



Chapter 2

Trade Facilitation and Non-Tariff Measures

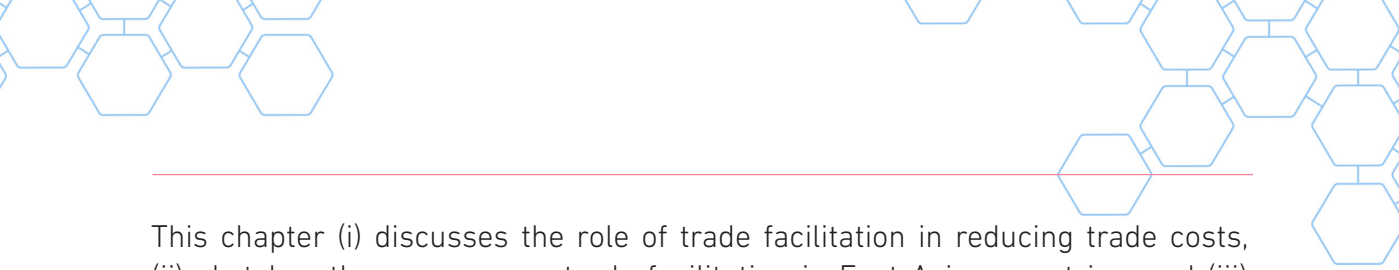
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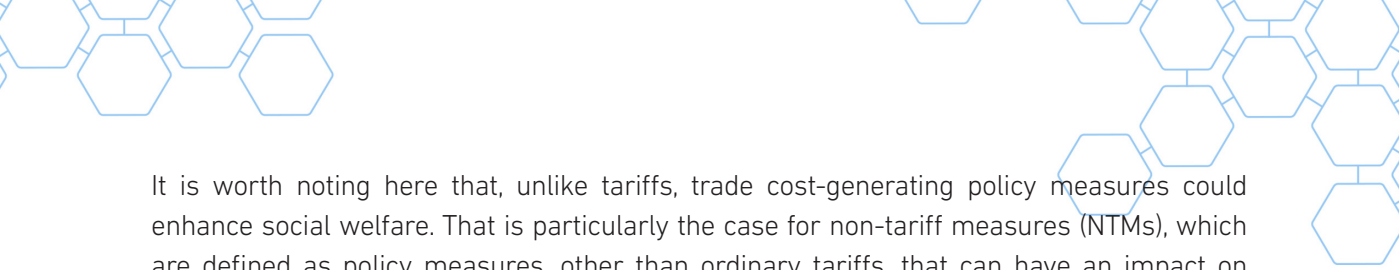


This chapter (i) discusses the role of trade facilitation in reducing trade costs, (ii) sketches the progress on trade facilitation in East Asian countries, and (iii) discusses policy options for East Asian countries to accelerate trade facilitation in the context of the second and third unbundlings. Trade facilitation comprises two dimensions - hard infrastructure, such as information and communication technology (ICT), transportation facilities, and storage facilities; and soft infrastructure, which covers regulatory reforms to simplify and speed up export and import procedures. In this chapter, we focus on the latter dimension.

Introduction

Broadly speaking, trade facilitation includes policy measures aimed at minimising the cost, time, and uncertainty associated with engaging in international trade. As such, trade facilitation aims to address bottlenecks to export and import activities both at the border and behind the border. At its core, a trade facilitation framework focuses on four key pillars: (i) transparency and predictability of trade regulations, (ii) risk management in trade, (iii) effective implementation of trade-related laws and regulations, and (iv) efficient movement of goods and associated services and information across borders (ADB and UNESCAP, 2013: 6).

Tariffs, as a conventional trade policy tool, have decreased significantly across the years. Yet, trade costs remain sizeable. Aside from the inadequate hard infrastructure, weak soft infrastructure – such as poor design of standards; complex export and import procedures; difficulty in getting access to information; lack of transit, transport, and e-commerce facilities; and incompetency of official personnel – contribute to this cost. The World Trade Organization (WTO, 2015), for instance, estimated that trade costs in developing countries are equivalent to applying a 219% ad valorem tariff on international trade. Even in advanced economies, the figure is as high as 134%. The report also found that full implementation of the WTO's Trade Facilitation Agreement (TFA) could potentially reduce the trade cost by 14.3% on average. For Asia and the Pacific, full implementation of the WTO TFA would result in a 9% reduction in trade costs (ADB and UNESCAP, 2017). In a more ambitious scenario where paperless trade measures not included in the WTO TFA are implemented, trade costs could fall by as much as 16%.



It is worth noting here that, unlike tariffs, trade cost-generating policy measures could enhance social welfare. That is particularly the case for non-tariff measures (NTMs), which are defined as policy measures, other than ordinary tariffs, that can have an impact on international trade by changing the price or quantity traded (UNCTAD, 2013). Examples of potential welfare-enhancing NTMs are regulations on product quality, consumers' health and safety, and environmental protection. While they are legal under the WTO, a plethora of administrative procedures associated with NTMs could be costly and time-consuming for firms to comply with. Indeed, the poor design and implementation of NTMs could result in remarkable trade costs (Kee, Nicita, and Ollareaga, 2009; Hoekman and Nicita, 2011; Ing and Cadot, 2019). Efforts to reduce the regulatory burden, therefore, should address NTMs in a pragmatic manner to minimise trade costs without compromising the legitimate objectives of NTMs.

The increasing fragmentation of international production networks, where goods move across borders multiple times, magnifies these costs. A barrier on imports of intermediate inputs, for example, could result in higher costs for firms in the downstream sectors, thus reducing competitiveness in the export market. Lower cumulative trade costs would then enable firms' entry and growth in the global value chain (GVC). As such, trade facilitation becomes a crucial determinant of GVC participation and export success (OECD and WTO, 2015; Portugal-Perez and Wilson, 2012; Helble, Shepherd, and Wilson, 2009; Kummritz, Taglioni, and Winkler, 2017).

In this context, the policy focus aimed at lowering trade costs has shifted from tariffs and conventional non-tariff barriers such as quotas and voluntary export restraints to broader trade facilitation. Indeed, the growing importance of trade facilitation in international trade is manifested by the efforts and initiatives undertaken worldwide. A forerunner of these efforts was the Revised Kyoto Convention, which aims to harmonise and simplify customs procedures and practices to ensure transparency and predictability in the clearance of goods. Another milestone was the entry into force of the WTO TFA in February 2017, which contains commitments from WTO members in expediting the movement, release and clearance of goods, transit, including measures for effective cooperation between customs administrations and relevant authorities on trade facilitation and customs compliance issues, and technical assistance provisions.

On the regional front, the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific aims to accelerate the implementation of digital trade facilitation measures for trade and development, as well as help develop countries' capacity to engage in cross-border paperless trade. Likewise, recent and modern free trade agreements (FTAs) such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP), also contain more ambitious and trade facilitative provisions than earlier FTAs.

Overall Status of Implementation of Trade Facilitation Measures (ASEAN+6 Countries/East Asia Summit)

Economies all over the world have been progressing their implementation of trade facilitation measures and initiatives through the World Customs Organization (WCO), WTO, FTAs, and other regional initiatives. It is imperative, however, that progress be regularly monitored to assist economies to better understand their respective situations to produce evidenced-based policies.

The United Nations (UN) has been conducting the biennial Global Survey on Digital and Sustainable Trade Facilitation to collect information on the implementation of digital and sustainable trade facilitation measures from economies around the world. The surveys are prepared according to the final list of commitments in the WTO TFA, as well as cross-border paperless trade measures covered under the Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific, and other measures implemented by the UN Regional Commissions.

The UN survey report in 2021 (UNESCAP, 2021) categorised common measures into five groups, with measures on (i) general trade facilitation, (ii) digital trade facilitation, (iii) sustainable trade facilitation, (iv) trade finance, and (v) trade in times of crisis.¹ For the purpose of this chapter, only measures in the subgroups under general trade facilitation and digital trade facilitation will be covered in describing the implementation of trade facilitation measures (Table 2.1).

¹ The last two groups were introduced in the 2021 survey.

Table 2.1 Grouping of Trade Facilitation Measures and Correspondence with WTO TFA Articles

Grouping		Trade Facilitation Measures
General Trade Facilitation Measures	Transparency	Publication of existing import–export regulations on the internet
		Stakeholder consultation on new draft regulations (prior to their finalisation)
		Advance publication/notification of new regulations before their implementation (e.g. 30 days prior)
		Advance ruling (on tariff classification)
		Independent appeal mechanism (for traders to appeal customs rulings and
	Formalities	Risk management (as a basis for deciding whether a shipment will be physically inspected or not)
		Pre-arrival processing
		Post-clearance audit
		Separation of release from final determination of customs duties, taxes, fees, and charges
		Establishment and publication of average release times
		Expedited shipments
		Trade facilitation measures for authorised operators
	Institutional cooperation and arrangement	Acceptance of paper or electronic copies of supporting documents required for import, export, or transit formalities
		Establishment of a national trade facilitation committee or similar body
		Cooperation between agencies on the ground at the national level
		Government agencies delegating controls to customs authorities
		Alignment of working days and hours with neighbouring countries at border crossings
		Alignment of formalities and procedures with neighbouring countries at border crossings

Grouping		Trade Facilitation Measures
Digital Trade Facilitation Measures	Transit facilitation	Transit facilitation agreement(s) with neighbouring country(ies)
		Customs authorities limit the physical inspection of transit goods and use risk assessment
		Supporting pre-arrival processing for transit facilitation
		Cooperation between agencies of countries involved in transit
	Paperless trade	Electronic/automated customs system established (e.g. Automated System for Customs Data)
		Internet connection available to customs and other trade control agencies at border crossings
		Electronic Single Window System
		Electronic submission of customs declarations
		Electronic application and issuance of Import and Export Permit
		Electronic submission of sea cargo manifests
		Electronic submission of air cargo manifests
		Electronic application and issuance of Preferential Certificate of Origin
		E-payment of customs duties and fees
	Electronic application for customs refunds	
	Cross-border paperless trade	Laws and regulations for electronic transactions are in place (e.g. e-commerce law, e-transaction law)
		Recognised certification authority issuing digital certificates to traders to conduct electronic transactions
		Customs declaration electronically exchanged between your country and other countries
		Certificate of origin electronically exchanged between your country and other countries
		Sanitary and phytosanitary certificate electronically exchanged between your country and other countries
Banks and insurers in your country retrieving letters of credit electronically without lodging paper-based documents		

TFA = Trade Facilitation Agreement, WTO = World Trade Organization.

Source: UNESCAP (2021).

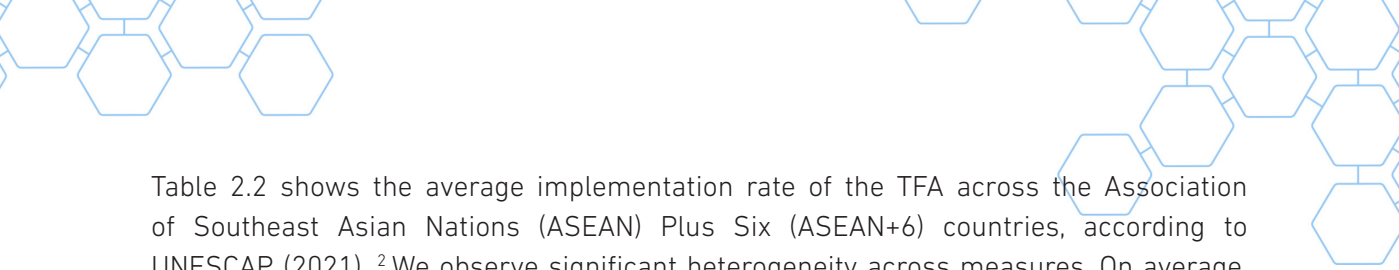


Table 2.2 shows the average implementation rate of the TFA across the Association of Southeast Asian Nations (ASEAN) Plus Six (ASEAN+6) countries, according to UNESCAP (2021).² We observe significant heterogeneity across measures. On average, ASEAN Member States (AMS) have performed relatively well in the implementation of transparency measures, including the circulation of draft regulations and law, achieving the highest score of 80%. Formalities follow closely at 70%. Two categories with implementation rates below 50% are institutional cooperation and arrangement (37%) and cross-border paperless trade (14%). Cross-border paperless trade records a score of 0 in six out of 10 AMS, suggesting ample room to reduce trade costs through digital trade facilitation. This area is relatively new and requires extra investment in human resources and ICT infrastructure, which poses new challenges for less developed countries. Not surprisingly, the Plus Six countries score higher than the ASEAN average, although we observe a similar pattern of progress compared with AMS.

Table 2.2 also reveals large cross-country differences in the implementation rate, reflecting the development gap amongst individual economies. In ASEAN, Singapore, Thailand, and Malaysia are more advanced. Interestingly, Cambodia is catching up remarkably. Singapore is the lead in the region, pairing well with Australia, Japan, and New Zealand in categories where data are available, whereas the Lao People's Democratic Republic (Lao PDR), Myanmar, and Viet Nam have a long way to catch up.³

² The Plus Six countries are Australia, China, India, Japan, the Republic of Korea, and New Zealand.

³ Japan and New Zealand do not have transit facilitation.

Table 2.2 Implementation of Various Trade Facilitation Measures in the ASEAN+6 Countries, 2021 (%)

Item	ASEAN											Plus Six Partners						
	Average	Bruni	Cam-bodia	Indo-nesia	Lao PDR	Ma-lay-sia	Myan-mar	Phil-ip-pines	Singa-pore	Thai-land	Viet Nam	Average	Aus-tralia	Chi-na	India	Japan	Rep. of Ko-re-a	New Zea-land
Transparency	80%	80%	100%	80%	80%	100%	20%	100%	100%	80%	60%	100%	100%	100%	100%	100%	100%	100%
Formalities	70%	100%	75%	88%	13%	100%	0%	100%	100%	100%	25%	96%	100%	88%	88%	100%	100%	100%
Institutional cooperation and arrangements	37%	0%	67%	33%	33%	33%	33%	33%	100%	33%	0%	72%	100%	67%	67%	67%	67%	67%
Paperless trade	53%	56%	44%	89%	0%	78%	22%	56%	100%	78%	11%	93%	100%	89%	89%	89%	100%	89%
Cross-border paperless trade	14%	0%	17%	0%	0%	40%	0%	0%	33%	50%	0%	42%	50%	17%	33%	33%	33%	83%
Transit facilitation	61%	100%	100%	75%	25%	75%	25%	NA	100%	25%	25%	44%	100%	25%	0%	NA	50%	NA
Country average		56%	67%	61%	25%	71%	17%	58%	89%	61%	20%		92%	64%	63%	78%	75%	88%

ASEAN = Association of Southeast Asian Nations, NA = not applicable.

Note: The table shows the proportion of measures that are fully implemented in each ASEAN Member State. The proportion for ASEAN is a simple average across all ASEAN Member States.

Source: UNESCAP (2021).

Table 2.3 shows the change in implementation rates from 2019 to 2021 in the ASEAN+6 countries. Overall, trade facilitation has improved, as the rates increase across all categories, reflecting the efforts of individual economies as well as the progress made through regional initiatives. The pattern, however, remains relatively similar in both years. Limited progress in cross-border paperless trade, in particular, requires further effort and investment.

Table 2.3 Implementation of Various Trade Facilitation Measures in the ASEAN+6 Countries, 2019–2021


Item	ASEAN Plus 6		ASEAN		Plus 6 Partners	
	2019	2021	2019	2020	2019	2021
Transparency	80%	88%	72%	80%	93%	100%
Formalities	75%	80%	68%	70%	88%	96%
Institutional cooperation and arrangements	42%	50%	30%	37%	61%	72%
Paperless trade	60%	68%	49%	53%	78%	93%
Cross-border paperless trade	21%	24%	9%	14%	41%	42%
Transit facilitation	50%	56%	56%	61%	38%	44%
Average	55%	61%	47%	53%	66%	74%

ASEAN = Association of Southeast Asian Nations.

Note: ASEAN refers to the 10 ASEAN Member States: Brunei Darussalam, Cambodia, Indonesia, the Lao PDR, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam. The Plus Six Partners refer to Australia, China, India, Japan, New Zealand, and the Republic of Korea.

Source: Authors' calculation from UNESCAP (2021).

An important point that can be drawn from the results of this survey is that while the regional average on general trade facilitation measures like transparency (including measures such as stakeholder consultations on new draft regulation) rank high in the implementation rates, the regional average on the implementation of digital trade facilitation measures is lower. Digital trade facilitation is also the area where the gap between developed and developing countries in our sample is the largest. Amongst AMS, the general trade facilitation measures have a high level of implementation (transparency 80%, formalities 70%), while paperless trade (53%) and cross-border paperless trade (14%) have a low level of implementation. On the other hand, in the Plus Six Partners,



the average level of implementation of digital trade facilitation measures for paperless trade (93%) and cross-border paperless trade (42%) are significantly higher than the ASEAN average. This gap reflects the availability (or lack) of soft and hard infrastructure to support digital trade, such as ICT, the legal framework to manage digital trade, and skilled labour.

The results of the UN Survey Report 2021 also reflect the outcome of the ASEAN Seamless Trade Facilitation Indicators (ASTFI) Baseline Study prepared by the Economic Research Institute for ASEAN and East Asia (ERIA) and submitted to the ASEAN Trade Facilitation Joint Consultative Committee in 2018. The ASTFI is an ASEAN-specific trade facilitation indicator which was developed to measure the extent of progress on trade facilitation and to identify the gaps in its implementation in each AMS and in the region. It provides the status and progress of the trade facilitation environment in ASEAN and in AMS, highlighting trade facilitation efforts and best practices as of 2018. The ASTFI is based on a survey of the major trade-related government agencies of each AMS. It includes measures on transparency and engagement with the private sector; the core trade facilitation measures of clearance and release formalities as well as export and import formalities and coordination; and measures for transit, transport, and e-commerce facilitation (ERIA, 2021b).⁴

According to the 2018 ASTFI survey, AMS performed well in transparency and information on laws, regulations, and procedures, as well as in components related to communication and engagement with the private sector. Under these components, AMS established informative and user-friendly websites containing customs and trade-related laws and regulations. Likewise, some AMS did well on release and clearance formalities. Moderate progress was seen in cross-border coordination and transit facilitation, and transport facilitation, where ASEAN transport-related protocols were yet to be implemented. Finally, both the ASTFI and the UN surveys indicate that AMS are lagging on cross-border paperless trade.

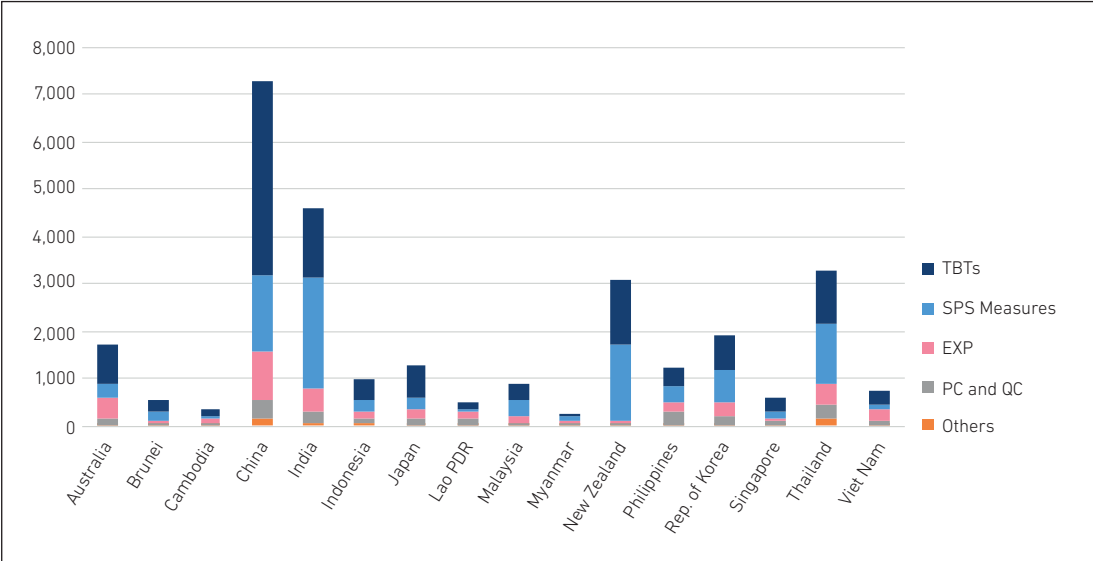
⁴ As of September 2021, a follow-up study is being prepared to capture the progress of AMS in improving the trade facilitation environment.

Non-Tariff Measures

As tariffs decline, addressing NTMs has become a new focus of regional economic integration efforts. The ASEAN+6 NTM database developed by ERIA, in collaboration with the United Nations Conference on Trade and Development (UNCTAD), is an attempt to support this endeavour (Doan, Rosenow, and Buban, 2019; UNCTAD, n.d., 2020). Contrary to the common perception that the number of NTMs should decline following trade liberalisation, over a 3-year period we observe a 15% increase in the NTM count across AMS.⁵ ASEAN-wide, about 9,500 measures were in place in 2018. In sectors with strong value chain participation (e.g. food products, machinery, and electrical), 80%–90% of trade is subject to NTMs (Doan, Rosenow, and Buban, 2019).

Traded products are also heavily regulated in the Plus Six countries, where the total number of NTMs is twice that of ASEAN. China alone accounted for more than 7,000 measures. Overall, for 16 countries in the region, we find about 6,700 regulations containing NTMs, with the corresponding number of measures totalling 28,000 – affecting virtually all products traded at the national tariff line.

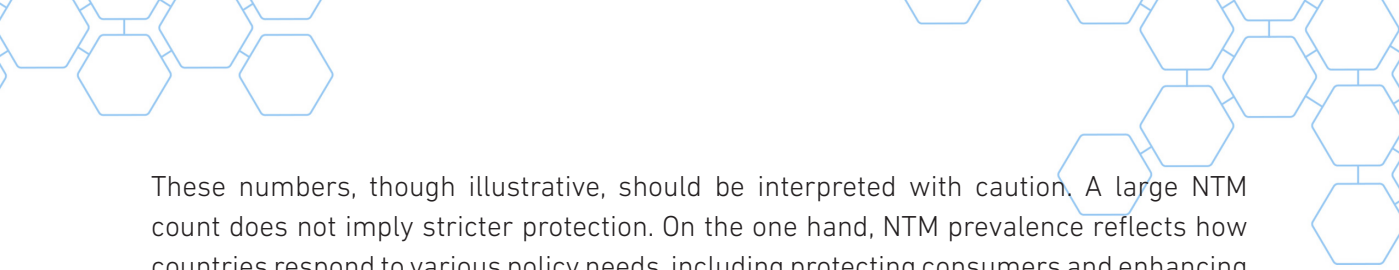
Figure 2.1 NTMs Count in ASEAN+6 Countries by NTM Category



ASEAN = Association of Southeast Asian Nations, NTM = non-tariff measure, SPS = sanitary and phytosanitary, TBT = technical barrier to trade. Note: Numbers are not comparable across countries. Data years vary.

Source: Author’s calculation from UNCTAD’s TRAINS database. Accessed from <https://trains.unctad.org> on June 12 2020 (Doan, Rosenow, and Buban, 2019; UNCTAD, n.d., 2020).

⁵ For the Plus Six countries, we only have cross-sectional data for 2017. Therefore, we cannot capture changes across time.



These numbers, though illustrative, should be interpreted with caution. A large NTM count does not imply stricter protection. On the one hand, NTM prevalence reflects how countries respond to various policy needs, including protecting consumers and enhancing competitiveness by improving product standards. As a country becomes more integrated into the global economy, it needs a greater number of high-quality trade regulations. Having just a few NTMs could reflect gaps in consumer and environmental protection and potential under-regulation. On the other hand, the rise of NTMs in the context of tariff reduction suggests that NTMs are sometimes used as a substitute for tariffs.

In addition, the numbers are not easily comparable across countries. NTM count statistics reflect important sources of discrepancy in the way countries issue their regulations. For example, a country that promulgates product- or partner-specific regulations will have more NTMs than a country that uses a single regulation to regulate broad product categories. In addition, a single import restriction can be significantly more restrictive than several transparent labelling and packaging requirements (Doan, Rosenow, and Buban, 2019).

While the increase in NTMs reflects the legitimate need to protect humans, animals, and the environment, the prevalence of NTMs has generated non-trivial trade costs. Ing and Cadot (2019), for instance, estimated that the ad valorem equivalent of NTMs in ASEAN is up to 5.7% in manufacturing and 16.6% in agriculture, implying significant added trade costs. In the context of the expanding production network, this cost is magnified and accumulated along the supply chain. Shepherd (2020) found that the ASEAN average effective rate of protection, i.e. the ad valorem equivalent rate taking into account both costs on inputs and final goods, doubles when NTMs are included, compared with the estimate with the tariff per se.

NTM costs are exacerbated by the non-harmonised regulatory structure across countries. A multi-destination exporter has to comply with regulations in all the markets it serves. Regulatory divergence, which refers to inconsistencies or dissimilarity in regulations across countries, multiplies the procedures faced by traders. Table 2.4 suggests ample room for regulatory convergence across AMS. Indeed, the Similarity Index of the NTM structure across ASEAN is relatively low. Even for country pairs with the highest level of similarity, such as between Brunei and Singapore or Brunei and Malaysia, the figure is only 30%. The ASEAN average regulatory Similarity Index is about 16% and has remained stable between 2015 and 2018.

Table 2.4 Top 10 ASEAN Country Pairs with Highest Regulatory Similarity Index, 2015 and 2018

Rank	2018			2015		
	Country pair		Similarity	Country pair		Similarity
1	BRN	SGP	0.27	BRN	MYS	0.30
2	BRN	MYS	0.26	BRN	SGP	0.30
3	LAO	MMR	0.23	MYS	SGP	0.27
4	BRN	THA	0.22	MYS	THA	0.26
5	MYS	THA	0.22	SGP	THA	0.23
6	MYS	SGP	0.22	BRN	THA	0.21
7	SGP	THA	0.21	LAO	MMR	0.20
8	BRN	LAO	0.20	IDN	KHM	0.20
9	KHM	VNM	0.20	MMR	VNM	0.19
10	IDN	KHM	0.20	BRN	IDN	0.18

ASEAN = Association of Southeast Asian Nations, BRN = Brunei Darussalam, IDN = Indonesia, KHM = Cambodia, LAO = Lao PDR, MMR = Myanmar, MYS = Malaysia, NTM = non-tariff measure, PHL = Philippines, SGP = Singapore, THA = Thailand, VNM = Viet Nam.

Note: We follow the procedure developed by Gourdon, Cadot, and Tongeren (2018) in measuring NTM regulatory similarity between any two countries at the HS6 product level. The Similarity Index is the normalised, aggregated average of regulatory similarity across all NTM-product combinations between a country pair. It yields a value between zero and one since the value of regulatory similarity is binary (zero if country i applies NTM k on product l, but country j does not, and vice versa; and one if both countries apply NTM k on product l). A higher Similarity Index implies more similar NTM regulations between ASEAN Member States. Export-related measures are excluded from the calculation.

Source: Authors' calculation from ERIA-UNCTAD NTMs in ASEAN database (Doan, Rosenow, and Buban, 2019).

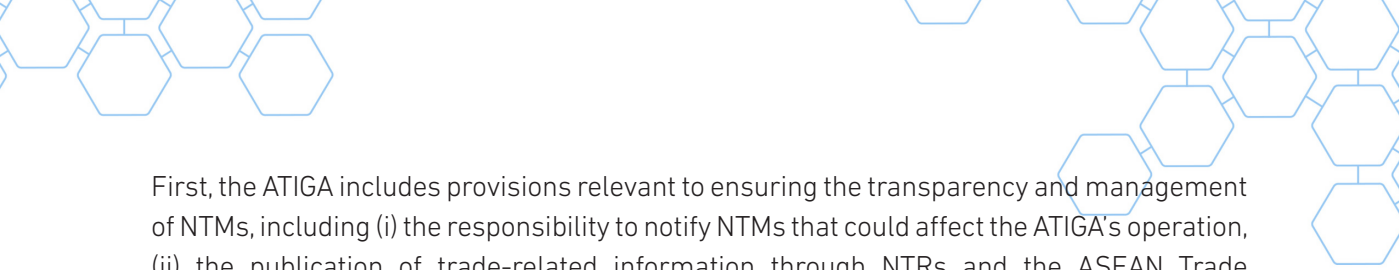
Regional Cooperation in ASEAN and its FTA Partners

The ASEAN Economic Community (AEC) 2025 Trade Facilitation Strategic Action Plan (SAP) outlines measurable targets to increase trade flows by facilitating the efficient movement of goods across borders. It also identifies a short-term target of reducing trade transaction costs in the AEC by 10% by 2020, as set by the ASEAN Economic Ministers in 2017 (ASEAN, 2017). The impact target is the doubling of intra-ASEAN trade between 2017 and 2025, while the outcome target is the improvement of AMS in global rankings/surveys (e.g. the World Bank's Ease of Doing Business). A rise in global rankings and surveys would narrow the gap amongst AMS, which is a reflection of improved trade facilitation regimes in ASEAN. To achieve the short-term impact and outcome targets, the SAP lists the strategic objectives and the corresponding outcomes, outputs, and indicators. The progress made in the implementation of various trade facilitation measures in ASEAN, as indicated in the UN

survey, is reflected in the improved implementation of the SAP in similar areas. For instance, the performance in trade facilitation categories such as transparency is quite high in ASEAN and the respective AMS because of the establishment of the ASEAN Trade Repository and the national trade repositories (NTRs). AMS have completed the implementation of a number of category A measures of the WTO TFA, while those measures under categories B and C adopted by AMS are at different stages of implementation. Another important initiative – the Authorised Economic Operator programme – has been implemented by six AMS through national programmes that facilitate secure movement of goods and help to reduce trade transaction costs in the region.

Meanwhile, paperless trade and cross-border paperless trade have started taking off with the ASEAN Single Window Live Operation, where granting of preferential tariff treatment under the ASEAN Trade in Goods Agreement (ATIGA) (ASEAN, 2013) is now based on the electronic Certificate of Origin Form D (e-ATIGA CO Form D). In addition, as of 31 March 2021, five AMS (Cambodia, Malaysia, Myanmar, Singapore, and Thailand) have implemented the live exchange of the electronic ASEAN Customs Declaration Document (ACDD), a multipurpose document used for facilitating the exchange of export declaration information amongst AMS. The electronic ACDD aims to support customs authorities in importing countries to carry out risk management process. ASEAN is working on the inclusion of other documents for cross-border paperless trade, such as the electronic Phytosanitary Certificate (e-Phyto), electronic Animal Health Certificate (e-AH), and electronic Food Safety Certificate (e-FS). Some of these documents (e.g. e-Phyto) are in pilot implementation in AMS. ASEAN has also implemented the ASEAN Customs Transit System (ACTS) platform, which aims to create an enhanced cross-border transport environment for efficient and seamless movement of goods within the region. The ACTS facilitates trade by allowing traders to transport their goods freely between participating AMS, so that trucks can travel from their point of loading or departure to their destination in a different country with fewer obstacles and delays (ASEAN, 2020). ACTS land operations were pilot-tested in 2017 and launched in November 2020. The ACTS is implemented along the North–South corridor through Malaysia, Singapore, and Thailand; and the East–West corridor through Cambodia, the Lao PDR, Myanmar, and Viet Nam. The ACTS has been implemented in the six AMS, except Myanmar. Depending on the business needs, the use of the ACTS could be expanded to other AMS such as Brunei, Indonesia, and Thailand.

ASEAN has also introduced four key initiatives to streamline and simplify NTMs in order to enhance trade: (i) ATIGA (ASEAN, 2013), (ii) AEC 2025 Trade Facilitation SAP (ASEAN, 2017), (iii) Guidelines for the Implementation of ASEAN Commitments on Non-Tariff Measures on Goods (ASEAN, 2018), and (iv) Good Regulatory Practice (GRP) Core Principles (ASEAN, 2009).



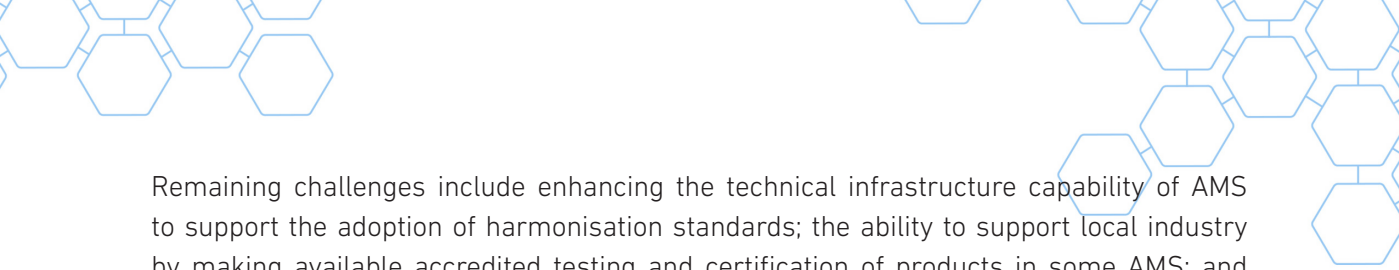
First, the ATIGA includes provisions relevant to ensuring the transparency and management of NTMs, including (i) the responsibility to notify NTMs that could affect the ATIGA's operation, (ii) the publication of trade-related information through NTRs and the ASEAN Trade Repository, (iii) the elimination of non-tariff barriers, and (iv) the construction of an ASEAN NTM database. In addition to the general provisions on NTMs, the ATIGA contains provisions on the harmonisation of standards, technical regulations, and conformity assessment procedures; mutual recognition arrangements; and the development of a single regulatory regime in certain priority integration sectors.

Second, the third strategic objective of the SAP is to 'Put in place an effective and responsive regional approach to efficiently address the trade distorting effect of NTMs with a view to pursuing legitimate policy objectives while reducing cost and time of doing business in ASEAN' (ASEAN, 2017: 4).

Third, the Guidelines for the Implementation of ASEAN Commitments on Non-Tariff Measures on Goods provide a general framework to improve the transparency and management of NTMs. The recently adopted non-binding guidelines provide for operationalising key ATIGA elements and provisions related to NTMs as mentioned above.

Fourth, the ASEAN GRP Core Principles regional initiative was adopted by AMS to help improve approaches in preparing national laws and regulations. Given the renewed emphasis on better regulations and to follow through on the importance of the GRP in the AEC Blueprint 2025, the ASEAN Economic Ministers adopted the ASEAN Work Plan on GRP, 2016–2025 at the 23rd ASEAN Economic Ministers' Retreat in March 2017, and the AEC Council endorsed it in April 2017. It has also been underscored that enhanced regulatory practice and capacity of individual AMS are key to the successful delivery of national development agendas, and to implementing regional commitments and achieving ASEAN's long-term competitiveness.

Notwithstanding the comprehensive initiatives, progress is uneven and limited. For example, the NTM sections of NTRs are missing for some countries, whereas for others, a centralised trade repository with NTM information is fully operational. Similarly, notification obligations are not well-observed by AMS when it comes to new measures that are established that would affect exports of other AMS. Even for the most progressive initiative – the harmonisation of standards and conformance – implementation is uneven across AMS. Some countries have yet to establish an accreditation body, relying instead on accredited testing facilities in other AMS. This lack of facilities prevents countries from fully benefiting from mutual recognition agreements.



Remaining challenges include enhancing the technical infrastructure capability of AMS to support the adoption of harmonisation standards; the ability to support local industry by making available accredited testing and certification of products in some AMS; and continuous training of personnel to support and sustain the work on standards, technical regulations, and conformity assessments. On top of that, the establishment and effective operation of an inter-ministerial coordinating agency in charge of NTMs ensure smooth implementation of policy. The absence of a coherent mechanism and institution could create difficulty not only for collecting and classifying data but also for drafting effective regulations. The lack of coordination could create inconsistency in the regulations issued by government agencies across ministries.

Unlike the specific initiatives or provisions on trade facilitation and NTMs in ASEAN agreements, which help in contributing to a better trade facilitation environment, most of the ASEAN Plus One FTAs include a more general provision on trade facilitation or customs procedures and NTMs. Aside from the ASEAN–China Free Trade Area and the ASEAN–Australia–New Zealand Free Trade Area, other ASEAN Plus One FTAs have limited provisions or do not have specific trade facilitation or customs procedures chapters. Although the chapters on customs procedures in the ASEAN–China Free Trade Area and the ASEAN–Australia–New Zealand Free Trade Area contain provisions on the use of automated systems and advance rulings, which are important elements, their treatment in the text of the agreements is quite broad and their application is on a best endeavour basis. On NTMs, these ASEAN Plus One FTAs have provisions to address non-tariff barriers, notification of measures, application of standards, and technical regulations, but they are broad and mostly reiterations of their commitments under the WTO. Specific initiatives and work plans on trade facilitation and NTMs need to be worked on further.

In the case of the RCEP, there have been indications of a wider scope and deeper coverage of commitments on trade facilitation and to a certain extent on NTMs. On trade facilitation, it provides clear and predictable implementation of the provisions of the agreement. Although it recognises the different levels of readiness of the parties to the RCEP to implement their obligations, there is certainty as it provides a clear period for countries to implement their commitments through the implementation arrangements provision. Amongst the ASEAN Plus One FTAs, the RCEP provides a clearer picture of trade facilitation commitment and environment.

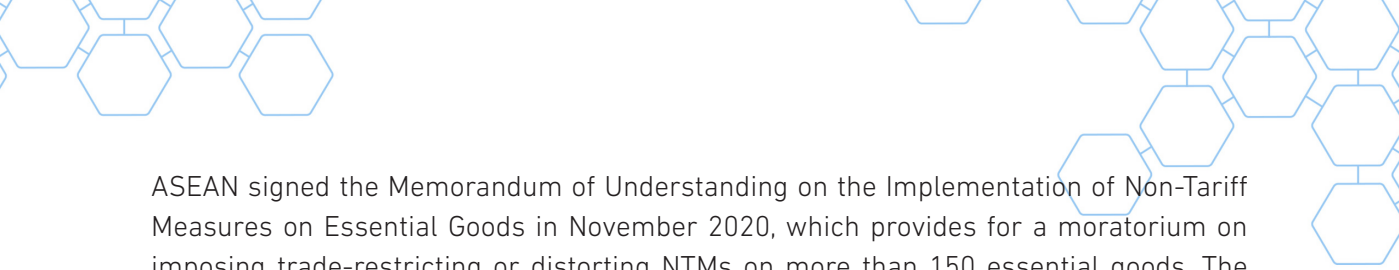
With regard to NTMs, the RCEP also provides a wider scope for addressing measures that impede trade. It provides mechanisms for technical consultation on NTMs and clear notification procedures, and allows parties to initiate work programmes on sector-specific issues. These elements are important, and may not be as elaborate or clear in ASEAN Plus One FTAs.

Trade Facilitation During the COVID-19 Pandemic

The coronavirus disease (COVID-19) pandemic has brought unprecedented economic disruption. It has also restricted domestic and international travel, which has affected the movement of workers and key technicians/experts, causing delays in the production and expansion of manufacturing in some industries. Supply chains were temporarily affected in the early months of the COVID-19 pandemic, as inputs and intermediate goods failed to reach their destinations due to border closures or production halts in factories, resulting in higher production and logistical costs.

At the onset of the pandemic, governments and businesses were concerned that some countries would impose restrictive measures such as NTMs as part of the COVID-19 protocols, which would impact on trade. However, except for some export restrictions on personal protective equipment and other medical supplies initially imposed due to limited supply, governments have instituted trade facilitative, rather than restrictive, measures. In ASEAN, some AMS introduced trade-related administrative procedures and measures to help ease the burden on businesses. For instance, to help companies avail of the preferential tariff treatment, exporting parties simplified the procedures and requirements for the issuance of certificates of origin, while importing parties facilitated customs authorities' acceptance of certificates of origin by extending the deadline for their submission and accepting copies or scanned certificates of origin instead of printed documents. In addition, export and import procedures were streamlined through digitalisation. In Malaysia, regulators took this opportunity to compel industry to switch to the digital platform. In the Philippines, incentives helped accelerated online services. Licences to use mobile money to pay for low-value goods and services are being pilot-tested in Viet Nam (ERIA, 2021a).

The pandemic has accelerated the use of digital technology. It should be noted that the intensification of the use of cross-border paperless trade and the implementation of ASEAN trade facilitation measures – such as the ACTS, exchange of the e-ATIGA CO Form D, and the initial implementation of the ACDD for some AMS using the ASEAN Single Window platform – took place during the COVID-19 pandemic. The acceptance of digital copies as supporting documents in applications for permits and licences, and in securing the release of goods, has shown to be useful in facilitating trade. The use of cross-border documentation could be improved and leveraging of digital technology has been necessary. Noting the significant benefits of the application of digital technology in facilitating trade, this should be continued and enhanced not only during this pandemic but also in the post-pandemic recovery.



ASEAN signed the Memorandum of Understanding on the Implementation of Non-Tariff Measures on Essential Goods in November 2020, which provides for a moratorium on imposing trade-restricting or distorting NTMs on more than 150 essential goods. The implementation of the memorandum of understanding and the list of essential goods is subject to certain conditions and review, and the list may be modified.

Recommendations

Although various studies have observed progress on trade facilitation, through the implementation of trade facilitation initiatives, digital trade facilitation is an important area which requires further attention. Paperless trade and cross-border paperless trade initiatives, such as the ASEAN Single Window, should be fully implemented to include more documents in cross-border paperless trade (e.g. e-Phyto, e-AH, and e-FS). Prioritising investment in ICT infrastructure and building the capacity of ASEAN government officials could also be on the agenda to ensure improvement in the trade facilitation environment. An important aspect of ICT infrastructure, or platforms such as the ASEAN Single Window, is ensuring interoperability to allow the future exchange of cross-border documents – not only in ASEAN but also with the ASEAN Plus One FTA Partners.

Although the ASEAN+6 Partners may be quite advanced in terms of their own trade facilitation initiatives, cooperation with the wider East Asia Summit region would contribute to improved implementation of measures and initiatives and thus create a better trade facilitation environment. Such cooperation should be enhanced within the purview of the ASEAN Plus One FTAs or in a wider East Asia Summit forum.

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