INNOVATION ▼▲ FREEDOM ▼▲ PROSPERITY

International Trade Barrier Index 2023

Executive Summary

COVERING 96% OF THE WORLD GDP AND 76% OF THE WORLD POPULATION

THOLOS FOUNDATION

Philip Thompson
Author

Lorenzo Montanari
Editor

With Contributions by:
Philip Thompson & Andreas Hellmann (USA)
Tim Andrews & Nele Ball (USA)
Tori Smith (USA)
Ashish Bharadwaj (India)
Mariana Campos, Jorge Cano, & Ana Lilia Moreno (Mexico)
Arian Aghashahi (Germany)
Alfian Banjaransari (Indonesia)

I. Introduction

The 2023 International Trade Barrier Index (TBI) identifies the most direct and indirect trade barriers imposed by 88 countries affecting 76% of the world's people and 96% of world GDP.

The TBI achieves this by assessing countries on their use of all direct types of trade barriers and their behind-the-border facilitation environment necessary to allow trade to occur. The average TBI score in 2023 is 3.95 on a 10 point scale, with 10 indicating the highest use of trade barriers (Figure 1). As a composite Index, the TBI strives to compile the most relevant and actionable data on trade restrictions available. For this reason, the 2023 edition adopted new parent indices to inform services trade restrictions and non-tariff barriers, from the Organization for Economic Cooperation Development (OECD) and World Trade Organization (WTO) respectively. While a direct comparison to previous editions is impossible before a forthcoming update, the differences between Tariff and Facilitation scores on display in (Figure 2 and Figure 3 are illustrative). While Most Favored Nation tariffs and the duty-free percentage of tariff lines have largely remained consistent, the TBI records an uptick in barriers around the edges: increases in digital trade restrictions, worsening property right protections, and use of non-tariff barriers. The largest increase in restrictions was recorded in digital trade barriers — a fourth of the Facilitation pillar of the Index.

The new edition adds Armenia, Benin, Burundi, Dominican Republic, El Salvador, Haiti, Iceland, Israel, Jamaica, Madagascar, Moldova, Thailand, and Uganda. While Algeria, Bangladesh, Bolivia, Botswana, Cameroon, Côte d'Ivoire, Honduras, Lebanon, Mali, Mauritius, Pakistan, Panama, Qatar, Trinidad & Tobago, and Tunisia were unable to be included due to insufficient data. The 2023 edition includes 88 countries, a slight decrease from 90 countries in the 2021 edition.

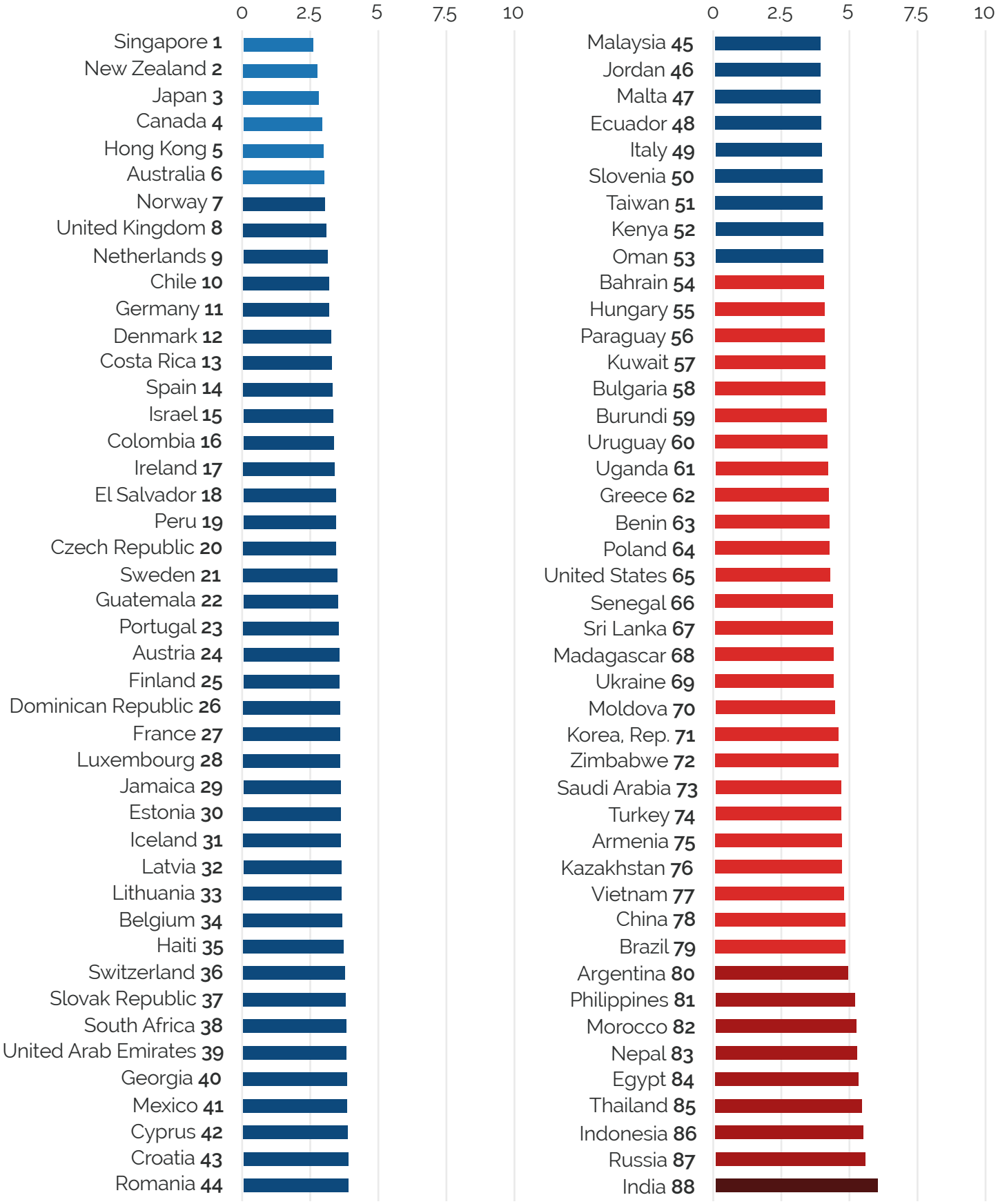

Figure 1. World Ranking TBI 2023

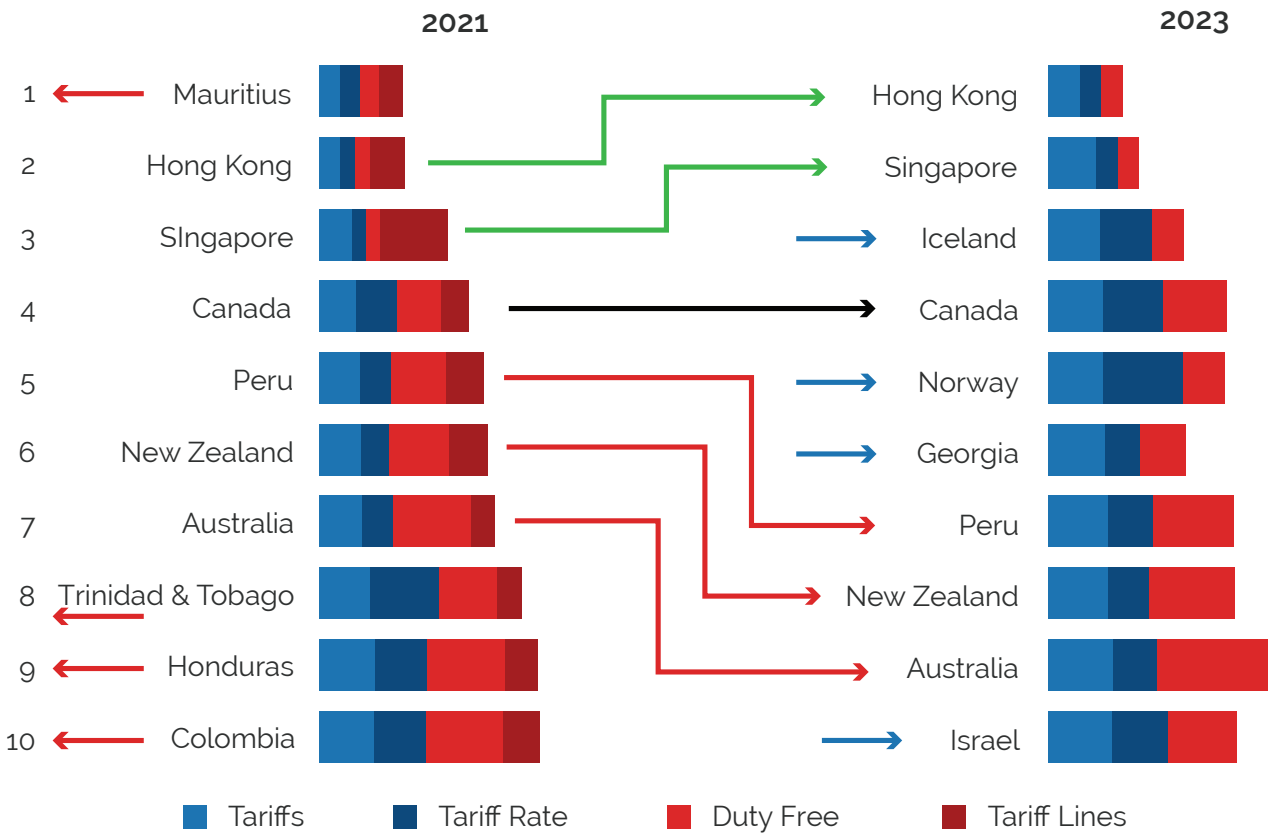

Figure 2. Changes TBI Tariffs 2021 to 2023

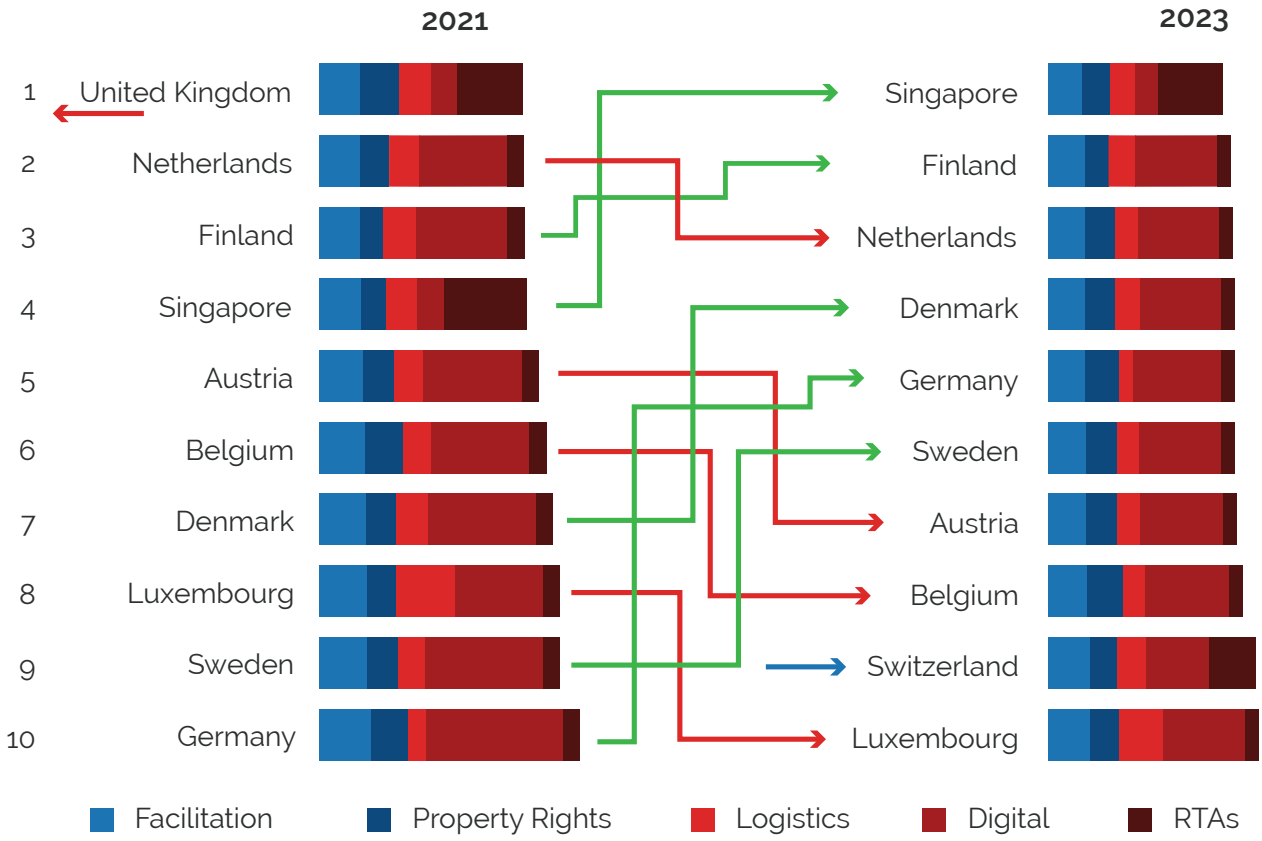

Figure 3. Changes TBI Facilitation 2021 to 2023

Due to Mauritius not being able to be included in the 2023 edition, as a consequence of unavailable services data, Sub Saharan Africa lost membership in the top 15 of the TBI and the top position in the tariff section where the island nation outperformed its peers in setting zero tariffs rates and utilizing a low number of tariff lines. Fortunately, the new data set allowed Israel to be included, the first country from the Middle East and North African region to be included in the top 15 of the TBI, and the number 10 spot in the tariff section.

In 2021, due to Brexit, the United Kingdom was the most improved in the tariff section, allowing it to be ranked 4th overall. In the 2023 edition, the United Kingdom is 8th overall mainly due to the percentage of duty free tariff lines not being as high as initially reported, yet still greater than the European Union.

II. Trade Barriers by Income and Regional Groups

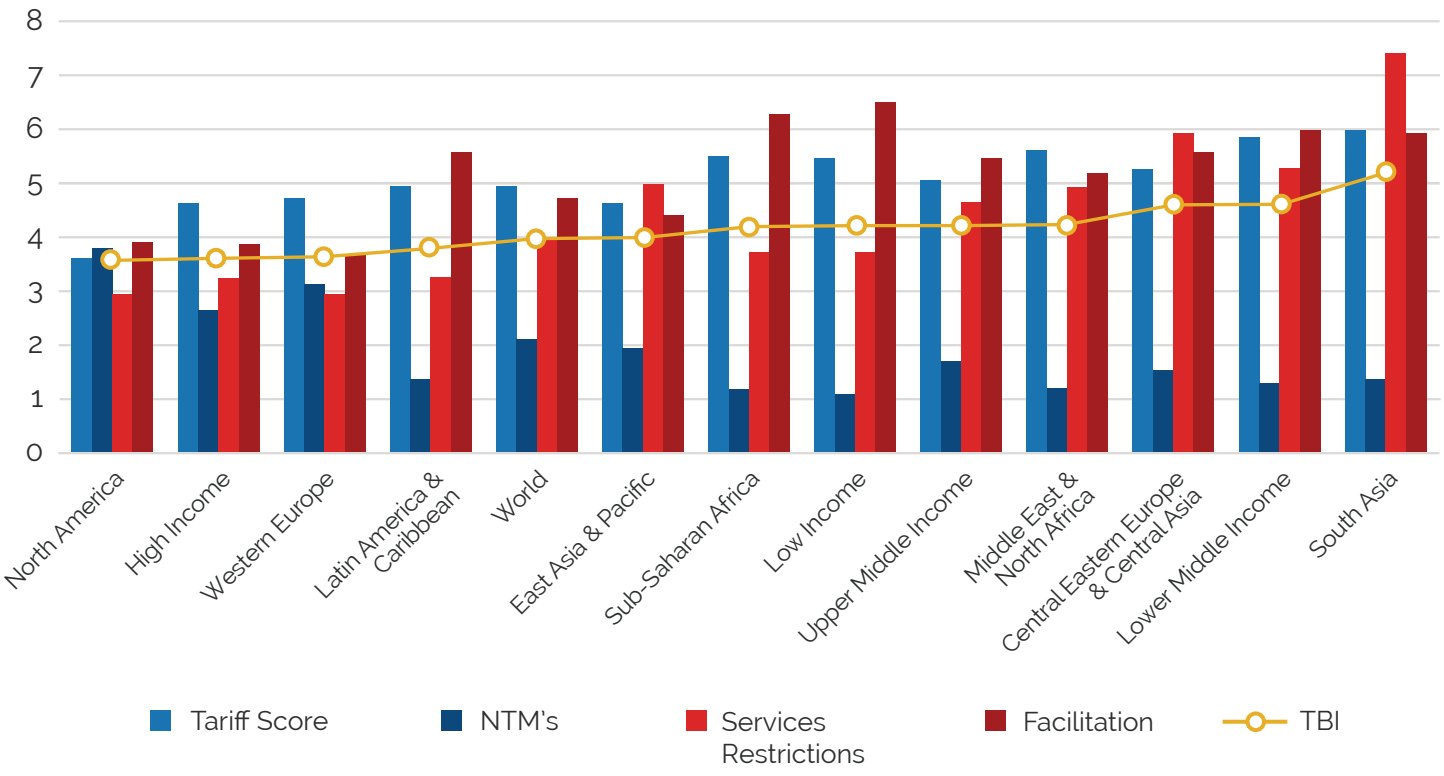

Figure 4. TBI Regional and Income Group Rankings

In the 2021 edition, Western Europe led the world in laissez-faire trade. In 2023, the leader is North America, followed by the High Income group as recorded by the TBI (Figure 4). The EU's restrictive duty-free and Most Favored Nation tariff rates force the region to be slightly behind North America. The High-Income group moved ahead of Western Europe mainly due the minority of members in East Asia and the Pacific as well as Latin America and the Caribbean refraining from proposing innumerable digital trade restrictions. That group includes, for instance, New Zealand, Chile and Singapore that make up the Digital Economy Partnership Agreement, which is pioneering its own set of rules to ensure the free flow of data. Once again,

the region with the most trade barriers, and little variation, is South Asia which includes: Sri Lanka, Pakistan, Bangladesh, Nepal, and India. In the TBI overall, India is last place followed by Russia, Indonesia, Thailand, and Egypt. China is 78th.

Notwithstanding the South Asia region was the most improved region for Facilitation, by 15 percent, a result of more digital trade barriers in other regions and a relative improvement in Logistics (Figure 6). The mean Logistics score of the new countries added is 7.44, or 30 percent greater than the world average. The group includes members in every region except South Asia. The East Asia and Pacific region remained mostly stagnant in the Tariff and Facilitation components while Central Eastern Europe and Central Asia improved their tariff profile the most (a result from including Georgia, Moldova, and Armenia) (Figure 5).

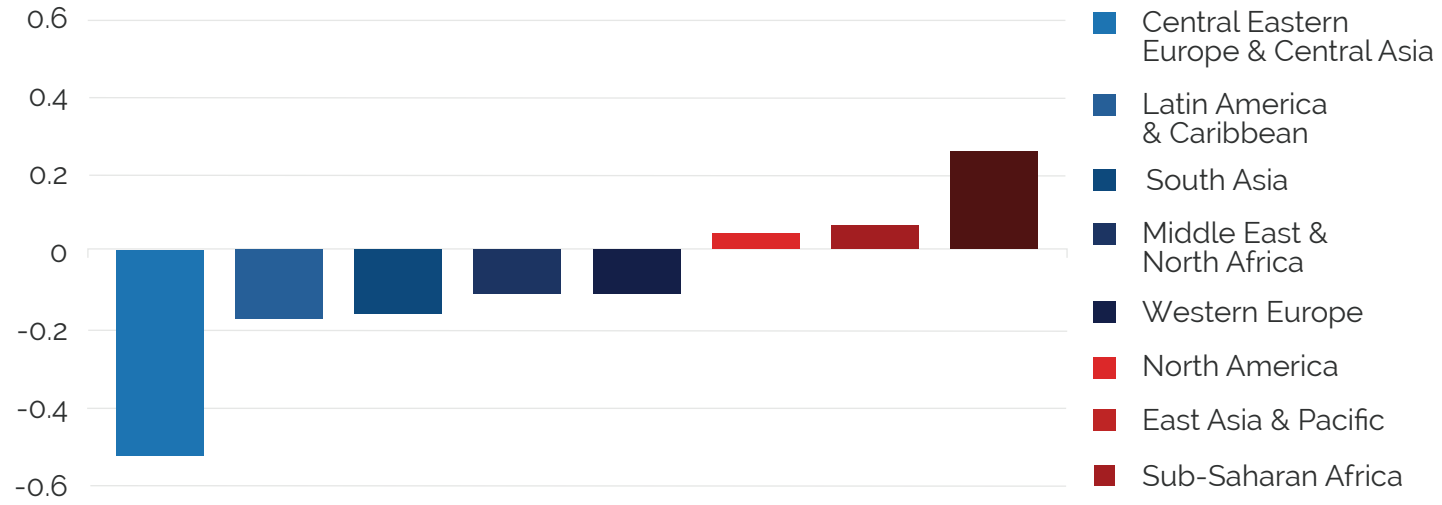

Figure 5. TBI Tariff Pillar 2021 to 2023 by Regions

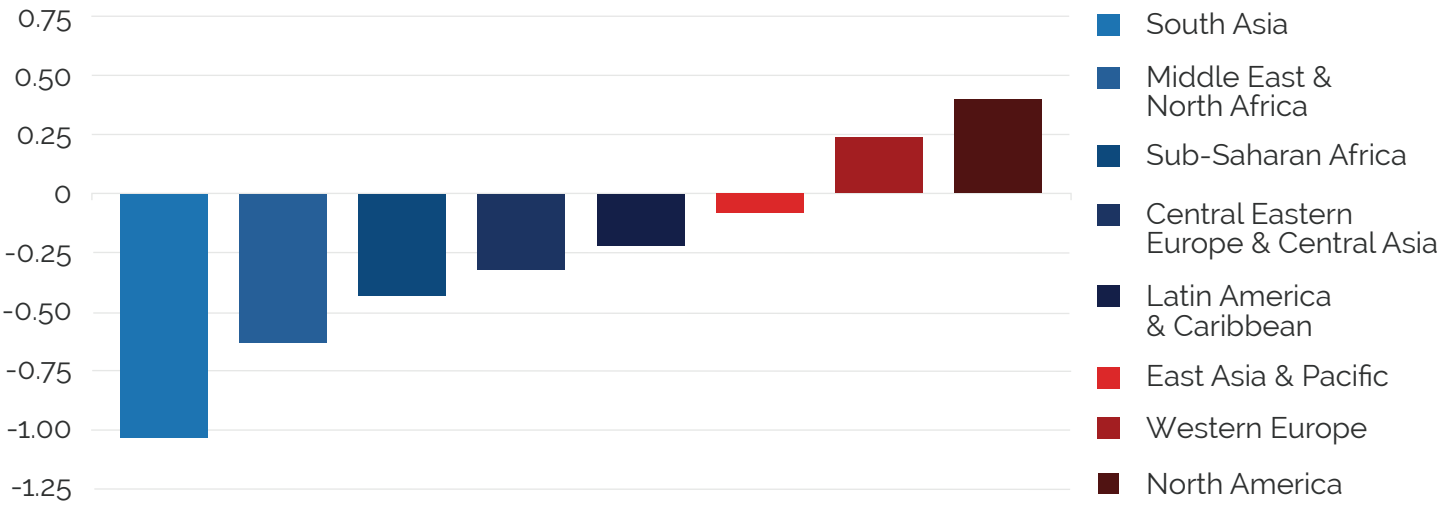

Figure 6. TBI Facilitation Pillar 2021 to 2023 by Regions

From the income perspective (Figure 7), there is a clear picture of the different trade tools rich and poor countries use to restrict trade. Wealthy countries have the lowest trade barriers overall and are more integrated into global supply chains. Yet, they are the heaviest users of Non-Tariff Barriers that can restrict trade just as much or more so than tariffs. Low-income countries have the lowest use of non-tariff barriers allowing them to come in second, yet they have high tariff rates and the worst property rights and logistics scores. Upper Middle-Income countries have reigned in Tariffs and improved trade Facilitation, but they have adopted Services restrictions as a policy tool, usually to aid an import substitution industrialization strategy. Ultimately, it leaves them with higher trade barriers than low-income countries using tariffs usually as a revenue tool. Lastly, Upper-Middle Income countries, caught between Low and Upper Middle Income use a mix of the worst policies from each: high tariffs, restrictive services regulations, and a poor trade facilitation environment.

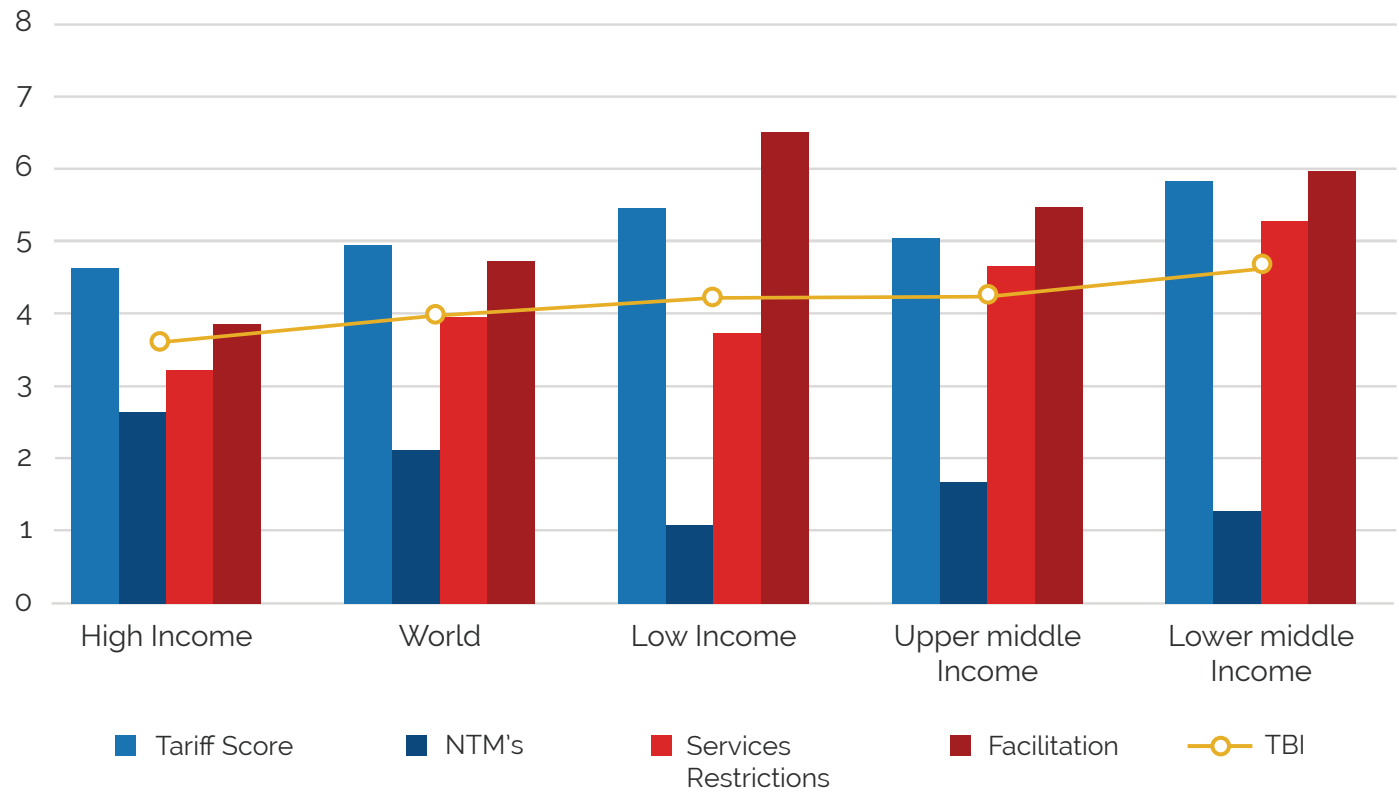

Figure 7. TBI 2023 Income Group Scores

III. Tariffs

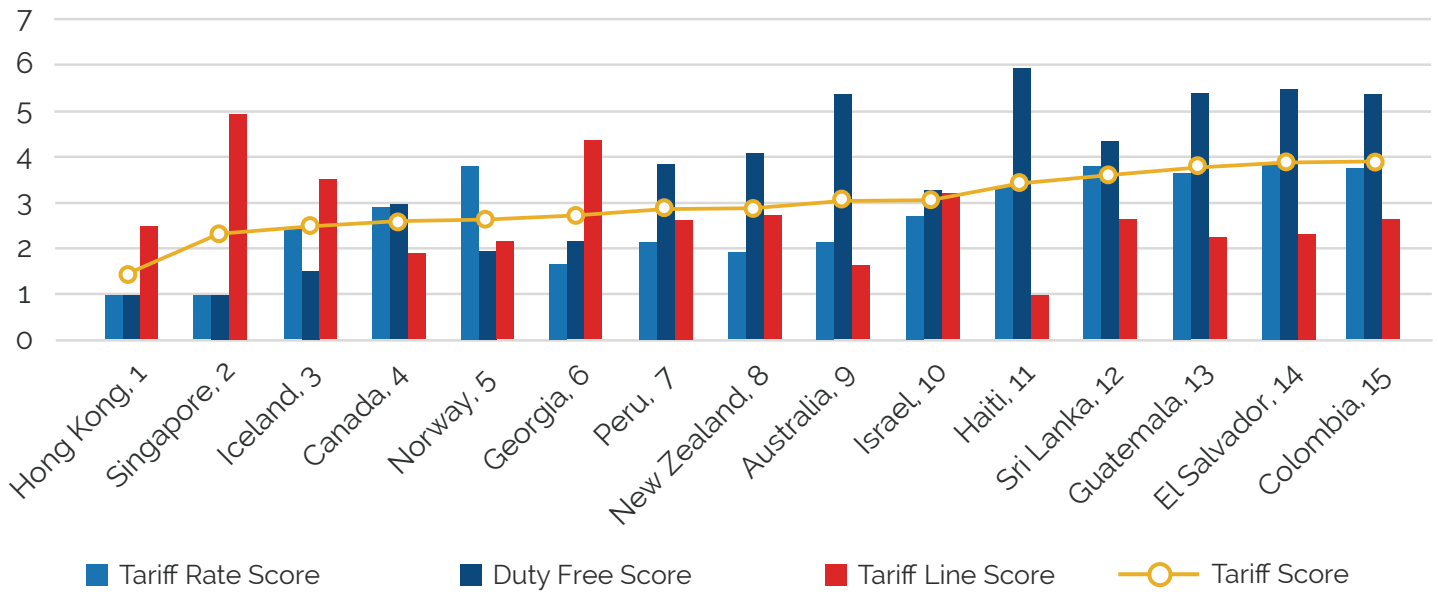

Figure 8. Top 15 Leading Tariff-Free Trade

The top 15 in the Tariff component (Figure 8) includes some surprising new additions to the TBI. It is led of course by the famous city-states, Hong Kong and Singapore, which have true zero tariffs — 100 percent of tariff lines are duty-free. Singapore has more tariff lines, an important foreshadowing of non-tariff barriers and a sign, when a country imposes tariffs, of targeted protectionism. They are followed by a country new to the Index, Iceland, and then after Canada, Norway which are two of the three making up the European Economic Area Agreement, granting them access to the European Union Market. They are the only countries from Western Europe in the top 15 of the Tariff component. After the first five, the percent of tariff lines that are duty-free becomes a major hindrance for Peru, Australia, and new TBI member Haiti. The island nation devastated by earthquakes, political turmoil, and poverty breaks from other upper-middle income countries by having strikingly few tariff lines: only 5,643, the least imposed by countries in the 2023 TBI. However, it imposes 5 percent tariffs on nearly 55 percent of them. The other countries rounding out the top 15: Sri Lanka, Guatemala, El Salvador, and Colombia are aided by their relatively low number of tariff lines and average MFN tariff rate of 5.8 percent (only slightly higher than the European Union at 5.2 percent). They are hindered by duty-free scores .

In the 2021 edition of the TBI, the United Kingdom was most improved in the Tariff component, a direct result of being able to set its own tariffs and trade strategy from Brexit, landing it in the 15th spot. Initial data that year for the UK was based on reports from the UK's department of International Trade. The updated tariff data reported to the WTO informing the 2023 edition reports only 53 percent of tariff lines are duty-free as opposed to the 60 percent that were reported in 2021; it is still much higher than the EU's at only 29 percent. Fortunately, the new MFN tariff rate is lower than expected at 3.9 percent and also lower than the EU's MFN rate at 5.2 percent. The UK also reportedly erased many unnecessary tariff lines as part of its UK Global Tariff Regime, yet reported to the WTO it now has 35 more tariff lines than the EU. Altogether these scores land the UK at 17th in the Tariff component of the TBI.

IV. Non-Tariff Barriers

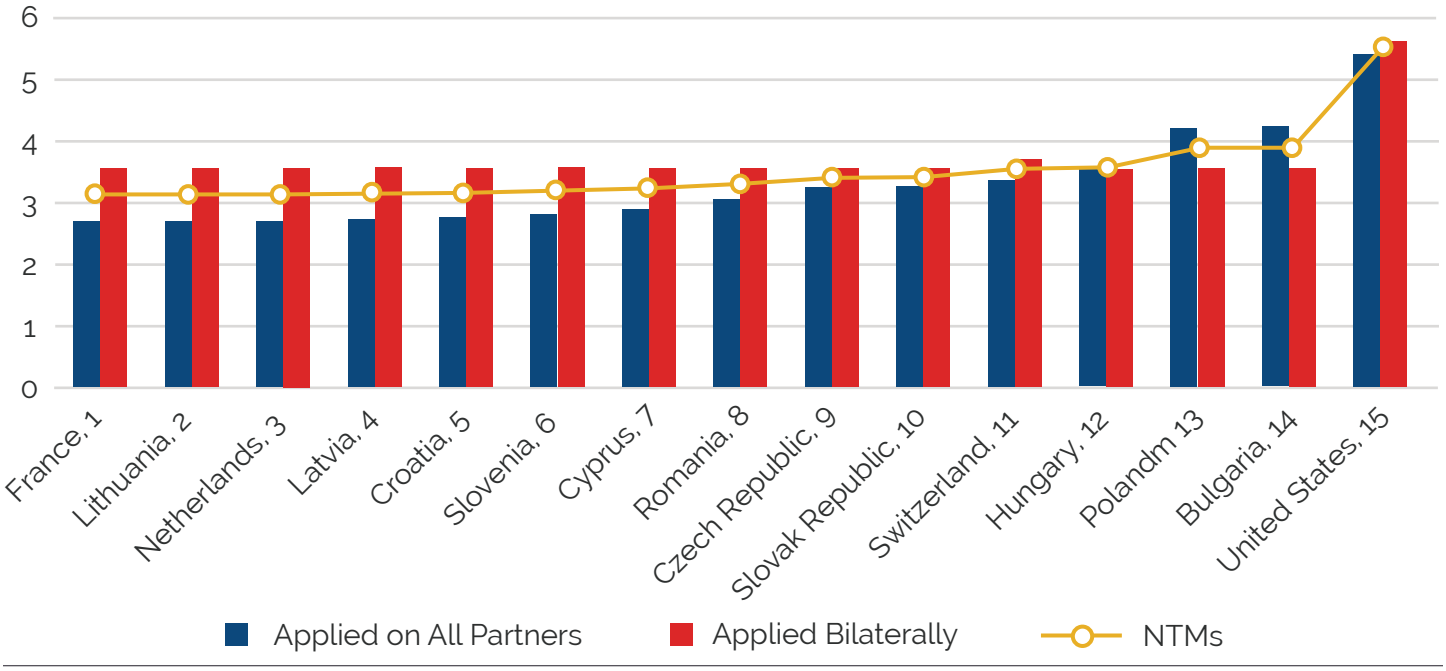

Figure 9. The 15 Heaviest Users of NTBs

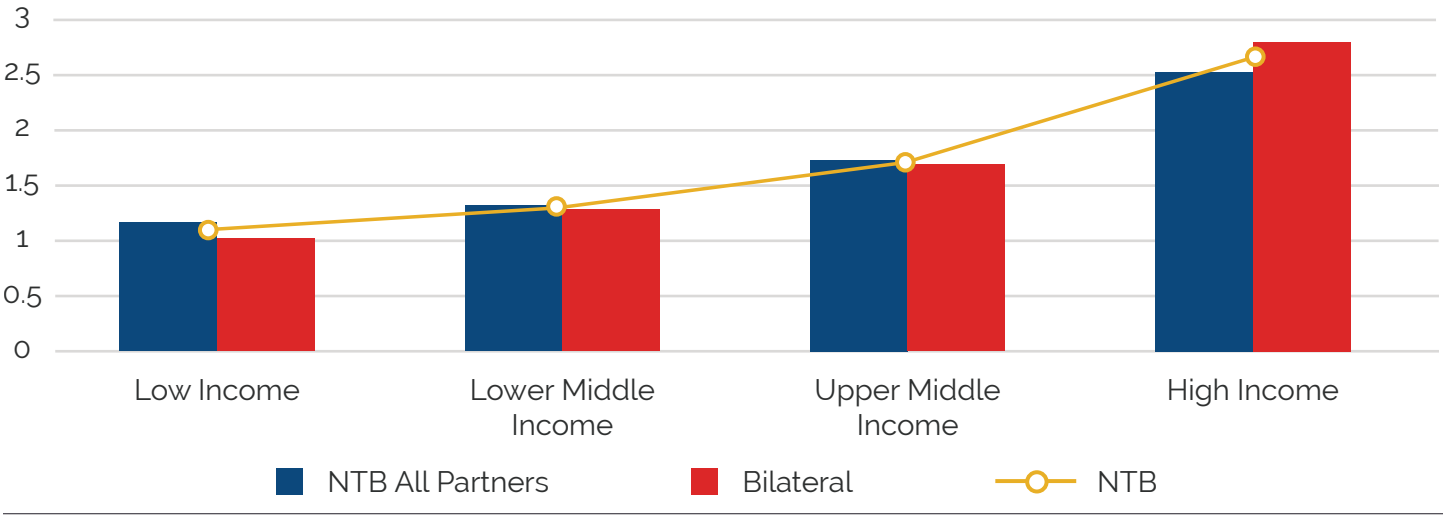

Figure 10. Non Tariff Barriers by Income Group

Non-Tariff Barriers include specific product restrictions on size, labeling, quantities, and technical standards products must meet for consumer safety. This includes everything from import and export authorizations, licenses, specific price controls, and rarely prohibitions. Generally, NTBs to be compliant with World Trade Organization rules must be applied to all trade partners equally. At times countries apply NTBs bilaterally such as countervailing and anti-dumping duties designed to neutralize subsidies and other unfair advantages an import may be given from abroad. In previous TBI editions NTB data was collected from the UN's Trade Analysis and Information System which has since altered its data collection and dissemination policy. In 2023,

NTB data was collected from the WTO's Integrated Trade Intelligence Portal (I-TIP) which is comprehensive, updated, and widely accessible. Unfortunately, there are slight differences that make an exact year to year comparison impossible.

During the COVID-19 pandemic in 2021, TBI recorded elevated Non-Tariff Barriers to restrict flows of needed medical equipment, such as export licenses, prohibitions, and authorization requirements. There were even Sanitary and Phytosanitary (SPS) Measures restricting food and used clothing during the pandemic, apparently to prevent the spread of the virus that could have been carried on the products. Some countries liberalized trade by removing such restrictions. In the 2023 Index, these have mostly disappeared.

On full display is a clear trend of rich countries imposing more NTBs than others. Low-income countries impose virtually none (Figure 9). Virtually all bilateral NTBs — countervailing duties, antidumping measures, and tariff-rate quotas — measured by the TBI are imposed by high income countries on lower income countries. The top 15 heaviest users of NTBs are all from Western Europe followed by the United States (Figure 10).

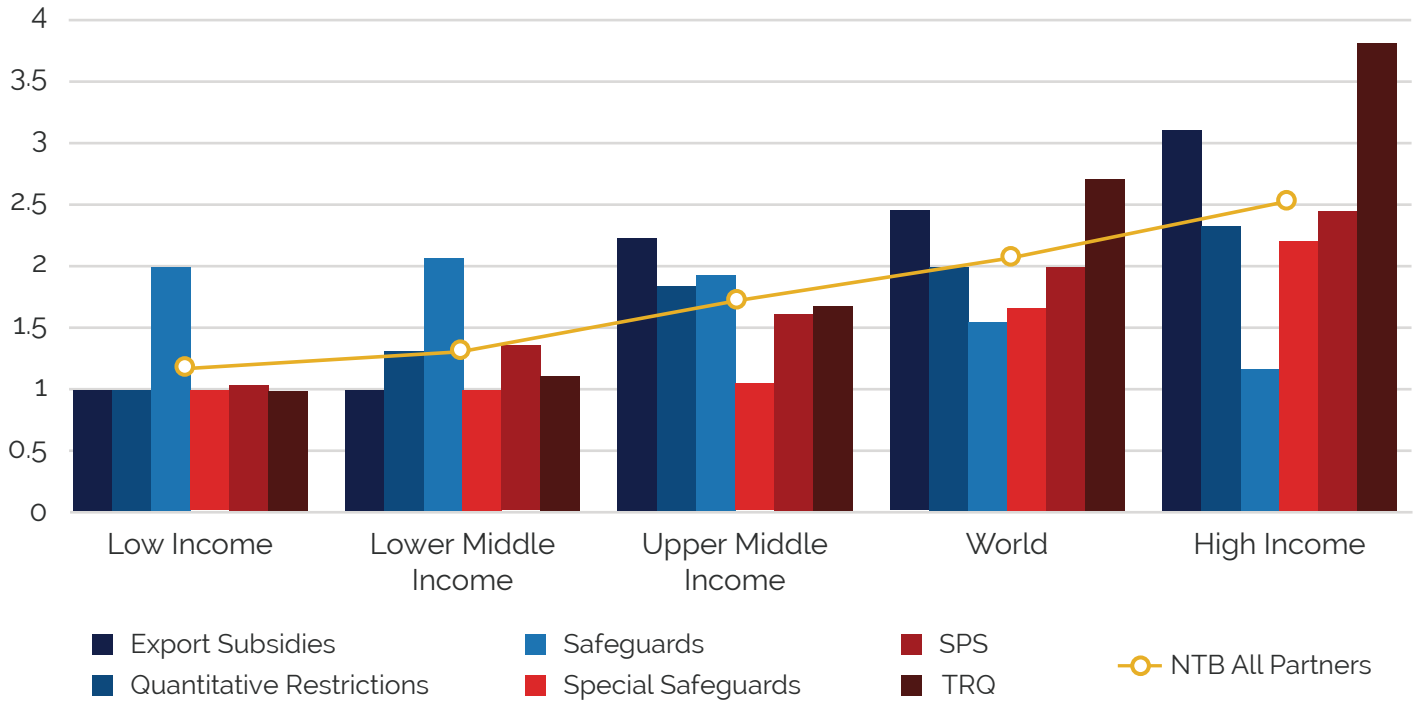

Figure 11. NTBs Applied to All Trade Partners

In terms of NTBs applied to all trade partners (Figure 11), low income and lower-middle income countries prefer use of safeguards,specific trade defense measures applied to all importers of a product seen as damaging the domestic market due to its competitiveness. Richer countries tend to use more of all types of NTBs generally and prefer tariff rate quotas (TRQs). TRQs allow the importer to allot a specified quantity of a merchandise or commodity at a preferential rate to a trade partner; after that amount is filled, the tariff rate jumps up to a rate that is usually market prohibitive of additional imports. In the 2023 TBI, Turkey is the heaviest user of safeguards while the EU leads use of TRQs, and the United States is the heaviest user of SPS controls for health and safety.

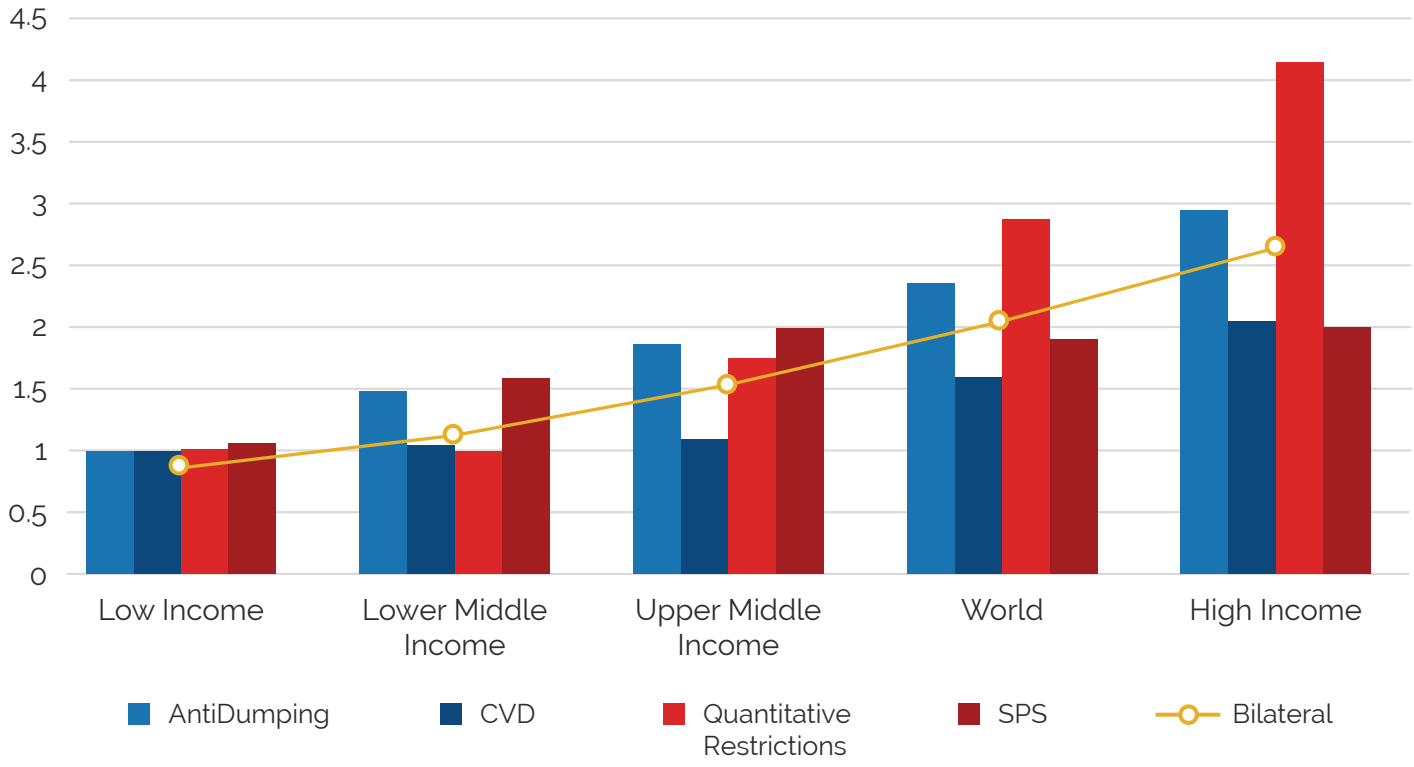

Figure 12. NTBs Applied Bilaterally

The same income group trend is observed in how NTBs are applied bilaterally (Figure 12). The lower income groups impose virtually none while higher income countries impose more of all types of measures. The higher income group preferences quantitative restrictions, which includes TRQs, and are heavy users of antidumping tariffs.

v. Services

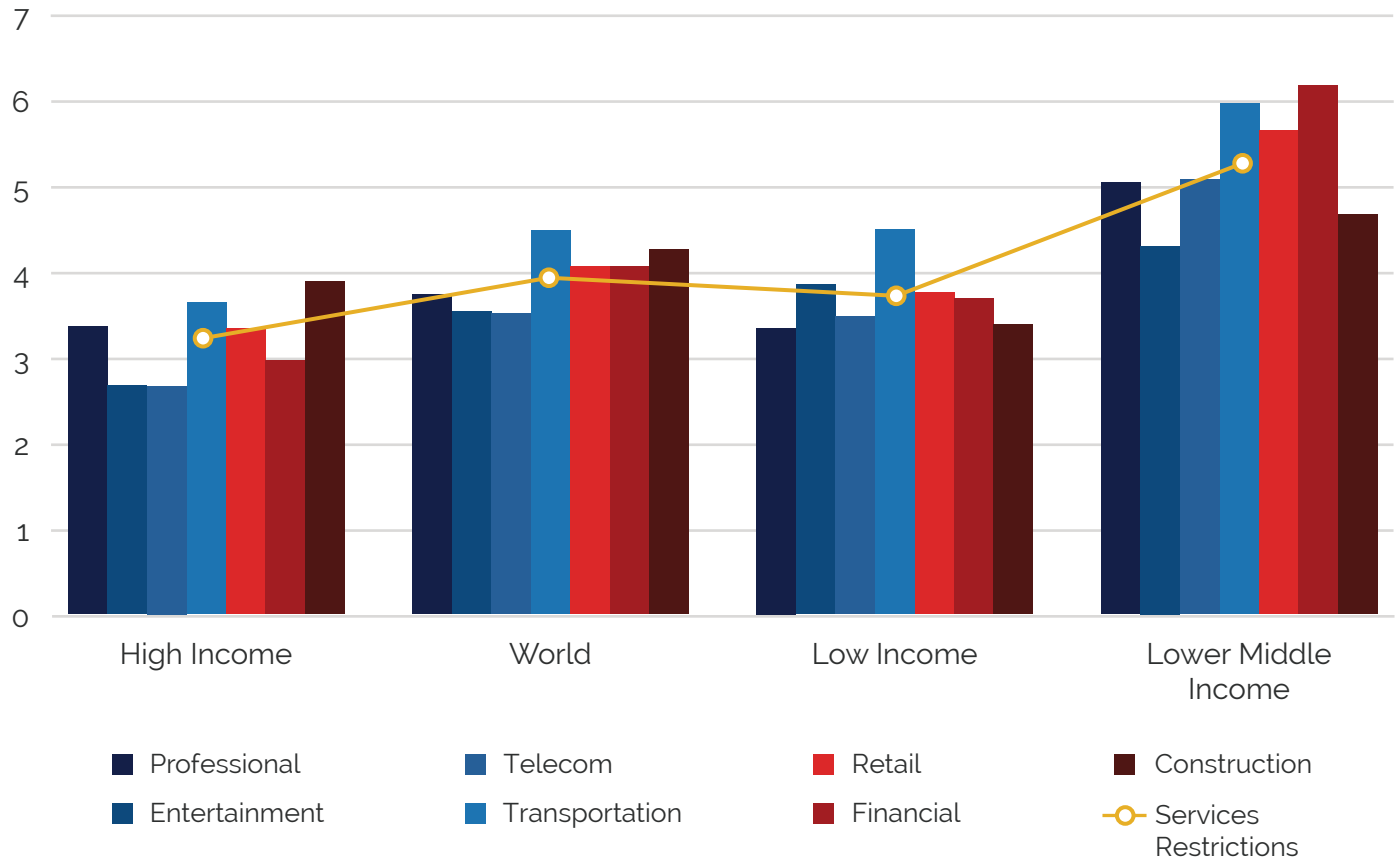

Figure 13. Services Trade Restrictions by Income Group

The 2023 TBI adopted data from the OECD Services Trade Restrictions database to inform the Services component. The OECD database is updated annually and covers a wide range of services restrictions; previous editions used the World Bank index which covers more countries, but was updated much less frequently.

The new parent Index allows the TBI to standardize the services restrictions applied to a broader range of professional services: entertainment, telecom, transportation, retail, the financial sector, and construction. In Figure 13, we observe that generally high-income countries are more open to all types of services trade with standard restrictions on professional, transportation, and construction services. Upper middle-income and lower-middle income countries apply much more restrictive regulation on all types of foreign services. This can often include ownership restrictions, limits on foreign investment, and requirements to hire and contract with nationals for certain positions. These restrictions are often flagged as coerced technology transfers or can jeopardize brand integrity. Usually the restrictions are part of an import substitution strategy common in South Asia and former communist countries protecting local industry from foreign competition. Indonesia, Thailand, and Nepal apply the most services restrictions generally. China imposes the most restriction in entertainment, Vietnam the most in telecom restrictions, and Russia imposed the most restrictions in transportation services (Figure 15).

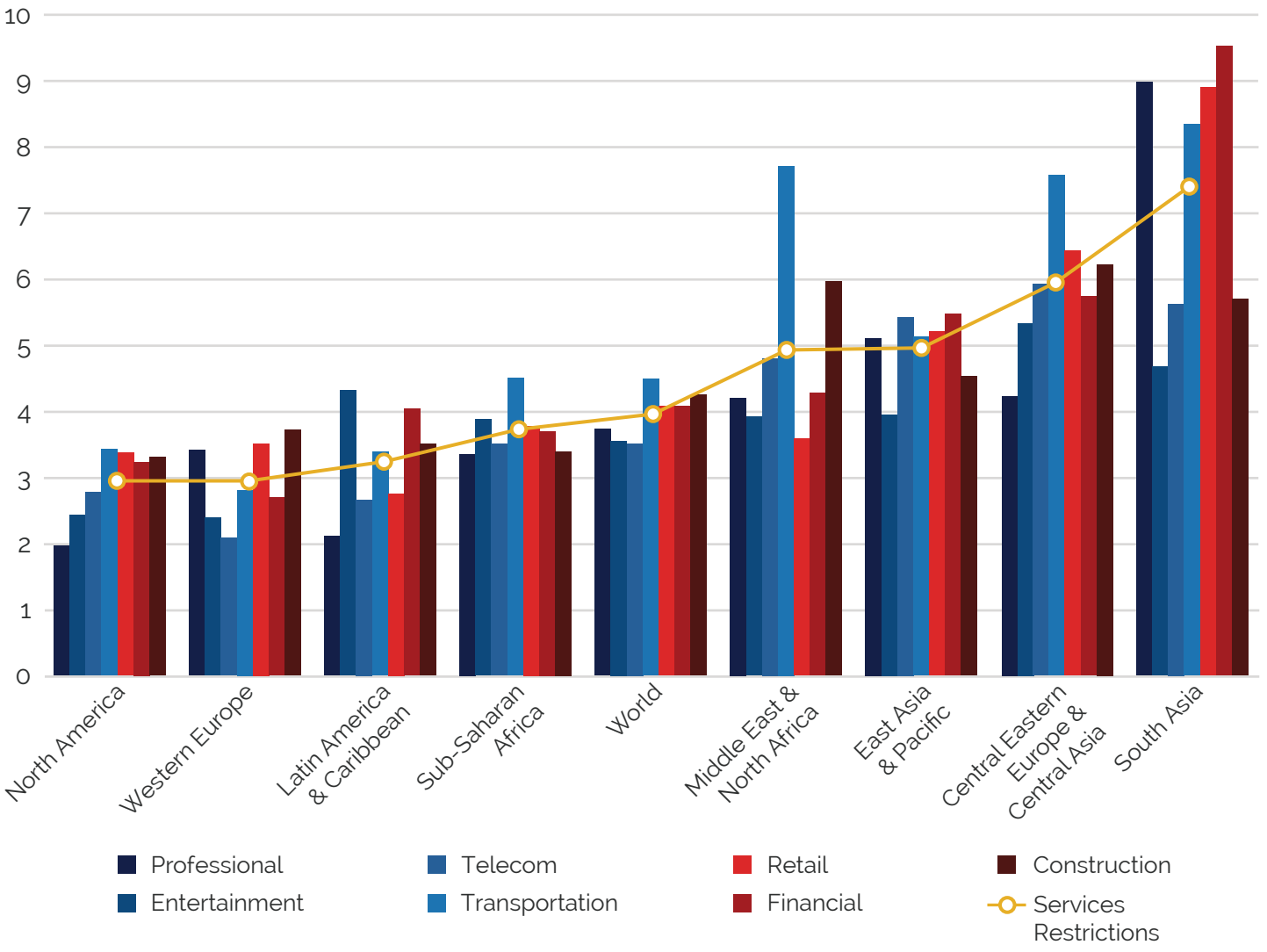

Figure 14. Services Restrictions by Regional Group

This is also reflected in the regional comparison where South Asia is identified as the being the most restrictive of foreign services followed by the Central Eastern Europe and Central Asia (Figure 14). The other top 10 countries abusing services restrictions include Egypt, Kazakhstan, the Philippines, and Sri Lanka (Figure 15).

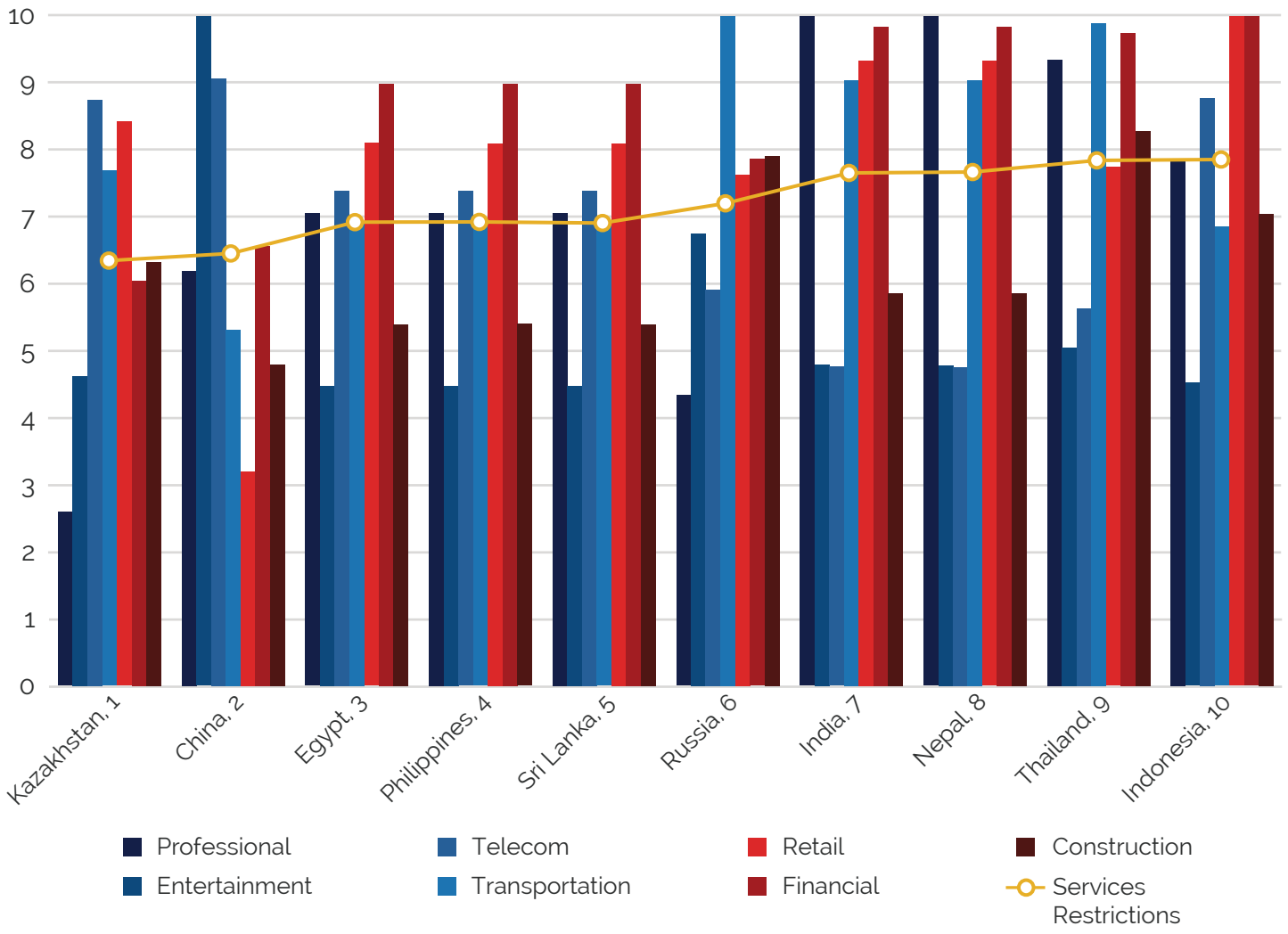

Figure 15. The 10 Countries Most Restrictive of Services Trade

VI. Facilitation

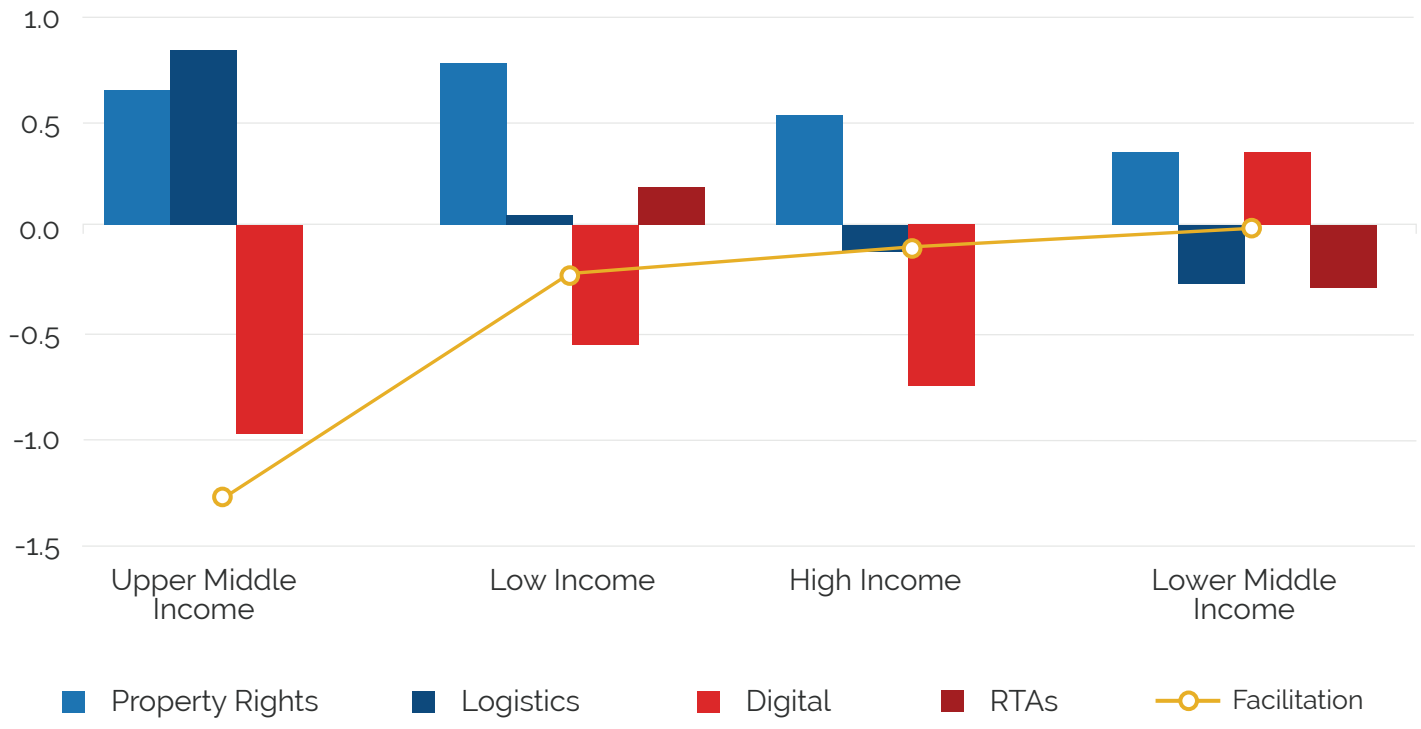

Figure 16. Change in Trade Facilitation Barriers 2021 to 2023

The Facilitation component of the TBI measures the minimum behind the border measures necessary to allow trade to occur: a system of robust property rights and their enforcement, an efficient logistics environment, membership in Regional Trade Agreements, and a digital trade environment that allows the free flow of data across the internet enabling commerce and free expression. While logistics performance remained unchanged, property rights generally weakened globally. The main driver of change in this category was the number of digital trade restrictions proposed and being adopted by high income and lower-middle income countries (Figure 16).

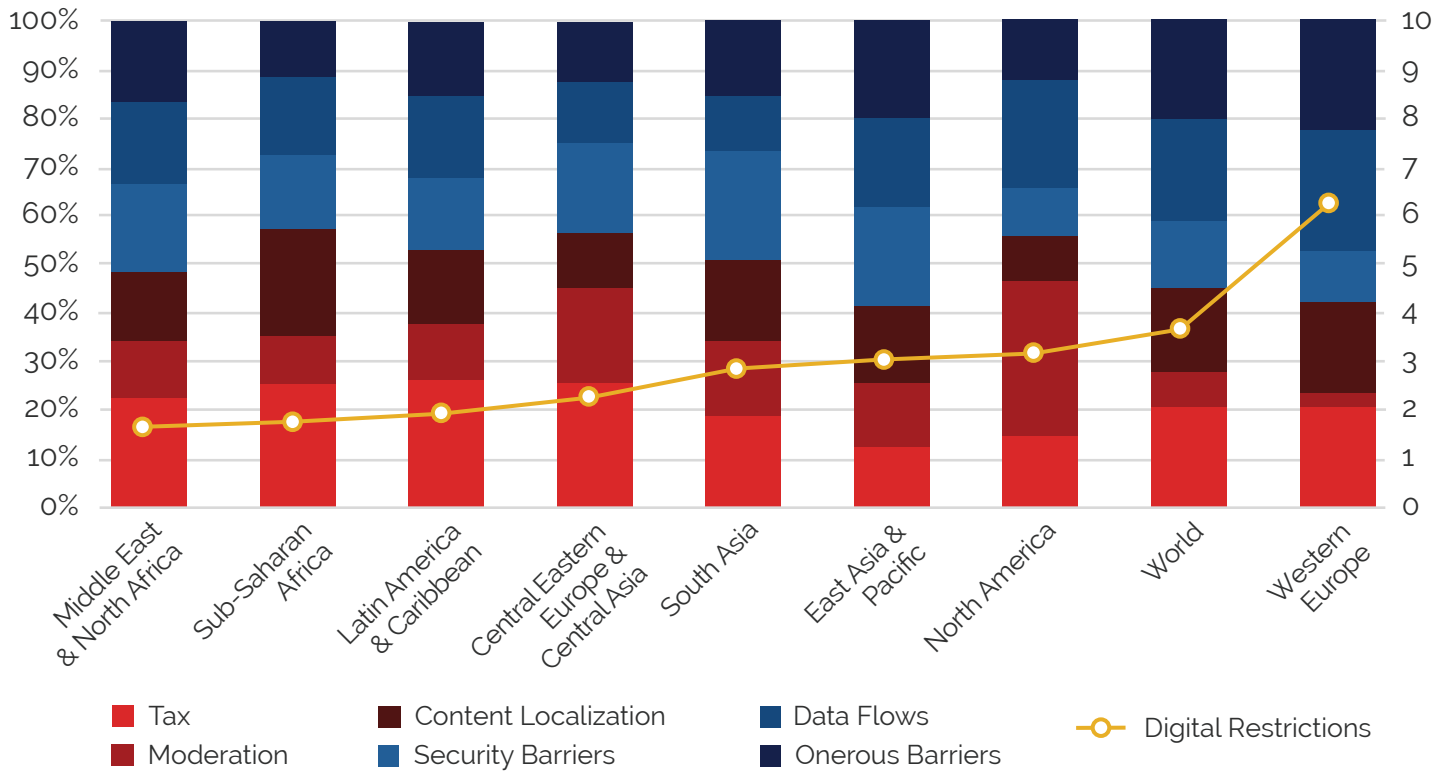

Figure 17. Digital Trade Barrier by Region

The digital component of the TBI measures the number of trade restrictions proposed and imposed across six different categories of measures (see Table 1). In this way, it provides a broad overview of the frequency and strategies countries are deploying to hamper digital trade emphasizing the most active countries. Western Europe, largely the European Union, has persisted in enacting pioneering legislation restricting digital trade mainly in the form of digital service taxes: the Digital Markets Act, the Digital Services Act, the General Data Protection Regulation, the Data Act and many more. The more recent proposals all include fines based on global turnover and add liability to intermediary platforms by requiring content to be restricted that is legal but harmful (Figure 17).

In previous editions of the TBI, the United States Facilitation score was aided by it staying out of digital regulations. Informing the 2023 Index, between the federal and state governments in the U.S. there were more than 150 bills proposing online content moderation. It mirrored a trend across the world of bills and executive decrees requiring content either to be preserved online or taken down (and sometimes corrected). Mexico passed a bill with an internet "kill switch." Other countries, including the European Union, passed bills requiring algorithm disclosure; while others including Australia passed bills requiring anonymous accounts to be monitored and reported. A more common element of digital content restrictions includes expanding existing telecom services to include digital and internet services bringing them under the same regulatory umbrella, even though their market operations are vastly different (Figure 18).

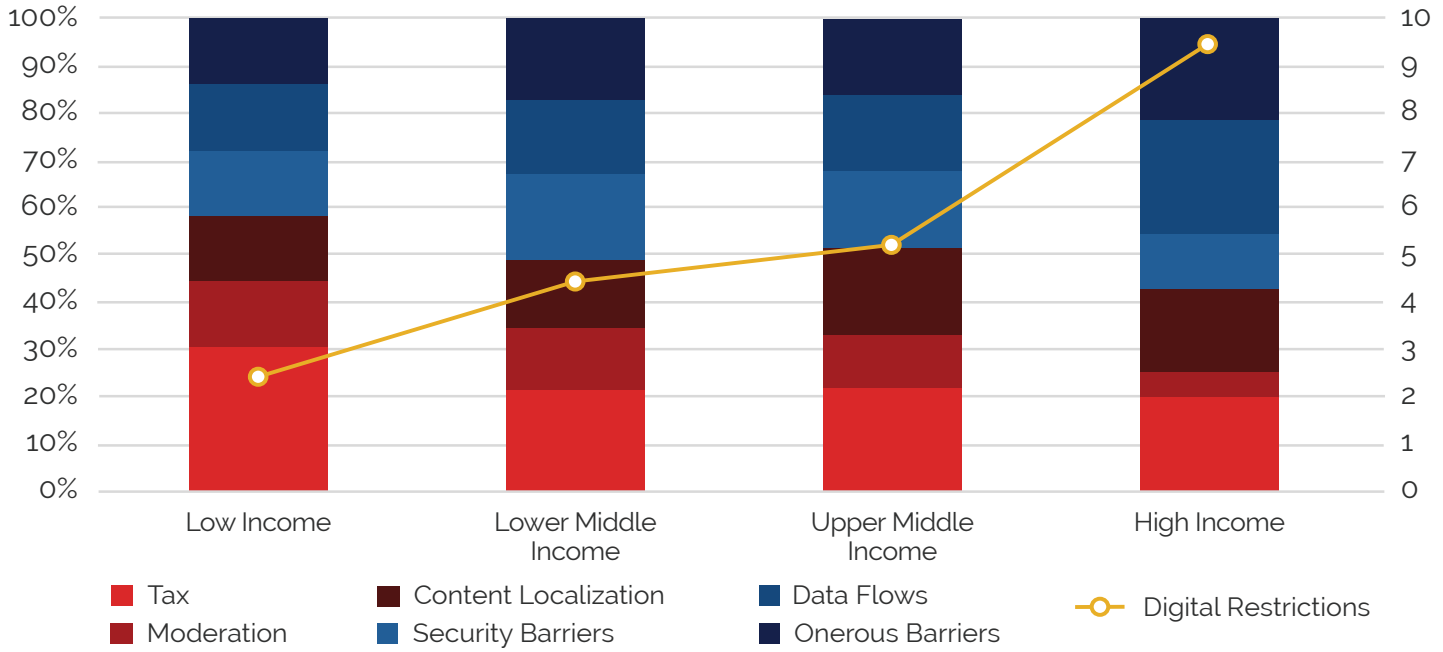

Figure 18. Digital Trade Barriers by Region

One of the more troubling digital restrictions proposed in the EU is Cybersecurity Certification Scheme for the Cloud Services (EUCS). The proposal may limit certain data to be stored only on EU servers run by EU personnel. Previously the EU has refrained from such data localization measures common in China and authoritarian regimes. Instead, the EU has used security standards to ensure data stored on cloud services were secure regardless of the physical location. If the EU chooses to continue on this path, digital services in the EU will be cut off from the rest of the world, similar to China, where data is collected, processed, and stored in the home market by domestic firms and rarely makes it out where it can add value to global databases.

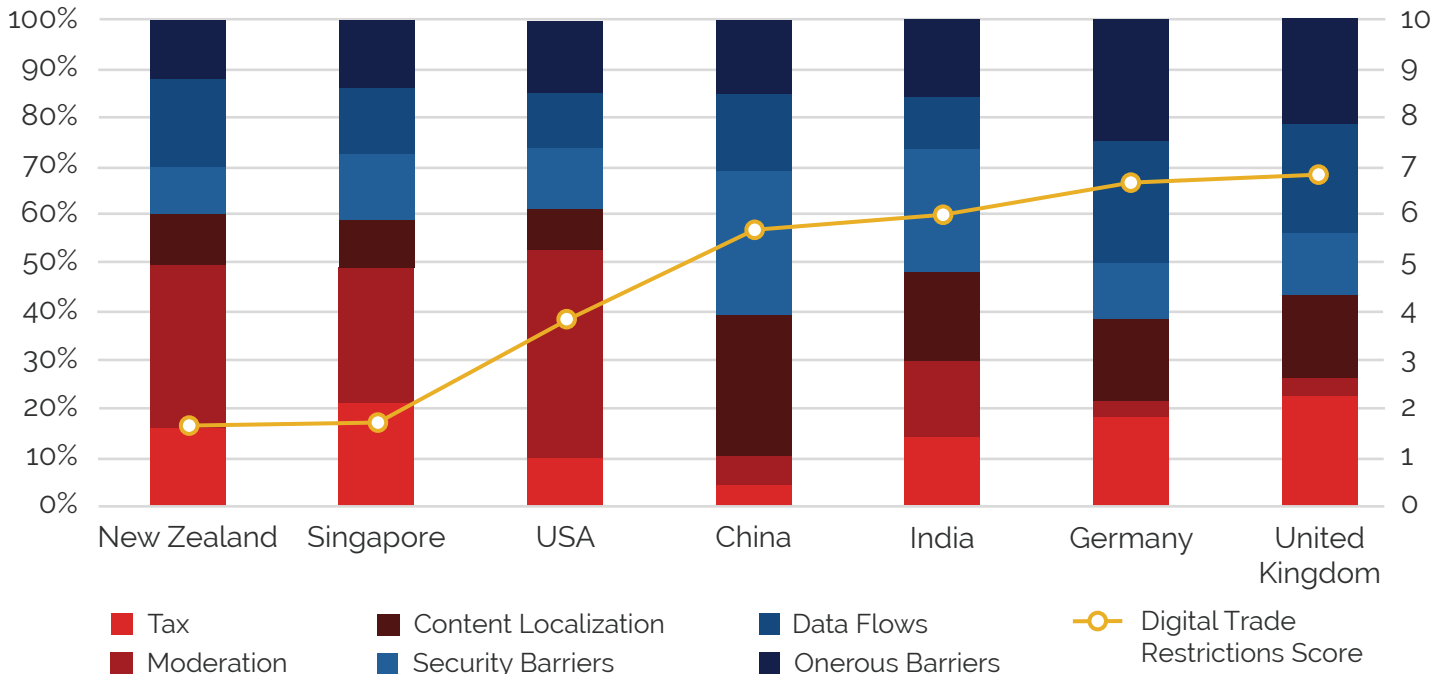

Figure 19. Digital Trade Restrictions Selected Countries

To illustrate the different types of digital trade restrictions being deployed (Figure 19) displays the measures used by a selected variety of countries from Europe, South Asia, East Asia and the Pacific, and North America. Germany and the UK have heavy restrictions on data flows that add liability and uncertainty to platforms and, through General Data Protection Regulation (GDPR), have restrictions on where data can flow freely. They also have digital service taxes and several fines based on global turnover. China uses security as a justification to localize data, and broad definitions of critical infrastructure and personal information protection to restrict foreign digital services in the country. Singapore and New Zealand remain quite open for digital trade, yet they have very broad and restrictive content moderation laws, similar to the U.S., which saw more content moderation proposals than any other country.

Six Types of Digital Trade Barriers

1. **CONTENT LOCALISATION:** Regulations requiring or preferencing the use of local materials, local ownership, or local firms.

- Rules in **China** require a local partner and permit to deliver cloud services.
- In **Indonesia**, rules require physical presence to operate OTT services.
- **Germany's** film levy is extended to foreign Video On Demand (VOD) services and used to fund local film production.

2. **CONTENT MODERATION:** Regulations that require content screening, impose liability on platforms for speech, or ban use of social media apps.

- **India**: Draft rules would impose liability on platforms for the spread of misinformation and require platforms to trace the origins of misinformation. A **Singapore** version requires platforms to publish corrections to falsehoods spread online.
- **Brazil, India, China, UAE, Morocco, Oman,** and more have banned or throttled social media during times of political unrest.

3. **DATA FLOW RESTRICTIONS:** Regulations on the use and sharing of data, neutrality requirements, or opaque intermediary liability rules.

- The many GDPR rules imposed by the **European Union** burden many online businesses with compliance costs. Repeal of the **U.S.** Privacy Shield agreement adds more uncertainty to data flow.
- Expanding telecom regulation to encompass digital services in an effort to impose liability to platforms

4. **ONEROUS REGULATIONS:** Burdensome technical requirements that are unnecessary or overly broad.

- In **India**, a draft rule requires Safety Data Sheets for Information and Communication Technology (ICT) goods intended for consumer use.
- **New Zealand's** static copyright list limits Intellectual Property (IP) protections for artificial intelligence & machine learning.
- Regulations in **Brazil** and **Bangladesh** would label all electronic waste as hazardous.
- Overly broad definitions of "harmful" yet legal content or excessive fines and short content takedown times.

5. **SECURITY BARRIERS:** Regulations that use security as a premise to impose data localisation and other trade barriers.

- **Australia, China, Russia,** and **Vietnam** and others require encryption keys to be surrendered. In **South Korea** the public sector is limited to use specified encryption algorithms.
- Security related laws require data localisation for specific sectors in several countries including **Brazil, China**, the **European Union, India, Indonesia,** and **Russia**.

6. **DIGITAL TAXES:** Taxes on the digital economy such as Digital Service Taxes (DSTs), ad taxes, link taxes, VAT on digital sales, tariffs on ICT products, and proposed tariffs on electronic transmission.

- Several countries have proposed DSTs and others have already imposed such taxes, including **Austria, France, Italy,** and **Turkey.**
- **India** imposes an equalization levy on goods and services purchased through foreign e-commerce sites.

VII. Trade Barriers and People

At the end of the day, it is ordinary people and small businesses that drive global trade. The 88 countries in the 2023 TBI house 72 percent of the world's population. In the freest range, those with a score reaching between 2.5 and 3.0 or lower, only 6 countries with a combined population of 207 million, or 2.6 percent of the world's people, enjoy the most barrier-free-trade and they produce 11 percent of the world's GDP (Figure 20). In the mostly-free range, with a score between 3 and 3.5, reside 395 million people or 5 percent of the world's population in 16 countries where they produce 14 percent of world GDP. In the next range, between 3.5 and 4.0 on the TBI, 7 percent of the world's population produces 12 percent of global GDP. In the middle range between 4.0 and 4.5, productivity gets a boost due to the inclusion of the United States; in this range 650 million people reside and produce 28 percent of GDP. Then the inefficiencies of trade restrictions start to take a large toll. In the next 4.5 to 5.0 range, nearly 2 trillion people live, 24 percent of the world's population, but they contribute only 22 percent of GDP. Then in the 5.0 to 5.5 range, in six countries, 8 percent of the world's people reside and they produce a dismal 3 percent of world GDP. Lastly, in the 5.5 to 6.0 range 20 percent of the world's population reside in 2 countries, India and Russia, where they produce 5 percent of world GDP.

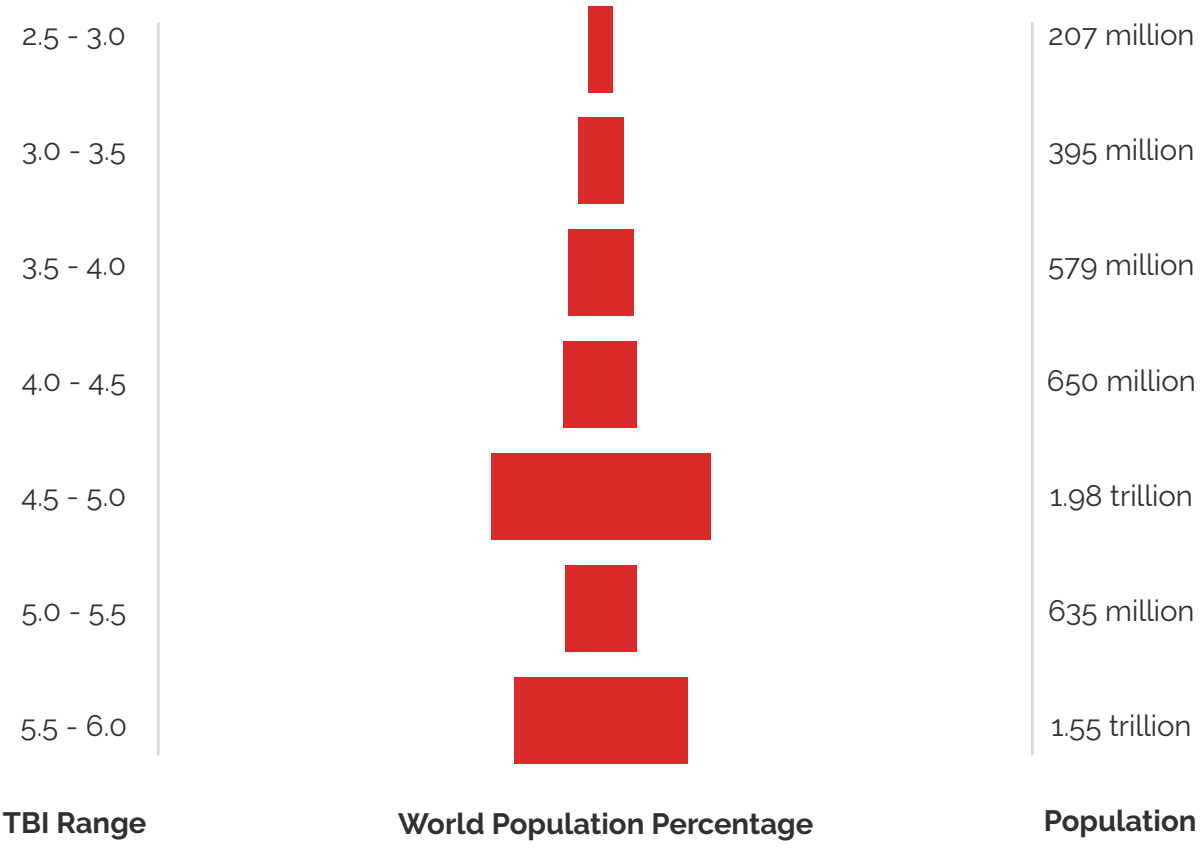

Figure 20. Trade Barriers and People

VIII. Correlations with Freedom and Commerce

To analyze the effectiveness of the TBI at capturing trade barriers as an abuse of liberty, scores were correlated with established indices dedicated to measuring freedom and other social indicators (Figure 21). The TBI correlated strongest with the Heritage Foundation's Index of Economic Freedom at .62, followed by the Corruption Perception Index at .61, and then Legatum's Prosperity Index at .60. The relationship is not as strong as in past editions due to the inverse relationship of high income and economically free countries imposing the most non-tariff barriers. However, the Facilitation component has the strongest relationship with measures of social and economic freedom (Figure 22) — a nearly perfect correlation with the Prosperity Index at .92, and a robust relationship with the corruption perception index of .88, and many more. The measures lend credibility to the arguments that reducing trade barriers allows ideas to be exchanged freely and reduces the power of the well connected to advocate for restrictions at the expense of the others.

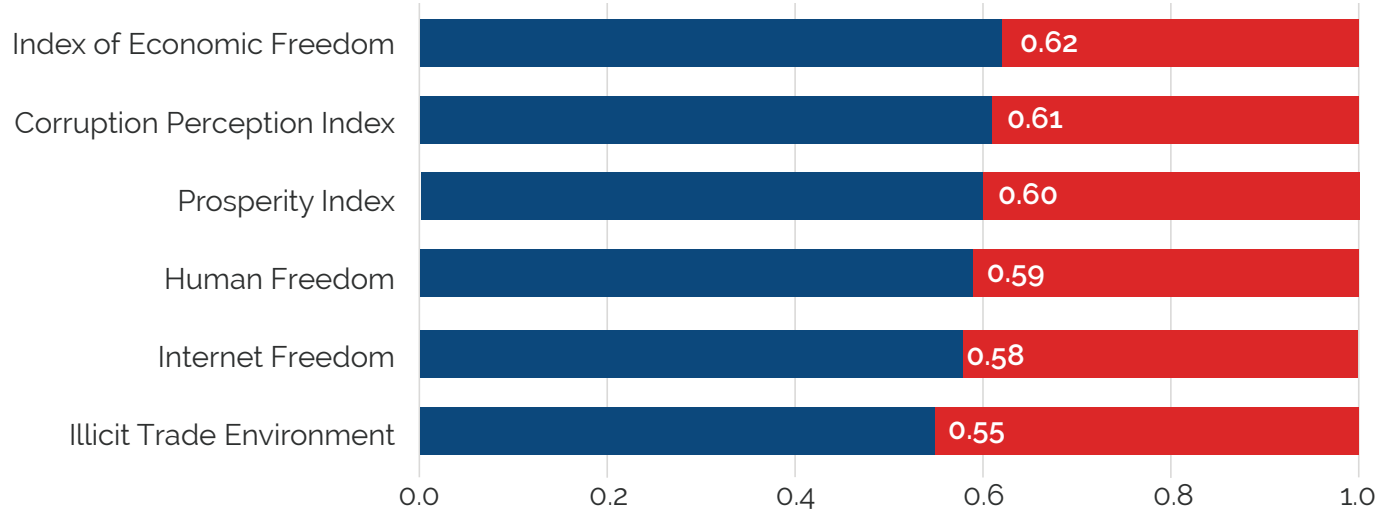

Figure 21. TBI Correlations

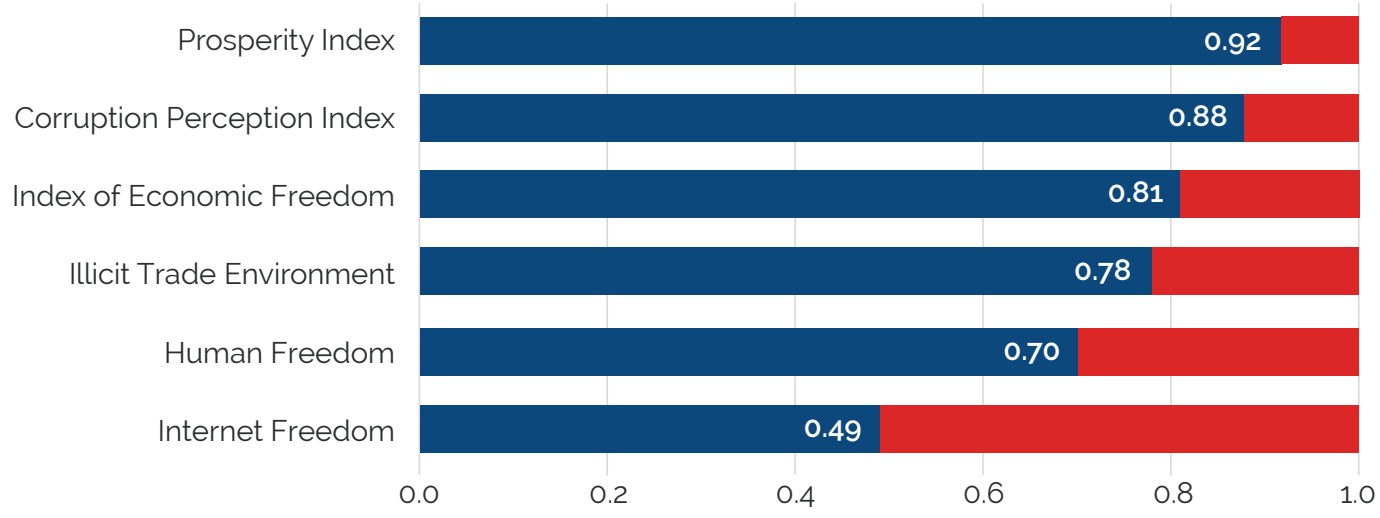

Figure 22. TBI-Facilitation Correlations

IX. TBI Case Studies and Abstracts

Strengthening U.S. Supply Chains Through Trade: The Case of Taiwan

By: Tori K. Smith, Director of International Economic Policy at American Action Forum, USA

Since the onset of the COVID-19 pandemic and the market disruptions that followed, a key focus of policymakers in Washington, D.C. has been on how markets failed due to their lack of resilience. Global and local supply chains struggled during the pandemic, but the primary shock to the market was caused by government-mandated shutdowns and intervention. Governments around the world made it nearly impossible for factories to remain open and for goods to cross borders, especially in the United States, where government subsidies for individuals drove up demand for goods and services.

This narrative and misrepresentation of the causes of market disruptions during the pandemic has led to the passage of legislation and consideration of additional bills that lawmakers claim would prevent future disruptions through new spending and subsidies to onshore and nearshore supply chains. Government regulations on factory locations are not market-driven, and subsidies to incentivize production in certain areas could further distort markets.

EU Protectionist Digital Trade Barriers Restrict Innovation and Diminish Competition

By: Philip Thompson & Andreas Hellmann, Americans for Tax Reform, THOLOS Foundation, USA

In the past decade the European Union has pioneered restrictive regulations on the flow of data across borders as well as the larger digital economy in an attempt to tame a new industry considered to be unregulated and escaping oversight. In doing so the EU has passed what has become model legislation for data protection and digital taxes while jeopardizing data flow with its largest trade partner and inviting a potential tariff war for its discrimination. The latest EU digital regulations, such as the Digital Markets Act and cloud certification schemes, go further by restricting free expression and prohibiting foreign competition. These new rules about digital competition will increase the regulatory burden imposed on the targeted companies and pose great danger to innovation, competition and the digital economy as we know it.

Time to Pause and Rethink: India's Evolving Stand on Foreign Trade

By: Ashish Bharadwaj, Founding Dean of BITS Law School, India

The Gross Domestic Product of India is estimated to reach USD 3.5 Trillion by 2023-24. India's population of 1.4 billion presents a demographic dividend that the country has benefitted from. The overall exports and imports are estimated to be around USD 61 Billion and USD 76 Billion, respectively, with total merchandise exports of goods and services crossing USD 760 billion mark in 2022-23. Amidst the rapidly evolving environment of global trade and international politics, the Government of India released a new Foreign Trade Policy which sets an ambitious export target of USD 2 trillion by 2030. India has hitherto adopted a protectionist stance in international trade to support and protect its domestic industries. The question is whether this is sustainable in the context of evolving geopolitics, global competitiveness, and expansion of the digital economy. While India's performance and stance are touted as a transformational departure from the earlier position, the existing tariff structures and trade barriers reflect a different story.

Energy Policy as Coercion: A Chronic Squelch of Free Markets

By: Mariana Campos, Coordinator, Public Finance & Accountability Program, México Evalúa
Jorge Cano, Researcher, Public Finance & Accountability Program, México Evalúa
Ana Lilia Moreno, Coordinator, Competition and Regulation Program, México Evalúa

The 2013 energy constitutional reform gave Mexico the opportunity to open a generation market that allowed the implementation of mechanisms that encouraged cost-efficiency. The main purpose was to promote technological innovation, energy transition and security for the country, through the concurrence of private and state-owned companies. This change sought to depressurize public finances by making the state-owned company –that previously operated as operator, controller and regulator of the system– a more efficient market player, independent from the regulator and the controller. However, as of 2019, an administrative and legal counter-reform has insisted on forcing circumstances to return to the old model. In this paper we will delve into the effects of the Mexican federal public policy committed to give the greatest possible market power to its state-owned companies (Pemex and CFE) notwithstanding the Constitution and the USMCA free trade agreement -among other treaties signed by Mexico and laws and regulations with 46 countries- to establish the obligation to comply with economic competition as well as sustainable and transparency rules.

Deep inside, the Federal Government's aim to increase CFE's market power comes from its inability to support the enterprise with its own means. In the last two years, CFE has ended with financial losses of more than 58 billion pesos, a situation not seen since 1990 that data is available. An abrupt increase in fuel prices after the covid-19 pandemic, the rise of pensions spending after the 2020 reform of the labor contract, and the government controls on electricity rates are three important factors that prevent the company from charging the real cost of producing electricity to consumers. Hence, subsidies –reflected as "state power aids" to low consumption electricity bills households– from the Federal Government to the CFE have been increasing since 2017, and per capita investment is currently at its worst historical level. The paradox meanwhile rises as both facts impact on lower CFE's investment potential and higher inefficiency performance, whilst private investment is hindered and consumers' welfare forgotten.

Survey of Trade Restrictions Applied to Harm Reducing Nicotine Products

By: Tim Andrews & Nele Ball, Tholos Foundation, USA

From the early 2000s when the first Electronic Nicotine Devices Systems (ENDS) started hitting the global market they gave the world's 1.4 billion smokers an alternative way to consume nicotine that was 95 percent less harmful[1] than traditional cigarettes. In the next two decades the global population of smokers reduced from 34 percent to 23 percent.[2] In that time use of ENDs and heat-not-burn devices grew to reach more than 55 million adults.[3] Those that used the devices as a quit aid found them to be more effective than other replacement therapies[4,5] and ultimately enabled them to cease consuming nicotine or to fully replace combustible cigarettes.[6] In the same time frame, however, health activists have advised imposing market prohibitions[7,8] on the devices, components, flavors, and taxes to deter growth of the market. This has led to a global patchwork of non-tariff barriers, including import prohibitions that more harmful combustible cigarettes do not face. This case study surveys the existing non-tariff barriers applied to ENDS products and compares them to the restrictions applied to cigarettes. It then examines unintended consequences of such barriers with a focus on illicit trade.

Analyzing the Foreign Subsidies Regulation as a Trade Defense Measure

By: Arian Aghashahi, The Republic, Germany

Caught off guard by aluminum and steel tariffs imposed by the United States, coercive measures by China, and a faltering dispute resolution system at the World Trade Organization the European Union embarked on a mission to arm itself with trade defensive measures that would allow the bloc to retaliate and redress unfair trade practices unilaterally. The Foreign Subsidies Regulation is one measure in this new trade defensive toolbox and will start to apply in the summer of 2023 to address this imbalance. The measure itself is quite broad, it empowers the European Commission to investigate any entity it suspects of potentially distorting the EU market due to foreign subsidies it utilized abroad or within the EU. The type of subsidy is determined by the Commission as well and can range from tax incentives, cash grants, or other forms of preferences. In the investigation the Commission can demand access to financial data as well as proprietary information. If a negative determination is reached the FSR permits the Commission to dissolve concentrations, block mergers, restrict market access, or impose fines. This case study examines unintended consequences of the European Commission being empowered with such broad powers to unilaterally redress foreign subsidies.

1. https://www.gov.uk/government/news/e-cigarettes-around-95-less-harmful-than-tobacco-estimates-landmark-review
2. https://data.worldbank.org/indicator/SH.PRV.SMOK
3. https://www.euromonitor.com/article/growth-vapour-products
4. https://www.nejm.org/doi/full/10.1056/NEJMoa1808779
5. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5392446/
6. https://www.sciencedirect.com/science/article/abs/pii/S0306460317302915
7. https://www.reuters.com/article/us-health-vaping-ban/influential-u-s-doctors-group-calls-for-ban-on-vaping-products-idUSKBN1XT2SR
8. https://cdn.who.int/media/docs/librariesprovider2/euro-health-topics/tobacco/10-regulation-e-cigarettes-2022-eng.pdf?sfvrsn=f5a2c753_8

Moving Up The Ladder: Can Post Covid-19 Indonesia Become a Global Pharmaceutical Powerhouse?

By: Alfian Banjaransari, Center for Market Education, Indonesia

In order to rise above the ranks in the pharmaceutical global value chain, Indonesia requires a clear roadmap. This requires a double-pronged strategy: one to attract much needed foreign investment in the sector and another to seriously address the illicit pharmaceutical trade choke holding its consumers. Without sound policy that attracts investment, Indonesia will remain at the periphery with only a trivial presence in the scene evident by its low pharmaceutical RCAT and RCAP score which measures a country's relative comparative advantage – not a good place to be. On that note, without a serious focus on R&D, Indonesia's trajectory toward being a significant pharmaceutical player will be severely capped. On the other hand, without a serious commitment to curb illicit trade, any serious attempt at moving up the value chain will be wholly undermined if not grossly compromised.

This case study takes a closer look at comparative global indices which can serve as a guidepost to gauge Indonesia's progress and trajectory. The International Property Rights Index (IPRI), for example, offers a leading indicator for Indonesia's pathway to becoming a global pharmaceutical powerhouse. As it stands, Indonesia ranks relatively low compared to its neighbors in both legal and political environment as well as intellectual property (IPRI, 2022). From a policy standpoint, Indonesia needs to uphold its rule of law with proactive enforcement being front and center of Indonesia's policy to combat illicit pharmaceutical trade. There is ample opportunity for reform, as seen with the recent passing of the Jobs Creation Law which is set to attract foreign investment – a serious pull factor in unleashing Indonesia's pharmaceutical potential if channeled properly towards innovation and ease of doing business.

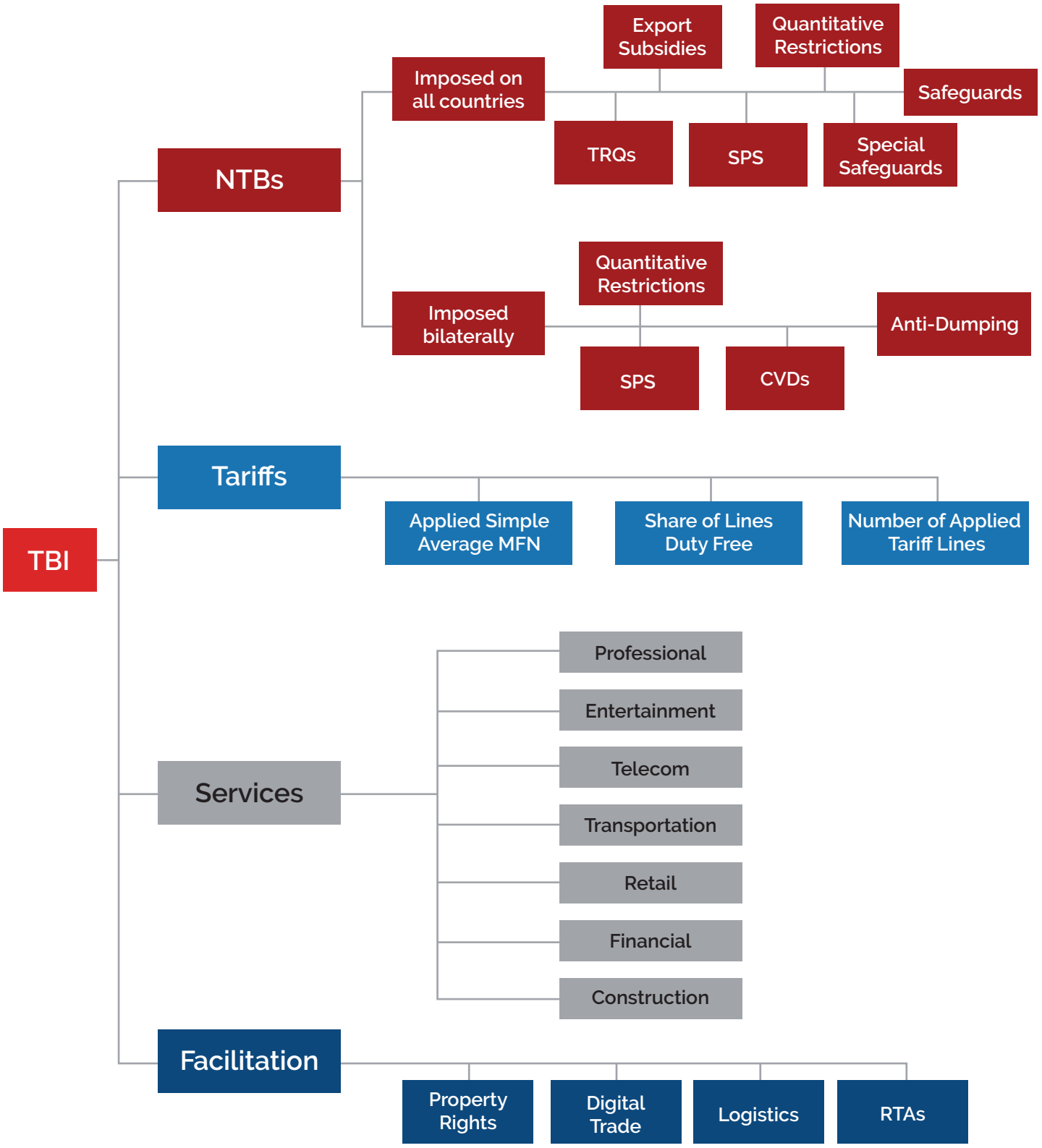

Figure 23. TBI Organizational Chart

Check out the Trade Barrier Index Online to access more case studies, read the full report, and compare how countries impose trade barriers.

TRADEBARRIERINDEX.ORG

THOLOS

FOUNDATION

TRADEBARRIERINDEX.ORG