3</sup>
- A first and rough version of the heterogeneity index was produced in deliverable D5.1. The index returns 0 for maximum similarity between the import requirements of the EU and Australia and 1 for minimum similarity. The resultant indices were 0.82 for microbial measures, 0.714 for contaminants and the index on the combined data set was 0.78. This is difficult to interpret in isolation and more so due to the extreme sparseness of the data. i.e. in a comparison

<sup>2</sup> [http://www.ntm-impact.eu/innovaportal/file/228/1/Working%20Doc%2009-01%20-%20rau\\_schlueter\\_11%2009%2009.pdf](http://www.ntm-impact.eu/innovaportal/file/228/1/Working%20Doc%2009-01%20-%20rau_schlueter_11%2009%2009.pdf)

<sup>3</sup> [http://www.ntm-impact.eu/innovaportal/file/228/1/Work%20Doc%2009-02%20-%20final%20version%20\\_27-01-2010\\_.pdf](http://www.ntm-impact.eu/innovaportal/file/228/1/Work%20Doc%2009-02%20-%20final%20version%20_27-01-2010_.pdf)

across several products, countries or regulations the measure becomes more useful. The index does not indicate the relative stringency of trade regulations of a trade partner vis-à-vis the EU.

- A document describing the rationale and characteristics of 14 product trade cluster case studies was formulated (Deliverable D6.1).
- In WP7 on LDC impacts, the standard setter study and 3 case studies in Africa and Latin America were fully identified, formulated and described. Surveying instruments were developed and are being tested in the field. This WP is has started initial field work.
- A project management group was formed.
- The project's web-based Information Management System [www.ntm-impact.eu](http://www.ntm-impact.eu) was constructed and is fully functioning.

## Expected final results & impact

Expected outcomes:

- Better understanding of the differences in NTMs as import conditions for a set of agri-food products and 10 major EU trading partner countries, plus the EU. In the proposed project, governmental regulations are of prime interest, but private standards are also covered.
- Assessment of selected NTMs in bilateral agri-food trade with (potential) key trade partners of the EU, analysing the trade impact of NTMs, particularly standards, regulations and conformity assessment, in comparison to traditional trade policies, and indicating whether EU exporters are more affected by NTMs than main competitor in international agri-food trade.
- Database that contains comparable and analytical information about NTMs, particularly standards and regulations, for the EU's main export and imports of agri-food products. The data is stored with full consistency to a novel classification of NTMs which is endorsed by international institutions such as UNCTAD and OECD, and can be used for the EU's Madb.
- In-depth insights on the impact of standards and regulations as import requirements for meat, dairy, as well as fruit and vegetables by considering specific supply-chain characteristics and specific issues relating to the NTMs under review. Selected requirements and their impact on competitiveness are analysed for 14 combinations of countries.
- Increased understanding of the impact of EU standards and regulations (vis-a-vis the US), both governmental and private, on exports from the least developed countries, and the related socio-economic impacts at various levels of the supply chain, through 4 case studies in the US, Latin America and Africa. Recommendations for win-win policy options will be formulated.

Expected impacts:

- The findings will provide strategic information and policy recommendations, for the European Commission to employ in its export promotion strategies, bilateral and multilateral trade negotiations, and viable strategies for development cooperation.
- Furthermore, the additional analyses and data bases will contribute to levelling of the "information playing field" and hence improve bilateral and multilateral trade negotiations and to provide inputs for additional trade opportunities.
- A further integration of international NTM research activities will bring about economies of scale in improved methods, data bases and results (in the form of scientific publications).
- Increased policy dialogue underlining the importance of NTMs in global agri-food trade.

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