

## Moving beyond non-tariff barriers

By Sathish Govind



*The Asean Young Entrepreneurs Carnival 2016 in Kuala Lumpur. Asean needs to address issues that may impede trade facilitation within the region*

THE Asean Economic Community (AEC) that was launched at the end of 2015 aims to create a single-market and production base with equitable development across its 10 member countries.

It has taken strides in its economic cooperation by lowering trade and investment barriers, and harmonising rules and regulations and moving gradually towards delivering a single market.

There has been a number of worthy achievements on the first pillar of realising a single market and production base with its greatest success being tariff reduction.

To date, Asean+6 (Asean+Australia, China, India, Japan, New Zealand and South Korea) has completed the tariff elimination commitments. The percentage of tariff elimination last year for Asean+6, CLMV (Cambodia, Laos, Myanmar and Vietnam) and Asean was 99.2 per cent, 90.9 and 96.1 per cent of the total tariff lines respectively.

Next year, the percentage of tariff elimination for Asean+6, CLMV and Asean will be at 99.2 per cent, 97.81 per cent and 98.67 per cent respectively.

The progressive removal of tariffs in Asean had expanded the merchandise trade in the region from US\$1.6 billion to US\$2.27 billion (RM7.08 billion to RM10.05 billion ) in 2015. These figures are a significant indication of the success of the tariff reduction initiatives.

It is important to note that while intra-Asean trade has been soaring around 25 per cent, it is far below what the European Union has achieved, which is at 63 per cent of the total trade in 2015, whereas the North American Free Trade Agreement (Nafta) registered almost 50 per cent of the intra-group trade of its total exports in the same year.

Compared with these figures, Asean is still performing way behind. Asean needs to look at issues that possibly impede trade facilitation within the region. One such potential source could be non-tariff measures (NTMs).

Although the NTMs put in place could be in accordance with the World Trade Organisation rights and obligations or in accordance with the Asean Trade in Goods Agreement (Atiga), these could, nevertheless, have a non-tariff barrier (NTB) effect.

NTMs, among others, include restrictive licensing conditions, complex product testing procedures, labelling and packaging requirements and multiple testing requirements. The implementation of NTMs may have an NTB effect on the free flow of goods. This will then effectively contribute to increased costs and delay in the movement of goods.

Asean is addressing the NTBs from as many angles as possible. One is through the Matrix of Actual cases on the NTMs/ trade barrier. The Asean Free Trade Area (Afta) council has underscored the importance of addressing non-tariff barriers in Asean, particularly when tariffs have been significantly reduced or eliminated in accordance with the implementation of Atiga.

Ministers had agreed to encourage the private sector to continue making use of the mechanism by putting up additional complaints to the attention of officials for resolution.

The common NTMs and NTBs are among them, non-recognition of halal certification logo, repetitive testing for standards, example for ceramic and iron, and steel products, labelling requirements in the native language of importing country and exports of certain products that require exporters to set up a manufacturing facility.

Some of the problems are: there is no reliable database on NTMs in Asean, the regulations are poorly coordinated across countries, there is a lack of notification of newly adopted NTMs, and slow streamlining procedures and requirements for certificates, permits and licences.

Meanwhile, Asean has recently launched the Integrated Trade Intelligence Portal, which is detailing all the NTBs in the region.

The way forward for Asean member countries is to expedite harmonisation and through mutually recognised arrangements. Additionally, Asean has also reactivated the old Asean consultations to solve trade and investment issues or ACT, which are rebranded Asean Solutions for Investment Services and Trade, which is an Internet-based problem solving facility.

While Asean member countries have finished working on eliminating trade barriers, AEC's top priorities are on trade facilitation, which will minimise trade protection and compliance cost that focus on the use of information and communications technology in cross-border transactions for goods, harmonisation of standards and technical regulations, as well as conformity assessment and to reduce the impact of non-tariff barriers.

Last year, under the Lao People's Democratic Republic chairmanship, overall good progress has been achieved in the implementation of the AEC priorities, namely the adoption of the Asean Trade Facilitation Framework, which will further realise the goal of establishing Asean as a single market and production base, that is stable, prosperous, highly competitive and economically integrated with effective facilitation for trade and investment, in which there is a free flow of goods and services.

The objectives of trade facilitation in Asean, among others, are to achieve seamless movements of goods, minimise the impact of NTMs and achieve the elimination of NTBs, and promote the engagement of the private sector.

Asean is celebrating its 50th anniversary this year. Having worked tirelessly on removing the tariff barriers in the first 50 years, it would be working on removing the non-tariff barriers as part of the second phase. While there are bound to be challenges, member countries are resolute in removing them, albeit at a gradual pace.

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