Non-Tariff Measures Trickling through Global Value Chains

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In the current globalization process geographical and local production processes are intertwined through global value chains (GVC). In the presence of GVCs import tariffs do not only affect the direct trading partners but have indirect impact through international linkages. This is also the case for non-tariff measures (NTMs) which have gained importance in the last decades. In the presence of increasing use of non-tariff measures with their complex nature the paper analyses these indirect implications of encompassing trade policy instruments in the global economy. In a three stage approach, we quantify the cumulative impact of trade policy measures along the GVCs using the world input-output database (WIOD). In the first stage, we estimate bilateral import demand elasticities consistent with WIOD classification. In the second stage, we quantify the bilateral ad-valorem equivalents (AVE) of nine types of NTMs notified to the WTO by the end of 2011. Finally, in the third stage, we compute cumulative trade-restrictiveness indices (TRIs) using the AVEs of NTMs and tariffs taking into account backward linkages calculated with WIOD. The paper offers detailed TRIs for the inputs of 35 WIOD sectors to 41 economies from 2002 to 2011, which provides insights on the path of NTMs to the downstream industries and the final output.