



## Trade and Investment



## Ad Valorem Equivalents of Non-tariff Measures in ASEAN

ERIA Discussion Paper 2017-09

*By Lili Yan Ing and Olivier Cadot*

This paper aims to measure the ad valorem tariff equivalents (AVEs) of non-tariff measures (NTMs). It proposes a new alternative that relies on the estimation of bilateral trade flows on two-way panels at the HS 2-digit level with importer, exporter, and product fixed effects and interaction terms between NTM variables and a full vector of country-specific characters. Results show AVEs for technical barriers to trade measures on manufactured products for ASEAN countries and the whole sample are 4.5% and 5%, respectively. The AVEs for sanitary and phytosanitary measures on agricultural and food products for ASEAN countries and the whole sample are 6.5% and 6.7%, respectively. It should be noted that AVEs can mean very different things depending on whether they are intended to correct market failure. This depends on the technical capabilities of domestic regulatory agencies.

## Developing Asia in the Era of Cross-Border E-Commerce

ERIA Discussion Paper 2017-11

*By Lurong Chen*

Cross-border e-commerce has been a major development trend of international trade and globalisation. In the next 5–10 years, the top three fastest-growing markets in the world will all be in Asia – India, Indonesia, and Malaysia. Connectivity is the cornerstone of e-commerce development. E-commerce supporting connectivity aims to ease free information flow, logistics, free cash flow, and seamless links between the virtual and physical parts of the e-commerce network. Accordingly, policy efforts include increasing the supply of public goods to improve connectivity infrastructure in both the physical world and cyberspace; establishing rules and regulations to ensure the dynamics of and competition in the online marketplace; improving connectivity-derived services to generate more value added; prioritising the smartphone economy and Internet financial innovation; and collaboration in the region-wide e-commerce supporting environment.

## **Disciplines on State-owned Enterprises under the Trans-Pacific Partnership Agreement: Overview and Assessment**

ERIA Discussion Paper 2017-13

*By Tsuyoshi Kawase and Masahito Ambashi*

This paper analyses the disciplines of state-owned enterprises (SOEs) stipulated in Chapter 17 of the Trans-Pacific Partnership Agreement (TPP). The introduction of the extensive disciplines on SOEs was led by the concern that SOEs are likely to disturb fair international competition by the conduct of business activities that do not depend on economic rationality and are anticompetitive. A major provision of this chapter includes definitions and the scope of application, commercial considerations and non-discriminatory treatment, non-commercial assistance, and transparency. While Chapter 17 can be appreciated as the first comprehensive and detailed discipline on SOEs including that of the WTO-plus, it still has problems and remaining issues concerning the disciplines. Nevertheless, the very fact that the TPP includes specific rules for SOEs is appreciated as a first step towards disciplining them in the future.

## **Globalisation and Trade Liberalisation in Supporting GVCs Upgrade: The Case of the Republic of Korea**

ERIA Discussion Paper 2017-07

*By Lurong Chen*

The Republic of Korea has achieved sustained economic growth by moving up the value chains. It took the Republic of Korea only 15 years to transform from an upper middle-income into a high-income country. This paper uses the Republic of Korea as a case study of on how a country can build core competitiveness in the high-tech industry and develop into a globally competitive and innovative economy by moving up the value chains. It shows the effectiveness of globalisation and trade liberalisation in supporting the country's domestic development strategy.

## **Servicification in Global Value Chains: The Case of Asian Countries**

ERIA Discussion Paper 2017-12

*By Shandre Mugan Thangavelu, Wang Wenxiao, and Sothea Oum*

The paper discusses the degree of servicification (or the role of services as inputs in manufacturing) of 61 selected Asian countries in terms of global value chain (GVC) activities at the sectoral level using domestic and foreign services from 1995 to 2011. This paper categorises servicification activities into two types: (i) domestic

servicification using domestic services and (ii) foreign servicification using foreign value-added content in domestic exports. Servicification is confirmed in selected Asian countries, particularly in 16 East Asian countries associated with the negotiations on the Regional Comprehensive Economic Partnership. However, the selected Asian countries tend to have lower domestic servicification levels but higher foreign servicification levels compared to the overall sample of countries in the study. Countries with higher participation rates and lower positions in GVCs tend to have higher levels of foreign servicification across the sectors. In contrast, countries with higher participation rates and higher positions in GVCs tend to use more domestic services in manufacturing exports. The effect is larger for Asian countries compared to the developed countries in the sample.

The study also highlights the role of technical and institutional improvement as key factors in the development of services in the global production value chain.

## **The Risks for ASEAN of New Mega-agreements that Promote the Wrong Model of E-Commerce**

ERIA Discussion Paper 2017-10

*By Jane Kelsey*

Digital technology offers exciting new opportunities and advances for ASEAN Member States, individually and as a region. The benefits have so far been captured by first movers, especially in the United States. ASEAN countries need time and flexibility to develop their own digital industrialisation strategies that can harness the potential gains and minimise the risks, and regulate accordingly. This paper explains how that opportunity would be foreclosed by a new normative framework on electronic commerce and cross-border services that is being systematically advanced by developed countries on behalf of their globally dominant digital industries. Starting with the Trans-Pacific Partnership Agreement, the template is being promoted through a network of mega-regional trade and investment agreements, including the Regional Comprehensive Economic Partnership and potentially the World Trade Organization. Instead of delivering a digital dividend to ASEAN countries, this model of e-commerce could impede their development, create negative fiscal and employment consequences, and leave them dependent on an oligopoly of private corporations that control the global digital infrastructure and mass data. ASEAN Member States will need to resist those proposals if they are to maintain their regulatory sovereignty and the policy space to capitalise on the 21st century digital revolution.

## **ASEAN: Regional Integration and Reforms**

ERIA Policy Brief 2017-05

*By Mari Pangestu and Lili Yan Ing*

This brief explains the motivation behind ASEAN's integration into East Asia, the role ASEAN reforms play in the integration, and its future direction. If ASEAN members continue to improve trade facilitation and regulation transparency, regional integration can become a vehicle for multilateral integration, domestic reforms, and institution building.

## **E-Commerce as Asia's New Growth Engine**

ERIA Policy Brief 2017-02

*By Fukunari Kimura and Lurong Chen*

The development of cross-border electronic commerce (e-commerce) is changing the world's economic landscape. To better grasp the opportunities of this global trend of growth, Asian countries will still need to make progress in areas such as connectivity, services, rules and regulations, and labour skills. In addition to market mechanism that will lead the transition, government policy can help the market maximise the advantage of the information revolution, and avoid potential market failure. Asian countries may consider policies on promoting e-commerce by enabling an e-commerce growth environment, improving connectivity, encouraging value-added services, accelerating rule-setting and regulatory harmonisation, promoting Internet financial innovation, and prioritising the development of the smartphone economy.

## **Facilitating ASEAN Trade in Goods**

ERIA Policy Brief 2017-07

*By Lili Yan Ing and Olivier Cadot*

This brief presents three recommendations to move the trade facilitation agenda forward in ASEAN. These focus on rules of origin, transparency of non-tariff measures (NTMs), and NTM streamlining. Although the rules of origin of the ASEAN Trade in Goods Agreement have a relatively simple structure, these require supervision as recent research puts their ad valorem equivalent at about 3.40%. The transparency of NTMs rests on two pillars: accurate data, and open dissemination and dynamic disciplines. The move to streamline NTMs should not be viewed as a trade negotiation issue because NTMs are not purely trade policy instruments.

## How Restrictive Are ASEAN's Rules of Origin?

ERIA Policy Brief 2017-04

*By Olivier Cadot and Lili Yan Ing*

ASEAN's rules of origin (ROO) have a simple and transparent structure, with a large chunk of trade flows subject to a 40% regional value content or a change of tariff classification. The econometric analysis of trade flows reveals that the average ad valorem equivalent (AVE) of ASEAN's ROO is 3.40% across all instruments and sectors. The trade-weighted average is 2.09%. This moderate estimate is in line with existing literature. However, some sectors, such as leather, textile and apparel, footwear, and automobile, have high AVEs. Some rules also appear more restrictive than others. In this regard, the Textile Rule seems to stand out as a relatively more trade-inhibiting rule than others.

## Streamlining NTMs in ASEAN: The Way Forward

ERIA Policy Brief 2017-03

*By Olivier Cadot, Ernawati Munadi, and Lili Yan Ing*

Dealing with non-tariff measures (NTMs) as if dealing with a trade tool like tariffs is an improper approach, as NTMs could act as checks and balances for the quality of goods. To improve NTMs, efforts should be packaged as part of government regulation reform. Two main areas to work on are transparency through collective and uniform data collection, as well as setting up an institution for better coordination, and more objective evaluation of NTMs.

## **To Enhance E-Commerce Enabling Connectivity in Asia**

ERIA Policy Brief 2017-01

*By Fukunari Kimura and Lurong Chen*

Cross-border e-commerce has been a major development trend of international trade and globalisation. In the next 5 to 10 years, the top three fastest-growing markets in the world will all be in Asia – India, Indonesia, and Malaysia. Connectivity is the cornerstone of e-commerce development. E-commerce supporting connectivity aims to ease free information flow, logistics, free cash flow, and seamless links between the virtual and physical parts of the e-commerce network. Accordingly, policy efforts include (i) increasing the supply of public goods to improve connectivity infrastructure in both the physical world and cyberspace, (ii) establishing rules and regulations to ensure the dynamics of and competition in the online marketplace, (iii) improving connectivity-driven services to generate more added value, (iv) prioritising the smartphone economy and Internet financial innovation, and (v) collaboration in the region-wide e-commerce-enabling environment.

## **Transparency in Non-tariff Measures: An International Comparison**

ERIA Policy Brief 2017-06

*By Lili Yan Ing, Olivier Cadot, and Janine Walz*

The growing literature on trade has proven that transparency positively affects trade and investment. This is particularly important in non-tariff measures, which are often criticised for their lack of transparency and their hidden protectionism. Through a combination of off-the-shelf data and an experiment, a new index of transparency shows that ASEAN members score well compared to other developing countries. Singapore ranks highest amongst ASEAN countries and is 12th in the world. Four other ASEAN countries – Indonesia, Lao PDR, Thailand, and Brunei Darussalam – are amongst the top 50 in the world.