

MAKING REGIONAL INTEGRATION WORK

Company perspectives on non-tariff measures in Asia-Pacific

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Acronyms and Abbreviations

ASEAN	Association of Southeast Asian Nations
CA	Conformity assessment
CO	Certificate of origin
ENEA	East and North-East Asia
EU	European Union
FA-CPT	Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific
FTA	Free trade agreement
GAP	Good Agricultural Practices
GMO	Genetically modified organism
GMP	Good Manufacturing Practice
GSP	Generalized System of Preferences
GVC	Global value chain
HACCP	Hazard Analysis & Critical Control Points
HS	Harmonised system
ITC	International Trade Centre
MAST	Multi-Agency Support Team
MRA	Mutual Recognition Agreement
MRL	Maximum residue limit
NCA	North and Central Asia
NTB	Non-tariff barrier
NTM	Non-tariff measure
ODM	Original design manufacture
PIDE	Pacific Islands Developing Economies
PO	Procedural obstacle
PSI	Pre-shipment inspection
ROO	Rules of origin
RTA	Regional trade agreement
SDG	Sustainable Development Goals
SME	Small and medium enterprise
SPS	Sanitary and phytosanitary
SQAM	Standardization, Quality Assurance, Accreditation and Metrology
SSWA	South and South-West Asia
TBE	trade-related business environment
TBT	Technical barrier to trade
TFA	Trade Facilitation Agreement
UN ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNTF	UN Global Survey on Trade Facilitation and Paperless Trade Implementation
WTO	World Trade Organization

Executive summary

Multilateral, plurilateral, unilateral, as well as regional integration efforts in the Asia-Pacific have brought down tariffs, increased connectivity, harmonized regulations, and promoted cooperation across ESCAP members, spurring both intra- and extra-regional trade. However, many non-tariff obstacles to trade persist and pose many challenges to exporters and importers in Asia-Pacific economies.

Regional challenge to trade

While tariff rates in the Asia-Pacific have nearly halved between 2000 and 2016, the cumulative stock of non-tariff measures continues to rise, at an increasing rate. Non-tariff measures (NTMs) are increasingly used in lieu of ordinary customs tariffs as trade policy measures, as well as instruments in achieving the 2030 Sustainable Development Agenda. These trends make non-tariff measures and associated procedural obstacles (POs) increasingly significant components of trade costs. Low trade costs are essential for efficient participation in global value chains (GVCs), and are a main engine of growth and sustainable development.

Trade destinations and agreements in Asia-Pacific

The majority (57% of exports and 59% of imports) of Asia-Pacific trade in 2017 was intraregional, with the remaining share going to major markets in the European Union (16% of exports and 13% of imports) and the United States (14% of exports and 8% of imports). Intraregional trade intensity is particularly higher in South-East Asia, the Pacific, and East and North-East Asia, largely driven by GVC integration with East and North-East Asia subregion economies. The region has seen a proliferation of trade agreements, with 181 trade agreements currently in force, 94 under negotiation, and 15 signed and pending ratification.

NTMS in the Asia-Pacific

Data on NTMs from the official UNCTAD database indicate nearly 24,000 measures coming from 25 Asia-Pacific economies. The most frequent measures in the database are sanitary and phytosanitary measures (28% of all Asia-Pacific NTMs), and technical barriers to trade measures (49%). The third largest category, export related measures, comprises 12 per cent of all NTMs in the region. Approximately 58% of trade volume in the Asia-Pacific is covered by non-tariff measures, and each product (at HS6 digit level) faces on average 2.5 non-tariff measures. This is on par with the global average coverage ratio and prevalence score, which sit at 57% and 2.5 respectively. In general, lesser developed economies exhibit a lower coverage ratio and lower prevalence scores of non-tariff measures.

Business insights

Within this context, the International Trade Centre's Non-Tariff Measure Business Surveys allow companies to directly report the most burdensome NTMs they face. While other efforts mainly focus on the government side for official statistics on NTMs, the ITC programme on NTMs is unique in that it provides detailed, qualitative impact analysis on NTMs and directly addresses key stakeholders from the private sector perspective. Launched in 2010, the programme incorporates large-scale company surveys on NTMs, POs, and inefficiencies in the trade-related business environment. This business perspective is

critically important in understanding the impact of NTMs, and when examined at the government level, can help decision-makers devise appropriate strategies to overcome both policy-induced and infrastructure-related impediments to trade.

The data on NTMs covered here are obtained from business surveys that have been conducted in over 63 countries, using a global methodology that is modified to suit country contexts as needed. Carried out by the ITC team in collaboration with local consultants, the business surveys identify the major types of regulatory and procedural obstacles to trade that companies face, why they are perceived as burdensome, and where these difficulties occur. ITC then compares the perceptions of different types of companies (varied by size and sectors) and proposes recommendations to tackle the key barriers to trade in these countries.

The ITC surveys included in this report were conducted in Cambodia, Indonesia, and the Philippines in South-East Asia; Kazakhstan and Kyrgyzstan in North and Central Asia; and Bangladesh, Nepal, and Sri Lanka in South Asia South and South-West Asia. Conclusions are drawn from two types of ITC data: direct NTMs data from ITC business surveys conducted in nine Asia-Pacific economies, and mirror statistics derived from this NTMs data covering all 44 Asia-Pacific economies.

Regional NTMS patterns

Following a global trend for NTMs, ITC's NTMs surveys for Asia-Pacific countries show that it is largely technical NTMs in the form of conformity assessments and technical requirements, applied by partner countries abroad, and made burdensome by procedural obstacles (POs) at home, that create obstacles to trade for importers and exporters in the region.

NTM survey findings at a glance

- NTMs have a significant impact on exporters in the Asia-Pacific, with 56 per cent of all interviewed firms reporting burdensome NTMs.
- Intraregionally applied NTMs comprise exactly half (50%) of all reported NTMs, occurring in parallel to intraregional trade, which comprises almost three-fifths of both Asia-Pacific exports (57%) and imports (59%).
- Businesses perceive that burdensome NTMs are typically applied by export partners (80%) rather than domestic governments (20%).
- Almost 90 per cent of all export partner NTMs come from only three types of import-related NTMs: technical barriers to trade, sanitary and phytosanitary measures and rules of origin.
- More than 40 per cent of all domestic government NTMs come from only three types of export-related NTMs: export certification, inspection, and licensing.
- *Domestic* procedural obstacles are the primary reason why NTMs are found to be burdensome, with more than 80 per cent of export partner NTMs and more than 90 per cent of domestic government NTMs found to be problematic because of them.

Technical measures

The most burdensome technical measures in the region involve conformity assessment procedures for complying with either TBTs or SPS measures, in the form of product certification and product testing (totalling 63% of all technical measures), as well as technical requirements themselves (totalling 17%) involving fumigation, labelling, inspection requirements and tolerance limits.

The bulk (52%) of problematic technical NTMs are intraregional, with other major markets including the European Union comprising 24 per cent and the United States making up 10 per cent. Intraregionally, the Russian Federation and Kazakhstan in North and Central Asia implement the largest share of technical NTMs in the region, while accounting for a low volume of export trade. China and Japan in East and North-East Asia implement the second largest share of technical NTMs, but also comprise a disproportionately large volume of export trade.

While conformity assessments are difficult to comply with because of *accompanying procedural obstacles*, most technical requirements are deemed burdensome because they are simply too complex or difficult to comply with. Product certification is associated with delays and in some instances the use of informal payments to speed up processing times, while product testing is difficult because of the lack of access to accredited facilities, and resulting delays and costs.

Non-technical measures

The majority (67%) of reported non-technical measures take the form of rules of origin (ROO) requirements – largely for the region’s thriving garments industries – which prevent exporters from claiming Generalized System of Preferences (GSP or GSP+) preferential tariffs. Pre-shipment inspections and other related formalities such as import permits or licenses (totalling 13%) were also found to be problematic.

Most ROO issues come from GSP or GSP+ export markets in the European Union (32%) and the United States (11%), while the rest arise from bilateral or regional RTAs such as with Japan or China in the East and North-East Asia subregion, and across ASEAN trading partners.

ROO issues generally come from associated POs such as obtaining the many required documents, high fees and informal payments for authorities which can lead to delays and high costs when obtaining related certificates of origins. However, garment-exporting countries with less vertically-developed value chains

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