

Executive Summary

Tariffs on regional trade are generally low as they have been progressively liberalised first under the auspices of the General Agreement on Tariffs and Trade/World Trade Organization (GATT/WTO) and, subsequently, in the context of regional and bilateral preferential trade agreements. ASEAN member countries have made significant progress in the lowering of intra-regional tariffs. The fact that tariff liberalisation alone has generally been proven insufficient in providing genuine regional economic integration for many developing countries has drawn further attention to non-tariff measures (NTMs), of which the WTO disciplines are comparatively weak. The use of NTMs, especially complex technical, sanitary and phytosanitary measures, has increased significantly.

As the average tariff rates of ASEAN countries decreased from 8.9 percent in 2000 to 4.5 percent in 2015, the number of NTMs had increased from 1,634 measures to 5,975 measures over the same period. The increase of NTMs was notable not only in ASEAN but also around the world, particularly, between 2008 and 2011. The total number of NTMs in the 10 ASEAN countries was 5,975 measures in 2015 of which 33.2 percent of total measures were in the form of SPS, 43.1 percent were TBT, 12.8 percent were export measures, and the rest of 10.9 percent were in the form of various measures.

A country with a relatively higher number of measures does not mean it is relatively more protectionist than others. Even if a country has a relatively higher number of percentage of affected products to total products, it does not necessarily mean it will have relatively lower trade than the others.

Does this mean that all NTMs are benign? Not really. Many regulations are poorly designed, failing to protect the public while unnecessarily complicating business. For instance, many countries have complicated rules for pharmaceutical imports that nevertheless fail to prevent widespread traffic of counterfeits. There are several reasons for this. First, the governments know little about incentives and even less about how to design market-based regulations, confusing effective with cumbersome. Second,

regulations are often enforced in punitive ways, reflecting the anti-business culture of many administrations. Third, NTMs typically span the competencies of several ministries, with no coordination mechanisms to make the necessary trade-offs.

A simple proposal in place is NTM streamlining to the national level by implementing 'dynamic disciplines' that review trade and investment policy and regulations regularly. This could be started by establishing a National Economic Council (NEC) consisting of divisions on Trade Facilitation, Non-Tariff Measures, National Single Window, Investment and Trade Agreement/Economic Cooperation. National and regional disciplines on transparency are the key, and NTM mutual recognition and harmonisation are the answers.