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East Asian Integration and Its Main Challenge: NTMs in Australia, China, India, Japan, Republic of Korea, and New Zealand^{*}

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Abstract: While East Asia has been moving forward with its regional integration agenda, one main challenge remains and is growing – non-tariff measures (NTMs). Animal, vegetable, and food products tend to be more regulated than other products, largely due to quality and safety standards. NTMs affect 66%– 98% of total trade in those sectors. Our paper presents the frequency index, coverage ratio, and prevalence score to measure NTMs in the region. They are highest amongst food, vegetable, and animal products; and vary amongst other products, depending on the economy. We find that the high frequency index of NTMs does not necessarily translate to a high value of coverage ratio for trade. One explanation could be that countries tend to regulate imported goods which compete with the domestic products more than imported goods which they need.

Keywords: East Asia, tariff, non-tariff measures, RCEP, WTO **JEL Classification:** F, F13, F14, F15

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1. Introduction

East Asia has seen significant economic growth – transforming it from a group of poor countries into emerging developing economies and lifting about 3.2 billion people out of poverty. It has recorded exceptional average annual economic growth of 10% in the last 2 decades (2000–2018).¹ The Big 5 Southeast Asian countries – Indonesia, Malaysia, Thailand, the Philippines, and Viet Nam – recorded average economic growth of 5.0% over the same period (World Bank, 2020). It is widely believed that that the successful economic growth of East Asia is largely driven by its opening up to trade and investment (Bhagwati, 1999; Frankel, Romer, and Cyrus, 1996; World Bank, 1993). The simultaneous growth of Southeast Asia and China increased East Asia's share of world trade from 19% in 2000 to 28% in 2019 (World Bank, 2020).

At least two major trade events have taken place in East Asia in the last 2 decades. The first one is the establishment of the Association of Southeast Asian Nations (ASEAN) Free Trade Area in 1992, followed by five ASEAN+1 free trade agreements (FTAs) - the ASEAN-Australia-New Zealand FTA (in effect since 1 January 2010), the ASEAN-China FTA (in effect since 1 January 2005), the ASEAN–India FTA (in effect since 1 January 2010), the ASEAN–Korea FTA (in effect since 1 January 2010), and the ASEAN–Japan Comprehensive Economic Partnership Agreement (in effect since 1 December 2008) (WTO, 2020). The formation of the ASEAN Comprehensive Investment Agreement, signed on 26 February 2009, has also improved the movement of capital in the region. The second one is China's accession to the World Trade Organization (WTO) in January 2001. Since joining the WTO, China has established itself as a centre of world trade. China's share of world trade increased from 2.2% in 2000 to 10.5% in 2018, after the United States, which contributed 15%, and followed by Germany (7%), Japan (4%), and France (4%) (UNCTAD, 2019). Since 2019, China's share of world trade has surpassed that of the United States.

Recognising that their trade and investment strategy had brought these countries to a higher level of economic growth, the 16 East Asian countries

^{1.} Based on the authors' calculation, which excludes Myanmar, the Lao People's Democratic Republic, Brunei Darussalam, and data for 2015 due to missing values in some countries.

committed to form the Regional Comprehensive Economic Partnership (RCEP). The RCEP is expected to level up East Asian countries' trade and investment, overall development, and people's welfare.

The RCEP, dubbed as the biggest regional trade agreement in the 21st century, was substantially concluded on 4 November 2019. It consists of 15 countries: the 10 ASEAN Member States (AMS),² Australia, China, Japan, New Zealand, and the Republic of Korea (henceforth, Korea). Combined, the RCEP represents 48% of the world's population, 32% of gross domestic product (GDP), 28% of exports, 28% of imports, and 42% of foreign direct investment inflow (Figure 1). Despite struggles in facing the coronavirus disease (COVID-19), the 15 member countries aim to sign it by the East Asia Leader Summit in November 2021.³ They believe that the RCEP will realise significant measures to improve trade and investment in the region.

However, although the RCEP negotiations have been concluded, a major challenge for East Asian and world trade is the increasing number of restrictive measures. To give us a clear picture of the measures in the six countries⁴ covered in our study, we present all the trade-related measures which could have consequences on the quantity or price of traded goods, or both, or the so-called non-tariff measures (NTMs). NTMs are defined as policy measures, other than customs tariffs, which can potentially have an economic effect on international trade in goods – changing the quantities traded, or prices, or both (UNCTAD, 2010). NTMs include technical regulations on the characteristics of the product or the production processes, sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBTs), as well as non-technical measures such as licences and quotas or price-affecting measures, and financial or exchange rate regulations.

^{2.} Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam.

^{3.} India pulled out of the RCEP in November 2019 (*India Today*, 2019; ASEAN, 2019), but many believe it will join it soon. If not, India will incur significant costs. India would benefit from the integration in many aspects: 1.4%–3.8% higher GDP, 3.0%–8.3% higher investment, and 4.0%–6.9% higher exports from the baseline, based on the GTAP model calculation (Itakura, 2019). Compared with its Southeast Asian neighbours, India has been left behind in many aspects of economic development. If it does not join the RCEP, India will miss the opportunity to integrate with the regional production network and new market access to rising powers in the Asia-Pacific (Choudhury, 2019).

⁴ Australia, China, India, Japan, Republic of Korea, and New Zealand.



FDI = foreign direct investment, GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic, RCEP = Regional Comprehensive Economic Partnership. Source: Authors' calculations based on World Development Indicators (n.d.), <u>https://databank.worldbank.org/reports.aspx?source=world-development-indicators</u> (accessed 16 December 2019).

Of course, not all measures are restrictive, and many measures are designed to serve as checks and balances on the quality of goods – for health, safety, and environmental protection. Indeed, the number of measures does not reflect a country's level of protectionism. But how can we differentiate between good measures and restrictive measures? While tariffs have been reduced significantly, how can we manage the growing number of measures? Our study provides a comprehensive review of all NTMs in six East Asian countries. Data collection took place from mid-2016 to December 2018. The data cover all laws, regulations, and official notifications in effect in December 2018. An overview and analysis on NTMs in ASEAN is discussed in Ing, de Cordoba, and Cadot (2016); Doan and Rosenow (2019); and Ing, Peters, and Cadot (2019).

Section 2 reviews the RCEP. Section 3 discusses East Asia's regional trade integration agenda and main challenges to trade in the region. Section 4 presents frequency index, coverage ratio, and prevalence score of NTMs in the six East Asian countries. Section 5 concludes and draws policy recommendations.

2. RCEP: Long-Awaited Trade Deal

On 15 November 2020, the 10 ASEAN Member States and five ASEAN FTA partners (Australia, China, Japan, Korea, and New Zealand) ended 8 years of exhaustive negotiations and signed the RCEP. The partnership is the largest trading bloc in the world – greater than what is covered under the United States–Mexico–Canada Agreement and the European Union. The RCEP includes a market of \$26.2 trillion of output and 2.2 billion people, accounting for about 30% of global GDP and 30% of the world's population. The RCEP agreement will enter into force 60 days after at least six AMS and three non-ASEAN partners have ratified the agreement, and the RCEP's tariff elimination will be gradually implemented over 20 years. The ratification (and thus the coming into effect of the agreement) is expected to take a place after 3 years of the signing.

The RCEP aims to integrate the region's economies by significantly reducing tariff rates and simplifying rules of origin, which basically improve market access and investment opportunities offered in ASEAN+1 FTAs. Under the RCEP, goods from any member nation would receive the same preferential tariff treatment – lowering the cost of exports and improving the ease of doing business. The simplification will incentivise firms to look within the RCEP region for suppliers. In terms of real GDP, the RCEP will have a larger positive impacts for almost all the AMS, compared with other FTAs of which AMS are members (Itakura, 2013). The income of AMS is expected to increase by around 3% under the RCEP by 2025; and it is likely to go up by 3.9% for Korea, 1.8% for Japan, 1.4% for China, 1.4%

for Australia, and 0.9% for New Zealand (Petri and Plummer, 2014). The RCEP can create trade amongst members but may divert trade away from non-members, which could also divert investment and change in supply chains (Pangestu and Armstrong, 2018).

Another objective of the RCEP is to achieve deeper integration amongst member countries, with ASEAN becoming a central player. The RCEP, hence, has the potential to facilitate the creation of a future Free Trade Area of the Asia-Pacific and to diversify economic regionalism by adding ASEAN as an important player in the global economic order (Menon, 2013; Das and Reema, 2014; Gupta, 2014). If the RCEP expands to become a Free Trade Area of the Asia-Pacific, then ASEAN – in consultation with Japan, China, and Australia – will become the agenda-setter for a very important regional economy.

In November 2019, India indicated that it had several objections to joining the RCEP and decided to not sign the agreement. In his speech at the RCEP Summit, Prime Minister Narendra Modi expressed that 'the present form of the RCEP agreement does not fully reflect the basic spirit and the agreed guiding principles of RCEP. It also does not address satisfactorily India's outstanding issues and concerns in such a situation' (Business Standard, 2020). Protectionism has become more pronounced during the Modi administration, and there was a fear that Indian industries would be unable to compete with China and that Chinese goods would overflow Indian markets.

By not joining the RCEP, India will lose both economic and strategic influence in the region. If it joins the RCEP, India's income would increase by \$60 billion annually (around 1.1 percentage points in real GDP gains) by 2030. If it does not join the agreement, India's income would fall by \$6 billion (Petri and Plummer, 2020). Nonetheless, India is unlikely to rejoin the RCEP, as its \$60 billion trade deficit with China was blamed on past trade agreements and the RCEP demands reductions in tariffs in the dairy and e-commerce sectors which are both politically sensitive issues in India (Gupta and Ganguly, 2020).

The RCEP has 20 chapters, 17 annexes, and 54 schedules of commitments that cover market access, rules and disciplines, and economic and technical cooperation. The chapters comprise goods, unified rules of origin, customs procedures and trade facilitation, SPS measures and TBTs, trade remedies, services, the General Agreement on Trade in Services (GATS), investment, intellectual property, electronic commerce, competition, small and medium-sized enterprises, economic and technical cooperation, government procurement, and dispute settlement, as well as institutional, general, and final provision chapters.⁵ A chapter dedicated to support micro, small, and medium-sized enterprise development is a key feature of the RCEP, which is expected to facilitate the integration of micro, small, and medium-sized enterprises into the global value chain.

Given its large and diverse membership, the RCEP is modestly rigorous. Compared with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), e.g. the RCEP will eliminate tariffs on more than 80%–90% of products, compared with 96% under the CPTPP. The RCEP also includes flexibility in almost all the chapters of the agreement, excludes behind-the-border barriers, and its intellectual property provisions add little to existing ones. The RCEP does not have any chapters on labour, the environment, or state-owned enterprises. Its services and investment chapters tend to follow positive-list approaches to market access, rather than the negative lists used in the CPTPP (Chaisse and Pomfret, 2019). The provisions and mechanisms for investor-state dispute settlement, consultation, trade facilitation, and regulatory cooperation are expected to be included and improved over time (Petri and Plummer, 2020).

The implementation of the RCEP may face several challenges. To start with, consolidating and harmonising tariff liberalisation is a difficult task to achieve. Each of the five ASEAN+1 FTAs has different tariff elimination schedules, and 55 tariff elimination schedules currently exist under the five ASEAN+1 FTAs (Fukunaga and Kuno, 2012). As in the case of India, which decided not to join the RCEP, not all member countries view greater openness as an advantage – hence, many of them might not be willing to commit to deeper integration and tend to make lower offers than those under their existing FTAs. Some RCEP members are also members of the CPTPP, so there are concerns over potential confusion over the future implementation of both agreements, especially in dealing with behind-

⁵ See ASEAN (n.d.).

the-border commitments. The three major economies in the RCEP – China, Japan, and Korea – have relatively few trade agreements, so joining the RCEP means that more compromises must be made amongst these powerful economies (Damuri, 2018).

3. East Asian Integration: Conclusion of the RCEP and Challenges to Trade

In East Asia, tariff rates have decreased significantly – due to WTO commitments as well as bilateral and regional obligations – while the number of NTMs has increased. This phenomenon has occurred not only in the six East Asian countries, but in almost all countries (WTO, 2019). From May to October 2019, G20 economies introduced import-restrictive measures covering \$460.4 billion of traded merchandise. This represents a 37% increase over the previous period of May–October 2018 (WTO, 2019).

Figure 2 shows that while the average applied tariff rates in the six East Asian countries declined from 12.3% in 2000 to 5.0% in 2018 (most favoured nation tariff rates declined from 13.6% to 7.9%), the number of NTMs increased from 2,145 to 19,862 over the same period. The measures are largely dominated by TBTs and SPS measures, which account for 80% of the total measures.

The developed countries in the region (Australia, Japan, and New Zealand) reduced their applied tariffs from 3%–7% in 2000 to 2%–4% in 2017. Korea also cut its applied tariff rates from 9.8% in 2000 to 5.4% in 2017. The developing countries amongst the six countries (China and India) followed a similar pattern. In 2000, China and India implemented applied tariff rates of 16.4% and 33.4%, respectively, and cut them to 8.5% and 8.9% in 2017.



Figure 2: Tariff and Non-Tariff Measures in the Six East Asian Countries, 2000–2018

While East Asia has progressed in its trade and investment openness agenda, the next main challenge remains unsolved: increasing the number of NTMs⁶. In the RCEP agreement, its explanatory establishments include provisions such as the harmonisation of standards, technical regulations, and conformity assessment procedures and cooperation for regulatory coherence. Streamlining NTMs in East Asia will be a daunting task for all countries in the region. Unlike dealing with tariff

MFN = most favoured nation, SPS = sanitary and phytosanitary, TBT = technical barrier to trade. Note: The six countries are Australia, China, India, Japan, the Republic of Korea, and New Zealand. Source: Authors' calculations, based on the UNCTAD TRAINS database (accessed 27 February 2020).

^{6.} The CPTPP imposes conformity, as it refers to the 'same or equivalent procedures, criteria, and other conditions'. The WTO's TBT Agreement allows differences in procedures if an assurance of conformity to applicable technical regulations and standards is maintained. On the limitation of information requirements, the protection of legitimate commercial interests, and the adequacy of review procedures, the CPTPP applies the terminology 'shall explain', which is stronger than the TBT Agreement's 'shall ensure' and 'what is necessary'. On SPS measures, the CPTPP provides more clarity on specific aspects of science and risk analysis than the WTO's SPS Agreement and more comprehensive transparency and information sharing than the WTO's SPS Agreement.

rates, it has been shown empirically that NTM provisions in FTAs are not comprehensive and do not clearly explain how to deal with this issue (RIS, 2015).

While tariffs were commonly used in the past as the sole protectionist measures, some may argue that the rising adoption of preferential trade agreements or regional trade agreements with tariff liberalisation commitments across countries is framing NTMs as protectionist measures that substitute tariffs. The WTO Trade Report in 2012, using the specific trade concerns database of 1995–2010, assessed that TBTs may replace tariffs, although limited evidence is found on SPS measures (WTO, 2012).

On the one hand, justified NTMs have no direct intentions towards protectionism since most of the measures are aimed at non-trade objectives such as the protection of health, safety, environment, animal welfare, and culture, although the effect may be inseparable. In economic terms, NTMs can be a corrective measure to address market failures, i.e. adverse selection, moral hazard, and externalities that can happen under conditions of market imperfections (Ing, Cadot, and Walz, 2017), which can even be trade-facilitating and welfare-enhancing (Beghin et al., 2013).

On the other hand, Bhagwati (1988) argued that industries protected by high tariff rates are less affected by NTMs than industries which have lower tariff rates, as governments tend to utilise NTMs as a substitute for tariffs (the so-called 'Law of Constant Protection'). The use of policy tools such as NTMs on international trade is inseparable from the domestic political economy. Grossman and Helpman (1994) also argued that pressures from domestic interest groups can substantially affect policy outcomes. When it comes to importing goods, support from domestic producers pushes governments to implement more NTMs on final goods, rather than the importation of intermediate goods. Furthermore, it is argued that NTMs are usually largely implemented in import-competing sectors (Broda, Limao, and Weinstein, 2008).

Empirically, using a large cross-section of 91 countries, Kee, Nicita, and Olarreaga (2009) showed that the frequency index of NTMs increases with GDP per capita, while average tariff rates decrease. In fact, Bagwell and Staiger (2014)

argued that developed countries tend to impose NTMs to form trade policy spaces for future negotiations with developing countries.

The table presents NTMs by type in the six East Asian countries. On average, 34% of the measures are in the form of SPS measures and 46% are in the form of TBTs. Export measures represent about 13%, while the rest are in the various other forms. Amongst the six East Asian countries, China has the highest number of NTMs, while Japan records the lowest. Agricultural countries such as India largely use SPS measures, while manufacturing bases such as China mainly employ TBTs. However, it must be understood that a higher number of NTMs does not reflect the level of protectionism.

	SPS		ТВТ		Export measures		Other measures		
Country	No. of NTMs	% of total NTMs	No. of NTMs	% of total NTMs	No. of NTMs	% of total NTMs	No. of NTMs	% of total NTMs	Total NTMs
Australia	264	16	834	52	355	22	158	10	1,611
China	588	10	3,954	70	684	12	459	8	5,685
India	1,466	40	1,481	40	407	11	309	8	3,663
Japan	140	14	629	61	125	12	131	13	1,025
Republic of Korea	178	15	675	57	152	13	186	16	1,191
New Zealand	378	20	1,381	75	43	2	46	2	1,848
Total	3,014	20	8,954	60	1,766	12	1,289	9	15,023

Table: NTMs by Type in the Six East Asian Countries

MFN = most favoured nation, NTM = non-tariff measure, SPS = sanitary and phytosanitary, TBT = technical barrier to trade.

Note: For the detailed NTM classification, see the Appendix.

Source: Author's calculations, based on UNCTAD TRAINS database (accessed 20 June 2020).

4. NTMs in the Six East Asian Countries

This section presents simple economic analyses of NTMs in the six East Asian countries. While there are a number of methods to measure the impacts of NTMs on trade (Deardorff and Stern, 2001; Ing and Cadot, 2017; de Melo and Nicita, 2018a), there are three main basic methods to measure the prevalence of NTMs on trade by measuring the incidence of NTMs.

- *Frequency index* (FI) is the ratio of the number of products (calculated based on tariff lines) affected by at least one NTM to the total number of products within the product group. FI indicates the percentage of traded goods to which NTMs apply.
- *Coverage ratio* (CR) is basically the FI weighted by the value of exports (imports). CR is the ratio of the value of traded products that are affected by at least one NTM to the total value of traded goods. CR measures the percentage of trade subject to NTMs.
- *Prevalence score* (PS) is the average number of all unique types of NTMs applied simultaneously on traded goods, which is basically the average number of NTMs applied to traded goods.

$$FI_{i} = \frac{\sum_{k=1}^{hs} NTM_{ik}D_{ik}}{\sum_{k=1}^{hs} D_{ik}} 100$$
(1)

$$CR_{i} = \frac{\sum_{k=1}^{hs} NTM_{ik}M_{ik}}{\sum_{k=1}^{hs} M_{ik}} 100$$
(2)

$$PS_{i} = \frac{\sum_{k=1}^{hs} NoNTM_{ik}D_{ik}}{\sum_{k=1}^{hs} D_{ik}} 100$$
(3)

In these equations, k denotes product, i represents the country enforcing the NTMs, NTM_{ik} is a dummy indicating the incidence of an NTM at the nomenclature of traded goods Harmonized System (HS) at the 6-digit level, *NoNTM* denotes the number of NTMs, M is the value of imports, and D is a binary variable that equals 1 when country i imports product k, and zero otherwise. M can be replaced by X to measured exported goods.

These indicators are mostly calculated on overall trade, considering all types of NTMs, but they can also illustrate the incidence of particular NTMs on specific groups of products (e.g. the average number of SPS measures applied on agricultural products and TBTs on manufactured products). NTM coverage varies across countries, depending on the country's comparative advantage in certain sectors and its need for imported products. A high frequency index does not necessarily translate to a high coverage ratio. One plausible explanation is that countries tend to regulate imports of goods over which they have a comparative advantage and excess production, but not necessarily imported goods that they need. For example, in Japan, while NTMs are used more frequently for animal products compared with mineral products, they cover a higher import value in minerals (85%) than animal products (72%). China, which has large shares of machinery and mineral fuels, applies NTMs to almost all machinery – about 99% of product lines in the machinery category are affected by at least one NTM. When we weighted by the value of imports, about 96% of the value of machinery imports are affected by NTMs. In China, 95% of metal product lines are affected by at least one NTM; and when we weighted by the value of its imports, 83% of China's metal imports are affected by NTMs. In contrast, a services-based developed country like Australia applies NTMs to only 7% of metal product lines.

Figure 3 shows the frequency index and coverage ratio for exports of the six East Asian countries across 15 product classifications (01 animal, 02 vegetables, 03 food, 04 mineral fuels, 05 chemicals, 06 plastic and rubbers, 07 leathers, 08 wood, 09 textiles, 10 footwear, 11 stone and glass, 12 metals, 13 machinery and electrical equipment, 14 transportation, and 15 miscellaneous). Except for Japan and New Zealand, most countries tend to regulate most animal, vegetable, and food products. The measures affect 68%–99% of products in those categories in four countries, while they only affect 10%–42% in Japan and New Zealand.

Figure 4 shows the prevalence score of exports in the six countries. It examines how heavily regulated a sector is relative to other sectors within a country and to the same sector in other countries. Through the prevalence score, we estimate the average number of NTMs applied on import products in six countries by sector. Although the score does not imply stringency, it provides some indication of the level of complexity that importers must face in each sector. Australia, China, and India apply more than eight measures to animal products, while Japan and New Zealand only apply about one or two measures with detailed figures of each country presented in Figure 5.



Figure 3: Frequency Index and Coverage Ratio of Exports – Australia, China, India, Japan, Republic of Korea,

and New Zealand

AUS = Australia, CHN = China, HS = Harmonized System, IND = India, JPN = Japan, KOR = Republic of Korea, NTM = non-tariff measure, NZL = New Zealand.

Notes: Data on NTMs are from the UNCTAD TRAINS database (accessed on 1 May 2020). Data on imports for each country in 2018 are from the World Bank WITS database at the HS 6-digit level. The trade year was used based on the year the NTM data were collected. The sector is defined at the HS 2017 2-digit level. Source: Authors' calculations.



Figure 4: Prevalence Score of Exports – Australia, China, India, Japan, Republic of Korea, and New Zealand

AUS = Australia, CHN = China, HS = Harmonized System, IND = India, JPN = Japan, KOR = Republic of Korea, NTM = non-tariff measure, NZL = New Zealand.

Notes: Data on NTMs are from the UNCTAD TRAINS database (accessed 1 May 2020). Data on imports for each country in 2018 are from the World Bank WITS database at the HS 6-digit level. The trade year used was based on the year the NTM data were collected. The sector is defined at the HS 2017 2-digit level. Source: Authors' calculations.

Figure 5: Frequency Index, Coverage Ratio, and Prevalence Score of Exports for Six East Asian Countries



5a. Australia













5e. Republic of Korea







HS = Harmonized System, NTM = non-tariff measure.

Notes: Data on NTMs are from raw data from the UNCTAD TRAINS database (accessed 1 May 2020). Data on imports for each country in 2017/2018 are from the World Bank WITS database at the HS 6-digit level. The trade year used was based on the year the NTM data were collected. The sector is defined at the 2-digit level using HS 2017.

Figure 6 shows the frequency index and coverage ratio for imports of the six East Asian countries across 15 product classifications. In general, animal, vegetable, and food products tend to be more regulated than products in other categories, largely because of quality and safety standards. With the exception of Australia, these measures affect 66%–98% of trade in those sectors.

Figure 7 shows the prevalence score of imports in the six countries. There are considerable variances in the average number of measures applied to imports across countries and sectors. The food and vegetable sectors are subject to more NTMs applied to the same product, while less NTMs are applied to less traded products such as Wood (HS.08) and Stone and glass (HS.11). Within those sectors, India applies on average more than seven measures to Stone and glass products (HS.11) while Australia and New Zealand barely impose any measures, with detailed figures of each country presented in Figure 8.



Figure 6: Frequency Index and Coverage Ratio of Imports – Australia, China, India, Japan, Republic of Korea, and New

Zealand

AUS = Australia, CHN = China, HS = Harmonized System, IND = India, JPN = Japan, KOR = Republic of Korea, NTM = non-tariff measure, NZL = New Zealand. Notes: Data on NTMs are from the UNCTAD TRAINS database (accessed 1 May 2020). Data on imports for each country in 2028 are from the World Bank WITS database at the HS 6-digit level. The trade year used was based on the year the NTM data were collected. The sector is defined at the HS 2017 2-digit level. Source: Authors' calculations.



Figure 7: Prevalence Score of Imports – Australia, China, India, Japan, Republic of Korea, and New Zealand

AUS = Australia, CHN = China, HS = Harmonized System, IND = India, JPN = Japan, KOR = Republic of Korea, NTM = non-tariff measure, NZL = New Zealand.

Notes: Data on NTMs are from the UNCTAD TRAINS database (accessed 1 May 2020). Data on imports for each country in 2018 are from the World Bank WITS database at the HS 6-digit level. The trade year used was based on the year the NTM data were collected. The sector is defined at the 2-digit level, based on HS 2017.

Source: Authors' calculations.

Figure 8: Frequency Index, Coverage Ratio, and Prevalence Score of Imports for Six East Asian Countries



8a. Australia









8d. Japan







8f. Republic of Korea



Notes: Trade data were downloaded from the World Bank WITS database at the Harmonized System (HS) 6-digit level for 2017. The trade year used was based on the year the non-tariff measures data were collected. The sector was defined in HS 2017 2-digit sections.

Source: Authors' calculations based on the UNCTAD TRAINS raw data (accessed 1 May 2020).

5. Conclusions and Policy Recommendations

While the RCEP was substantially concluded in November 2019, and the leaders are expected to sign the agreement at the East Asia Leaders Summit in November 2021, NTM issues will still pose a significant challenge for East Asian integration.

At the national level, first, all countries should adopt not only online licensing procedures, but also ensure that automatic licensing is in place. Second, they should streamline NTMs and the procedures to obtain licences and/or permits. Third, at the regional level, East Asia should consider establishing a regional committee with enforcement powers to deal with NTMs in the region, both in terms of harmonisation of standards and mutual recognition agreements, and review all regulations. Unless all members fulfil their commitments to reduce restrictive trade measures, the RCEP may create less significant impacts on trade and investment in the region and overall world trade and investment.

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Appendix

Tuno	NTM	NTM cotogory
туре	code	in The category
Technical	А	SPS measures
measures	В	TBTs
	С	Pre-shipment inspection and other formalities
Non-	D	Contingent trade protective measures
technical	Е	Non-automatic licensing, quotas, prohibitions, and quantity control
measures		measures other than SPS or TBT reasons
	F	Price control measures, including additional taxes and charges
	G	Finance measures
	Н	Measures affecting competition
	Ι	Trade-related investment measures
	J	Distribution restrictions
	Κ	Restriction on post-sales services
	L	Subsidies (excluding export subsidies under P7)
	М	Government procurement restrictions
	Ν	Intellectual property
	Ο	Rules of origin
	Р	Export-related measures

Classification of NTMs

NTM = non-tariff measure, SPS = sanitary and phytosanitary, TBT = technical barrier to trade. Notes: A–O are import measures, P is an export measure, A–C are technical measures, and D–P are non-technical measures.

Source: UNCTAD (2019).

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