

# FOREWORD [ERIA]

Tariffs, as a traditional trade policy tool, have declined worldwide. A new generation of free trade agreements has shifted the focus towards indirect policies which can affect trade. Amongst key policy areas, the importance of non-tariff measures (NTMs) is increasing. For the Association of Southeast Asian Nations (ASEAN), the removal of non-tariff barriers is amongst the major components of regional efforts to enhance intra-regional trade. In principle, the ASEAN Trade in Goods Agreement has explicitly stated obligations regarding NTMs. In practice, however, the integration agenda has focused primarily on tariffs, which have been reduced to 0.2% on average. As room to liberalise tariffs further is limited, addressing NTMs is a fundamental prerequisite for realising the ASEAN Economic Community. Because NTMs constitute a grey area where trade policy meets public policy goals, effective NTM management must consider not only their trade-distorting effects but also their potential benefits.

To understand the extent of NTM application and adopt an appropriate approach to managing them, a comprehensive and up-to-date NTM database is essential. Realising this urgent need, the Economic Research Institute for ASEAN and East Asia (ERIA) and the United Nations Conference on Trade and Development (UNCTAD) have cooperated to construct a detailed ASEAN NTM database. The first database was launched in 2015, and an update was completed in early 2019 to capture the dynamics of regulatory reform in ASEAN. At the 12th meeting of the ASEAN Trade Facilitation Joint Consultative Committee (ATFJCC), the database was endorsed as a primary resource for the National Trade Repository (NTR) as well as an input to ASEAN Trade Repository. Consequently, ERIA-UNCTAD has shared the raw database with the ASEAN Member States (AMS) to assist them in populating the NTM section of respective NTRs.

This database is only the first step towards improving transparency and competitiveness for AMS. The successful collaboration between ERIA and UNCTAD, with the unwavering support of AMS, will continue through various follow-up activities. Upon official request from the ATFJCC, efforts are being made to enhance the capacity of governments to sustain and update the database through in-country training programmes. Analytical work to quantify the impact of NTMs on trade and the economy is being conducted.

This report provides a snapshot of the usage of NTMs amongst ASEAN, and presents the ongoing efforts at national and regional level to address NTMs. It can serve as a useful reference for policymakers and researchers by shifting the common negative perception about NTMs, elaborating on the complexity of NTMs and the prevalence of NTMs in ASEAN, and recommending pragmatic approaches to manage NTMs. As such, we expect the database and the report could contribute to ASEAN's efforts in enhancing national competitiveness and moving forward with the integration agenda, which, ultimately, could foster economic growth.



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Jakarta, August 2019

# FOREWORD [UNCTAD]

Regional integration plays a fundamental role in contributing to economic prosperity and sustainable development. The ASEAN's Economic Integration agenda is a case in point. Promoting regional stability and trade as well as collaboration in economic, social, cultural, technical, scientific and administrative areas, it laid the foundation for a prosperous and peaceful community of Southeast Asian Nations. Moreover, the ASEAN integration agenda set out ambitious priorities, notably the establishment of a regional single market and production base characterized by free flow of goods and services.

Non-tariff measures (NTMs) are critical to achieve market integration in ASEAN. While tariffs are transparent and widely eliminated, NTMs are not easy to identify and prove today the major obstacle to trade. The majority of NTMs are regulatory measures while traditional trade measures such as quotas and non-automatic licensing are now less common. Since most regulations apply equally to domestic products, NTMs affect most of the products that we encounter in our daily lives: packaging requirements and limits on the use of pesticides ensure safe food; restrictions on toxins in toys protect our children; mandatory voltage standards for household plugs enable regional mobility; and emission standards for cars limit climate change.

Increasing transparency and understanding of NTMs is essential for the formulation of effective market integration strategies in ASEAN. To that end, The Economic Research Institute for ASEAN and East Asia (ERIA), the United Nations Conference on Trade and Development (UNCTAD) and all ASEAN governments jointly updated NTM data in all ten countries in 2018. Based on the first NTM database from 2015, that was collected by the same team, we further improved the data quality and captured novel regulatory reform since then. As a result, the new NTM database captures comprehensively all NTMs applied in ASEAN as of March 2018, including non-tariff barriers and behind-the-border regulations. Moreover, this information is freely available through an online database. A wide array of stakeholders can take advantage of it: private sector exporters and importers to identify the regulations with which they must comply; policy makers and negotiators to streamline and negotiate NTMs; and researchers and government officials to assess the impact of NTMs on trade and sustainable development.

This report highlights pattern of NTMs usage in ASEAN, based on the updated NTM database. It documents regional and country-specific time trends in NTM application; highlight differences in prevalence and structure by sector and NTM type; and identifies differences of NTM usage between imports and exports. Based on this extensive analysis, the report identifies policy recommendations to help manage NTMs more effectively, a stepping stone to advance market integration in ASEAN.

I hope that the report will assist ASEAN member States in advancing regional integration and boosting competitiveness that supports their sustainable economic, social and environmental development, as well as global inclusion.



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