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THE ROLE OF NON-TARIFF MEASURES IN ACHIEVING AEC BLUEPRINT 2025

The recent establishment of the ASEAN Economic Community (AEC) in 2015 was a landmark achievement in the ASEAN region's economic integration agenda. Notably, the AEC is meant to facilitate the free flow of goods, services, and investments, as well as the freer flow of labor and capital. The AEC promotes integration, competitiveness, enhanced connectivity, sectoral cooperation, equitable outcomes, and global engagement for the ASEAN region. Hence, the AEC is the ASEAN region's most valuable asset, as it encompasses not only economic growth but also the political, social, and cultural union of all member states.

Significant gains have been made under the AEC.ⁱ For example, tariff rates have been nearly eliminated on 99% of goods traded in the ASEAN-6 countries (Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand). The CLMV countries (Cambodia, Lao PDR, Myanmar and Vietnam) have also been making substantial progress. From 2010 to 2015, tariff rates in Vietnam were reduced to 0-5% on approximately 90% of tariff lines.

Although remarkable headway has been made, a lot more must be done to fully capitalize on the AEC's potential. Non-tariff barriers (NTBs) to trade continue to maintain a strong presence in the ASEAN region – according to the World Trade Organization (WTO), there are close to 2,500 NTBs currently being enforced.ⁱⁱ

A recent publication by the EU-ASEAN Business Council (EU-ABC) has expressed great concern over issues regarding NTBs under the AEC. They identified five main problem areas, namely 1) import restrictions; 2) non-transparent & inconsistent customs processing practices; 3)

regulatory requirements; 4) restrictions on foreign investment and ownership; and 5) lack of mutual recognition & harmonization of standards.ⁱⁱⁱ

It is evident that the existence of NTBs presents a huge obstacle to the success of the AEC. The World Economic Forum found that the reduction of NTBs would have far larger benefits than the elimination of tariffs. Tariff removal can only increase global GDP by 0.7% and trade by 14.5%, whereas reducing NTBs halfway to global best practice could elevate GDP by 4.7% and trade by 10.1%.^{iv} Clearly, greater efforts are needed to separate the legitimate public policy objectives of non-tariff measures from a desire to protect local interests.^v

In an attempt to highlight this issue, the Economic Research Institute for ASEAN and East Asia (ERIA) and the United Nations Conference on Trade and Development (UNCTAD) have just launched the Integrated Trade Intelligence Portal (I-TIP), which is a database detailing all of the NTBs in the ASEAN region.^{vi} In contrast to the WTO's report, I-TIP's records show that there are now close to 6,000 NTBs in place. This reflects a crucial issue of inconsistency in data.

Based on I-TIP's findings, more than half of the current NTBs are in two main categories: 1) sanitary and phytosanitary (SPS); and 2) technical barriers to trade (TBT). Furthermore, most of the SPS measures are imposed on food and drink items, whereas most of the TBT measures are placed on products of the chemical and allied industries. Some of these import restrictions might be due to legitimate reasons, such as public safety or national security. However, they can also be misused for less than legitimate reasons,



especially the protection of domestic businesses at the expense of foreign competition.

I-TIP's study also revealed that across the ASEAN countries, Thailand has the highest number of SPS and TBT measures. For example, Thailand has approximately 20 times as many SPS measures as Cambodia and Lao PDR, and about 15 times as many TBT measures as Myanmar. These differences pose a significant obstacle to the growth of the CMLV countries, which represent the least-developed ASEAN member states. Additionally, on a global scale, Thailand enacts roughly 40% of the world's existing SPS measures, and 20% of TBT measures. By taking such a tough stance on imports, both inter-ASEAN and intra-ASEAN free trade is severely hindered.

It is evident that the proliferation of NTBs in the ASEAN region is a huge obstacle to achieving AEC Blueprint 2025 goals. This problem has also been highlighted in a United States Agency for International Development (USAID) report on NTBs in ASEAN.^{vii} It concluded that, despite prior efforts by the ASEAN High-level Task Force on Economic in 2004 Integration and the 2009 ASEAN Trade in Goods Agreement, there has been limited progress in the elimination of NTBs.

Consequently, the continued existence of NTBs in ASEAN is a pressing issue that must be addressed before the region can capitalize on the benefits of the AEC. There is a need to increase intra-ASEAN cooperation and transparency measures, so that countries can collaborate in tackling the problem of NTBs. The I-TIP database can be used to support such efforts, as it currently holds the most updated and comprehensive information regarding NTBs in the ASEAN region. Lastly, both private and public organizations should utilize the I-TIP database, as greater awareness of the problem of NTBs will place pressure on the relevant authorities to take action and rectify the situation.

This policy brief was written by Nur Atiqah Binte Suhaimi, Research Intern, Asian Trade Centre

What Companies Can Do:

- The second phase of the I-TIP project involves data analyses on how non-tariff measures will affect trade in the ASEAN region (January 2017).
- Companies can contribute to this project by sharing information on how NTBs have affected them (e.g. prevention of free trade and fair competition).
- Contact the ERIA Annex Office:
 - o Tel: (62-21) 57974460
 - o Fax: (62-21) 57974463
 - o E-mail: contactus@eria.org
- Contact UNCTAD's Division on International Trade in Goods and Services and Commodities (DITC)
 - o Director: Mr. Guillermo Valles
 - o Fax (+41 22) 917 5176
 - o ditcinfo@unctad.org

ⁱ Overseas investors cash in on AEC single market. (17th January 2016). VietNamNet Bridge.

<http://english.vietnamnet.vn/fms/business/149957/overseas-investors-cash-in-on-aec-single-market.html>

ⁱⁱ Integrated Trade Intelligence Portal. (31st December 2015). World Trade Organization. <https://i-tip.wto.org/goods/Forms/MemberView.aspx?data=default>

ⁱⁱⁱ Realising the Potential of ASEAN. (July 2015). EU-ASEAN Business Council. <http://dutchcham.sg/wp-content/uploads/2015/03/Market-Access-Paper-Final-2.pdf>

^{iv} Enabling Trade Valuing Growth Opportunities. (2013). World Economic Forum http://www3.weforum.org/docs/WEF_SCT_EnablingTrade_Report_2013.pdf

^v AEC and its Numerous Challenges. (8th January 2016). Asia Global Institute.

<http://www.asiaglobalinstitute.hku.hk/en/aec-numerous-challenges/>

^{vi} Integrated Trade Intelligence Portal (I-TIP). (2016). UNCTAD; ERIA; WTO. <http://asean.i-tip.org/Forms/MeasureView.aspx?mode=modify&action=search>

^{vii} Nontariff Barriers to Trade: Regional Agricultural Trade Environment (RATE) Summary. (December 2013). United States Agency for International Development (USAID). Retrieved from https://www.usaid.gov/sites/default/files/documents/1861/Nontariff_barriers.pdf