



## **Non-Tariffs Measures: A Rising Issue for Economic Integration?**

**Sambath NGEL**

One way to promote economic integration is through free trade agreements (FTAs).<sup>1</sup> The ASEAN Trade in Goods Agreement (ATIGA) was signed in 2009 as an upgraded version of the Common Effective Preferential Tariff (CEPT) established in 1993. The agreement aims to create a comprehensive legal instrument that will transform the ASEAN region into an area with free movement of goods, services, investment, skilled labor, and capital by 2015.<sup>2</sup> ASEAN is actively pursuing greater economic integration through FTAs, including the ASEAN+1 FTAs, the Regional Comprehensive Economic Partnership (RCEP), the ongoing negotiation of the ASEAN-China Free Trade Agreement Upgrade (ACFTA 3.0 Upgrade), and the commitment to establish the ASEAN-Canada Free Trade Agreement (ACAFTA).

If we consider ASEAN as a single country, the combined GDP of all ASEAN member states (AMS) is approximately USD 3.66 trillion.<sup>3</sup> This makes it the third-largest regional economy in Asia and the fifth-largest in the world, after the US, China, Japan, and Germany. Despite progress being made, non-tariff measures (NTMs) must be addressed to achieve a truly integrated market.

### **What are NTMs?**

By definition, NTMs are defined as policy measures, other than ordinary customs tariffs, that can potentially have an economic effect on international trade in goods by changing quantities traded, price, or both.<sup>4</sup>

In common practice, the government collects charges on the exchange of capital, goods, and services across international borders, which is also known as tariff. A tariff is a tax on goods

<sup>1</sup> Chlissma, Salvador Buban, Rashesh Shrestha, Rudhian. "Impact of the ASEAN Trade in Goods Agreement (ATIGA) on Intra-ASEAN Trade," n.d. Accessed June 5, 2023. Available at <https://www.eria.org/uploads/media/Books/2021-Impact-of-the-ATIGA-on-Intra-ASEAN-Trade/Impact-of-the-ATIGA-on-Intra-ASEAN-Trade.pdf>

<sup>2</sup> ASEAN Trade in Goods Agreement, 2013. Available at <https://asean.org/asean2020/wp-content/uploads/2020/12/ASEAN-Trade-in-Goods-Agreement.pdf>

<sup>3</sup> O'Neill, Aaron. "ASEAN Countries GDP 2028." Statista. Accessed June 5, 2023. Available at <https://www.statista.com/statistics/796245/gdp-of-the-asean-countries/>.

<sup>4</sup> "Classification of NTMs," UNCTAD, accessed June 5, 2023. Available at <https://unctad.org/topic/trade-analysis/non-tariff-measures/NTMs-classification>.

coming into or going out of a country.<sup>5</sup> The tariff collected by the government might increase the price of goods and they can be more expensive than the locally produced ones due to the additional tax imposed for importing into the country.

Free trade agreements, on the other hand, are created to eliminate tariffs by harmonizing the free flow of foreign products.<sup>6</sup> They aim to create options, increase innovation and encourage competition in the market, ultimately leading to price reductions for consumers. Despite the increasing numbers and levels of regional integration, NTMs also rise along, and the variety of regulations and standards across AMS and partners also exaggerate.

### **NTMs Increases Transaction Costs and Reduces Trade Flows**

NTMs as restricted importing measures can lead to lower income for exporting countries and higher prices for consumers in importing countries.<sup>7</sup> Some studies have found that NTMs increase the cost of trade 3 times more than the traditional tariff.<sup>8</sup> If farm owners or exporters wants to export goods from Country A, they must register and comply with regulations and protocols of Country B prior to the export. For instance, protocol of phytosanitary requirements can include inspection, quarantine, quality check, labeling, packaging and even the substances used in the goods.

To meet the standards and comply with the criteria required by Country B, exporters must bear the increased compliance costs. This results in higher costs for businesses, meaning that only those who can afford to meet the requirements can export their products, while those who are unable to do so struggle to find markets abroad.

While tariffs in AMS have been gradually reduced over the years, NTMs have been increased. Thailand has the largest number of NTMs, accounting for about one-third of all NTMs in ASEAN. In 2018, they had approximately 3295 non-tariff measures, out of a total of 9502 found in all AMS.<sup>9</sup> Since 2011, Thailand has consistently implemented new trade regulations on maize imports, which have primarily impacted Cambodia's maize exports. For instance, importers must register with Thailand's Department of Foreign Trade (DFT) as maize importers and are only allowed to import during specific time periods.<sup>10</sup>

### **Not all NTMs are Barriers to Trade**

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<sup>5</sup> Dictionary, Cambridge. "Tariff." English meaning - Cambridge Dictionary. Accessed June 5, 2023. Available at <https://dictionary.cambridge.org/dictionary/english/tariff>.

<sup>6</sup> Barone, Adam. "Free Trade Agreement (FTA) Definition: How It Works, With Example." Investopedia, January 18, 2023. Available at <https://www.investopedia.com/terms/f/free-trade.asp>.

<sup>7</sup> UNCTAD. "Introduction to NTMs," n.d. Available at <https://unctad.org/topic/trade-analysis/non-tariff-measures/NTMs-Introduction>.

<sup>8</sup> UNCTAD. "The Unseen Impact of Non-Tariff Measures: Insights from a New Database," n.d. Accessed June 5, 2023. Available at [https://unctad.org/system/files/official-document/ditctab2018d2\\_en.pdf](https://unctad.org/system/files/official-document/ditctab2018d2_en.pdf)

<sup>9</sup> Rosenow, Ha Thi Thanh Doan, Samuel. "Full Report," n.d. Accessed June 5, 2023. Available here [https://www.eria.org/uploads/media/ERIA\\_Book\\_NTM\\_An\\_Update\\_2019.pdf](https://www.eria.org/uploads/media/ERIA_Book_NTM_An_Update_2019.pdf)

<sup>10</sup> CAMBODIAN CORNER. "Non-Tariff Measures Effecting Cambodia's Maize Export to Thailand," October 19, 2021. Available at <https://cambodiancorner.com/2021/10/19/non-tariff-measures-effecting-cambodias-maize-export-to-thailand/>.

In 2019, Vietnam banned the importation of used machinery, equipment, and production line technology that is more than 10 years old, in order to restrict the use of unsafe, outdated, and low-quality equipment.<sup>11</sup> Singapore has recently banned the importation of live pigs from Indonesia due to the identification of a disease in carcasses, which aims to reduce the risk of an African swine fever outbreak.<sup>12</sup>

It is important to note that not all NTMs serve as barriers to trade. NTMs serve both non-trade and trade objectives. Firstly, NTMs can serve non-trade objectives by protecting human life and health, plants and animals, the environment, national security, and national treasures.<sup>13</sup> NTMs can prevent the import of goods that pose a threat to public health and safety, such as live pigs in the case of African swine fever. They can also protect the environment by regulating the import of products that emit harmful chemicals or substances. Secondly, NTMs with trade objectives mainly protect domestic producers, acting as trade barriers.<sup>14</sup> For example, they can be used to protect domestic industries from foreign competition by imposing restrictions on foreign goods or by imposing technical regulations that foreign producers may have difficulty meeting.

## **Recommendation**

To avoid implications of NTMs, AMS must take a comprehensive approach. Firstly, ASEAN should speed up trade facilitation procedures to improve transparency between AMS and their partners through online portals such as ASEAN Trade Repository (ATR) and National Trade Repository (NTR) that enable businesses to navigate different countries' regulations more easily.<sup>15</sup> Moreover, moving toward digitalization can also optimize trade processes by adopting paperless trade procedures, such as electronic customs declarations, which can reduce the time and cost of trade transactions. This will make it easier for businesses, particularly SMEs, to trade across borders.

Secondly, inclusive measures involve ensuring that all businesses benefit from trade facilitation, regardless of size or ownership. This includes providing capacity-building support to SMEs to help them meet the requirements of trade procedures. By doing so, they can better compete regionally and globally. On the other hand, improving the quality and availability of infrastructure, such as ports, roads, and telecommunications, can also help reduce the costs of trade and improve the efficiency of logistics.

## **Conclusion**

In summary, NTMs pose challenges to regional integration. However, they also present an opportunity for ASEAN to enhance the standards of goods. By aligning their regulations with

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<sup>11</sup> Briefing, Vietnam. "Vietnam Bans Import of Used Machinery from June 15." Vietnam Briefing News, May 3, 2019. Available at <https://www.vietnam-briefing.com/news/vietnam-bans-import-used-machinery-june-15.html/>.

<sup>12</sup> CNA. "Singapore Halts Import of Live Pigs from Pulau Bulan after African Swine Fever Detected in Carcasses." CNA, April 20, 2023. Available at <https://www.channelnewsasia.com/singapore/stop-import-live-pigs-pulau-bulan-indonesia-african-swine-fever-carcasses-3431936>.

<sup>13</sup> "COVID-19 Non-Tariff Measures: The Good and the Bad, through a Sustainable Development Lens," n.d. Accessed June 5, 2023. Available at [https://unctad.org/system/files/official-document/ser-rp-2021d3\\_en.pdf](https://unctad.org/system/files/official-document/ser-rp-2021d3_en.pdf)

<sup>14</sup> World Trade Report 2012: Trade and Public Policies: A Closer Look at Non-Tariff Measures in the 21st Century, 2012. Available at [https://www.wto.org/english/res\\_e/booksp\\_e/anrep\\_e/world\\_trade\\_report12\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/anrep_e/world_trade_report12_e.pdf)

<sup>15</sup> "ASEAN Trade Repository." Accessed June 5, 2023. Available at <https://atr.asean.org/>.

international standards and best practices, ASEAN can not only improve the quality of their exports but also increase their competitiveness in the global market. This can lead to increased trade and investment flows, which can ultimately contribute to the region's economic growth and achieve greater regional integration.

**Sambath Ngel** is a Junior Economist at the Department of Economic Integration and ASEAN in the General Department of Policy, Ministry of Economy and Finance in Cambodia. He earned his Bachelor of Arts in International Relations from Paragon International University in 2022. His interests include ASEAN, regional integration, free trade agreements, and economic geography.

Note: The article is edited by **Chansok Lak**, a Senior Lecturer at the Institute for International Studies and Public Policy, Royal University of Phnom Penh.

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