



Addressing Non-tariff Measures in ASEAN





Gloria O. Pasadilla

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Abstract: Intra-ASEAN trade has increased six-fold since 1993 but greater integration

challenge looms in addressing non-tariff measures. The paper discusses the various ASEAN

work programs on NTMs and assesses the incidence of Members' NTMs on various

products. Various ways of accelerating the reduction of non-tariff barriers are discussed,

including dispute settlement mechanisms. The paper highlights the importance of a unilateral

approach in addressing NTMs and the use of regulatory impact analysis to improve policy

making.

JEL Classification: F1

Key words: ASEAN, Trade, Non-tariff, Mutual Recognition, Conformity Assessment, SPS,

TBT

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Introduction

Non-tariff measures had always accompanied trade but were little noticed. Not anymore. As tariff rates went down, NTMs have grown in importance. The challenge of minimizing their trade-impairing effect is now considered the next frontier in trade policy. This task is not easy. The reason is that non-tariff measures nestle at the heart of countries' claim for sovereignty, of the individual country's right to pursue 'public goods' like the protection of citizens from health and environmental risks. Thus, non-tariff measures are unlikely to disappear - which is not necessarily a bad thing. But their effects can be minimized and their number can still be lowered to only the necessary measures that can achieve valid regulatory objectives.

In ASEAN, economic leaders are cognizant of the importance of addressing non-tariff barriers in the region if it is to achieve its goal of regional integration by 2015. There have been many steps – various regional agreements and protocols, from transparency notification to mutual recognition agreements, that aim to limit the adverse effects of ASEAN members' diverse regulatory measures on intra-regional trade. Section 2 highlights these various regional efforts, but are these efforts targeted to the NTMs that truly impact ASEAN trade? Section 3 shows the incidence of NTMs on various products and the prevalence of particular forms of NTMs across ASEAN countries. It confirms that ASEAN programs have been targeted to the NTMs that have the greatest impact such as technical measures and quantity restrictions. In section 4, the paper tackles various ways for ASEAN to address NTMs but puts greater stress in unilateral approach at regulatory reform. Some reduction of NTBs may be achieved through the help of outside prodding, i.e. through regional agreements, but ultimately it rests in each country's political will to carry out the necessary reforms if they accept that doing so is for their own country's interest.

1. Growth in intra-regional trade

Extra-ASEAN imports are on average four times greater than intra-regional trade but since 1993, intra-ASEAN imports grew faster than extra-ASEAN imports. Annual average growth of intra-ASEAN imports since it embarked on the free trade agreement is 13%, while extra-ASEAN's growth over the same period is 10% (see Figure 1). One reason for this simultaneous intra- and extra- ASEAN trade growth, which seems to dispute trade diversion argument against the ASEAN FTA, is that as the region increasingly integrated, economic growth ensued. This, in turn, helped fuel more demand for goods from both within and outside ASEAN. Certainly, the speed of growth among the ASEAN countries varied. Of its 10 members, Singapore, perhaps, benefited the most from the regional integration to become the 'focal point' of the region's trade with the rest of the world. Perhaps, this owes to a 'first mover' advantage. Singapore, because of the ease in governing a city-state, was the first to make major regulatory reforms and investments in its trade infrastructure, especially in its ports. Its economic success had a demonstration effect on its ASEAN neighbors and spilled over to the entire region. As trade in Southeast Asia grew, it further reinforced Singapore's singular advantage in facilitating trade.

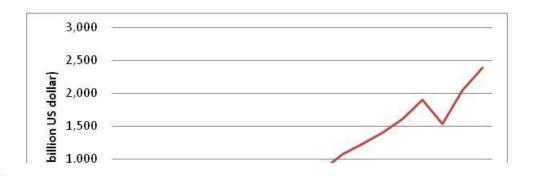


Figure 1: Intra- and extra-ASEAN trade

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