
P I T O

PRIVATE INVESTMENT AND TRADE OPPORTUNITIES

ECONOMIC BRIEF
NO. 13

NONTARIFF BARRIERS IN ASEAN



East-West Center

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NONTARIFF BARRIERS IN ASEAN

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INTRODUCTION

The term "nontariff barrier" or NTB is used loosely to describe a range of government measures, state trading practices, and other structural impediments to trade which are not related to tariffs. Import prohibitions, quotas, licensing requirements, technical standards, customs procedures and formalities, and foreign exchange requirements are only a few examples of the variety of NTBs that exist today. NTBs have been a growing phenomenon in the trade arena over the last few decades. Many NTBs are hidden and not easily measured, and hence have been used to offset the pressures resulting from balance-of-payment problems and a reduction in revenues that is due to declining tariff rates. The growth in the use of quantitative restrictions and other measures has served to direct attention to the fact that the benefits of trade liberalization can be negated by NTBs.

NTBs distort trade and can negatively influence overall national welfare. Quantitative restrictions, for example, directly affect the volume and pattern of trade. NTBs also affect relative costs and prices. For instance, by restricting the foreign supply of goods, NTBs artificially increase the price of the restricted

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good. As a result, domestic production of these goods rises, while production of goods in which the country has a comparative advantage may decline. Thus, NTBs can result in productive resources being misallocated across the economy.

NTBs may also reduce national welfare since consumers have to pay higher prices for the protected goods. Moreover, while NTBs may initially improve a country's trade balance, over the long term, the export competitiveness of domestic producers who use the protected goods as inputs will erode. Because NTBs depend on discretionary decisions by governments, the increased usage of NTBs implies that the trading system is less transparent and predictable; hence the implicit costs of trade are higher. Still another adverse result of NTBs is that they tend to encourage lobbying and corrupt practices. In addition, other negative repercussions of protection—such as inefficient production, poor market feedback, and lack of access to better technologies—will also apply when NTBs are used extensively.

Despite the growing prevalence of NTBs, the impact of NTBs has been less severe than previously thought as many nontariff barriers have been found to be porous. Exporters have been able to circumvent barriers by adapting their products, differentiating their products, and diversifying into higher value-added production.

Within ASEAN, NTBs have been actively used by the member governments to protect their domestic industries and prevent significant revenue losses resulting from tariff reductions. This has been one reason for the limited impact of previous

attempts at trade linkages among the member countries. The Preferential Trading Arrangements (PTA), for example, suffered from the prevalence of NTBs and the exclusion of a large number of items. However, the recent agreement to form the ASEAN Free Trade Area (AFTA) has a number of provisions to remove NTBs along with tariffs. Nevertheless, the issue of NTBs will be a complex one as some NTBs may be difficult to uncover and address.

THE CLASSIFICATION OF NONTARIFF BARRIERS

The growing significance of NTBs as protectionist devices led to them being discussed in the Tokyo Round of multilateral trade negotiations that were concluded in 1979. The Round arrived at an agreement which covered subsidies, countervailing duties, technical regulations and standards, government procurement, import licensing, customs valuation, and anti-dumping regulations.

Nevertheless, NTBs continue to grow in importance and remain serious impediments to international trade. One reason for this has been that countries whose resources have had to be channelled to control inflation and reduce tax burdens have been unable to use fiscal policies to expand demand and increase subsidies. Another reason has been the growing retaliatory actions over trade infringements by trading partners. The combination of rising demands for protection and the diminishing

will of governments to resist such demands accounts for the rise of protectionism over the last twenty years.¹

There are numerous types of NTBs. The variety and incidence of NTBs are such that in many instances the NTB acts to effectively prevent the operation of the market mechanism.² The wide incidence of NTBs indicates the difficulties and costs associated with the attempts to liberalize international trade. The developed market economies tend to resort to a wider variety of product-specific nontariff barriers, while developing countries tend to be slightly more restrictive.

It is difficult to measure the impact of a NTB or to quantify a NTB. Following the UNCTAD classification, NTBs can be classified into three categories:

Type I NTBs are those commercial measures designed to protect import-competing suppliers from competition, or to assist exporters in expanding foreign markets. This includes measures such as quotas, import licensing, import prohibitions, and state trading practices.

Type II NTBs are those designed to deal with problems not directly related to commercial policy questions, but which are from time to time intentionally employed to restrict imports or stimulate exports. Examples of Type II NTBs include packaging

¹ See World Development Report 1987 for a review of the issues being faced in international trade.

² As far back as 1983, some 21,000 product-specific incidences of NTBs were recorded by UNCTAD.

requirements, customs classification, customs valuation, health and sanitary regulations, and safety standards.

Type III NTBs are those applied with little or no intent to protect domestic industries but which have spillover effects on the trade sector. These include foreign exchange regulations and development and investment policies.

A brief list of the different categories of NTBs—most of which are product-specific types—is given in Table 1. According to the UNCTAD classification system, there are well over 100 such product-specific measures and around the same number of NTBs that are of a more general nature.

NONTARIFF BARRIERS IN ASEAN

The ASEAN countries have consistently used tariffs and NTBs to protect their domestic industries. Tariffs—instruments that are used to capture revenue and to protect domestic industries—are sometimes reinforced by NTBs in order to ease balance-of-payments pressures. With the exception of Singapore, which has an almost free-trade regime, the ASEAN members continue to have a variety of trade-restricting instruments although many of these are being considered for removal in line with the formation of an ASEAN Free Trade Area.³ Nonetheless, these restrictive measures have been detrimental to trade in the region.

³ An ASEAN Free Trade Area Agreement was signed at the ASEAN Summit in Singapore in January 1992. The first set of 15 product groups which are to enjoy accelerated tariff reductions were scheduled to come into force in January 1993.

Table 1 Some Specific Nontariff Barriers

Type I NTBs

1. Prohibitions
 - . Total prohibitions
 - . Conditional prohibitions
 - . Quotas
2. Import authorizations
 - . Non-automatic authorizations
 - . Authorizations to control compliance with standards
 - . Automatic authorizations
3. Control of price level
 - . Minimum price system
 - . Price investigation
 - . Price surveillance
4. Import deposits
5. Authorized traders

Type II NTBs

1. Technical requirements
 - . Health and safety regulations
 - . Technical standards
 - . Marking and packing requirements
2. Customs formalities
 - . Customs classification
 - . Customs valuation
 - . Additional formalities
 - . Border tax adjustments

Type III NTBs

1. Foreign exchange controls
 - . Restrictions on payments
 - . Differential foreign exchange rates
 2. Measures to support import-competing production
 - . Subsidies
 - . Tax concessions
-

A recent study has shown that NTBs have been considered by the private sector to be the single most important deterrent to increasing trade among the ASEAN countries.⁴

Customs Formalities and Health and Safety Standards

Among the most frequently encountered NTBs in ASEAN, many are of the Type II category (See Table 2). Within this category, extensive use has been made of customs formalities and safety and standards regulations. Among the different customs formalities, customs clearance procedures, valuation, and classification have been predominant. Traders and manufacturers exporting to Indonesia, Thailand, and Malaysia, for example, have often complained of customs-related problems. Indonesia and Malaysia have been singled out for their excessive bureaucratic procedures. Exports to Singapore, on the other hand, have been subject to stringent health, sanitary and safety standards.

Different arguments have been made as to the need for such specific measures. In most cases, the measures reflect the short-term necessities faced by the various governments. These arguments range from safety and health of the local population to inadvertent omissions or miscommunication at the border checkpoints. Because customs formalities are often ad hoc, the impacts of this type of nontariff barrier are difficult to measure.

⁴ See Sree Kumar, forthcoming, "Policy Issues and the Formation of the ASEAN Free Trade Area," in *AFTA: The Way Ahead*, Seiji Naya and Pearl Imada, eds. (Singapore: Institute of Southeast Asian Studies).

Table 2 Some Frequently Encountered NTBs in ASEAN

Type I NTBs

- Import quota
- Import licensing
- Import prohibition*
- State trading practices
- Advance deposit requirements

Type II NTBs

- Packaging and labelling regulations
- Health and sanitary regulations
- Safety and standards regulations
- Border tax adjustments
- Customs clearance*
- Customs valuation*
- Customs classification*
- Consular formalities*

Type III NTBs

- Foreign exchange control
 - Subsidies
-

Note: Items with an asterisk (*) denote the most frequently used NTBs.

Customs valuation rules can act as important impediments to trade. Because these rules determine the value of goods, they form the basis for duties that are levied at the border. The rules are also utilized in the administration of licenses and quotas that are based on the value of goods. In ASEAN, the use of different valuation schemes by the member countries has resulted in inconsistency and uncertainty. Customs officials

determine the value of imports using criteria laid down in the national laws and regulations of the importing country. Consequently, if the import price of the good is lower than the check price for that particular good, the import duty charges would still be based on the check price. This practice is often called "uplifting" of duties. For example, a company exporting plastic products to Malaysia was charged an import duty that was based on the customs check price rather than the invoice price despite significant price reductions in the market from which the product originated. This may be related to lags in new prices being incorporated into national customs check lists or the inadvertent use of older lists. Some of these instances of customs valuation difficulties have been attributed to overzealous and arbitrary implementation of rules at border checkpoints. The main difficulty associated with customs valuation procedures in ASEAN stems from a lack of a common valuation procedure as each country applies its own formula for customs valuation.

Customs clearance procedures relate mainly to bureaucratic holdups resulting from overly complicated documentation requirements, inefficiency in implementing procedures, and corrupt practices. Within ASEAN there is no clear guideline as to what documents are necessary for trade of goods within the region. Each country may require different forms of documentation depending on the type of good being imported. As an example, Indonesia requires consular invoices for all imports from Singapore, Malaysia, Hong Kong, and Japan. The application procedure and processing of this requirement add

significantly to delivery time and often results in a delay in the delivery of important input materials and machinery. This is particularly important given the push towards export competitiveness in Indonesia and its ASEAN neighbors. In addition to this nebulous documentation procedure, there have been instances of inadequate port clearance facilities and a lack of systematic implementation of rules and regulations.

Customs classification relates to the tariff nomenclature used by the different ASEAN countries. The lack of a common system of tariff nomenclature in the past led to numerous instances of confusion and uncertainty over goods being traded. For example, in some countries there have been instances of imported goods being deliberately classified at a higher tariff level by customs officers. Customs classification is a thorny area since only recently have ASEAN countries begun to harmonize their customs codes. Even then, beyond the six-digit level each country may have a different code structure for tariff purposes. As a result of these classification differences, valuation may also differ among the countries.

Customs formalities are often arbitrarily imposed and there are difficulties in identifying them as being purely trade restrictive. While customs formalities were frequently used as NTBs by most ASEAN countries, Singapore has often used health, safety and technical standards regulations as a barrier to imports.

The example of a company exporting tap valves to Singapore serves as an illustration of this practice.⁵ The valves are made of plastic in Malaysia and Indonesia but Singapore standards require them to be made of brass. Furthermore, 95 percent of the water flow from the valves should fall within a specified area, while in Malaysia and Indonesia, the requirement is 90 percent. While the material requirement is disputable, the differences in performance standards no doubt are reflective of local conditions, in particular, Singapore's need to conserve water. Nonetheless, this example highlights the need for manufacturers to differentiate their products to meet varying standards in the different countries which often means smaller product runs and higher operating costs.

Type II NTBs such as technical standards become restrictive when the tests used for domestic products differ from that used for foreign products. For example, the type of materials used in the production of some goods may be acceptable in one country but may not meet the technical specifications in another country. Similarly, the testing standards used for electrical goods in one country may differ from that used in another, although the tests used in the originating country may be more stringent. This is particularly so in ASEAN where the member countries have varying specifications on voltage and current ratings, material

⁵ Rahman Ibrahim and Mansor Md. Isa, 1987, "Nontariff Barriers to Expanding Intra-ASEAN Trade: Malaysia's Perceptions," in ASEAN Economic Bulletin, 4(1): 74-96.

criteria, and technical tolerances. Some of these differences stem from the differing colonial legacies. Singapore and Malaysia have in the past adhered to British standards, while Indonesia has followed European standards and the Philippines, U.S. standards. These different technical requirements are now being addressed jointly and it will be some time before common testing and quality standards become applicable. In the meantime, these testing procedures can limit access to markets or even prohibit entry of products which are deemed to be "unsafe." Nonetheless, the nature of the testing procedures and the arbitrary manner in which government agencies undertake some of these tests can often delay entry of products into profitable markets. While it is often argued that all similar products must undergo the same tests, there is no scheme through which such testing procedures can be ascertained to be fair so long as each country adheres to its own technical standards. Furthermore, it is difficult for manufacturers to prove that they are being discriminated against especially when the authorities responsible for the standards testing refuse to divulge testing techniques or when comparable data on different brands are not made available.

Health and sanitary standards can often be imposed on an ad hoc basis in response to some outbreak of illness. For instance, excessive pesticide usage has sometimes resulted in vegetable produce from Malaysia being refused entry into Singapore. These may be imposed as temporary measures. In other instances, the government agencies responsible for ensuring that these standards are met may not be directly

involved with the finance or trade ministries which traditionally oversee trade policies. The poor coordination among the different government agencies can often lead to a lack of transparency in implementing health and safety standards and also increases the degree of uncertainty associated with trading activities.

Quotas, Licensing, and other Type I NTBs

Type I NTBs are the second most commonly used in ASEAN. The most frequently resorted tactic has been import prohibition. Other Type I NTBs include quotas, licensing requirements, state trading practices, and advance deposit requirements. Manufacturers and trading companies have a higher degree of tolerance towards Type I NTBs as these tend to be transparent.

However, NTBs in this category, particularly licensing requirements and the prohibition of imports, are often imposed in an arbitrary fashion without any forewarning. For example, licenses are often issued on a selective basis depending on criteria known only to the bureaucracy. And in Malaysia import restrictions and quotas for cement are removed in times of high demand, but imposed in glut situations to protect local producers. The existence of long-term contracts for many traded goods makes importers and exporters vulnerable to such arbitrary imposition of NTBs. However, exporters have sometimes been able to overcome these restrictions by obtaining waivers and circumventing licensing procedures.

State trading practices, another Type I NTB, refer to state monopolies which either have importing rights or production rights over certain goods. In the case of importing rights, state monopolies have been accused of preventing fair access to foreign exporters by restrictive procurement rules. In state-owned production, many monopolies in the region have, through their bureaucratic links, made it impossible for foreign producers to sell in local markets by influencing the imposition of high domestic tax schemes on imports. The arguments put forth for some of these schemes include environmental considerations and control of externalities such as pollution.

Foreign Exchange Controls and Subsidies

The third category of NTBs comprising foreign exchange controls and subsidies has been less prevalent in the region. Foreign exchange controls have been used mainly by the Philippines which has suffered balance-of-payments problems for the best part of the last 15 years. However, as the ASEAN countries have all become competitors producing similar products for the same markets, each country has attempted to support its own industries by providing credit subsidies and other direct support schemes. The overall inadvertent impact of these schemes is to raise the barriers of entry for foreign producers, be it from the region or otherwise. In fact, if the current moves toward tariff reductions and the probable removal of NTBs gather momentum, then the true impediments to trade may be a spillover effect emanating from industrial promotion schemes.

As Table 3 shows, Type II NTBs are most frequently applied to manufactured goods, particularly electrical and mechanical items, followed by rubber and plastic products. As the sample is small, care must be taken when using a country-by-country comparison. Within each country, the most protected sectors are those in which the local industry is well developed. For example, Indonesia has a strong metals and mechanical industry, while Malaysia has a strong electrical and mechanical production sector. Thailand, on the other hand, protects the electrical manufacturing, rubber, and wood products sectors. The Singapore sample should be interpreted with care as the actual number of cases is small and reflects the generally open trading regime with low levels of protection. Broadly, the frequency of Type II NTBs across the ASEAN members reflects the types of industries which are dominant or being encouraged in each country. These are also the products in which the ASEAN countries have become competitors in their drive towards export-led industrialization.

While there is no conclusive evidence indicating that NTBs have increased in ASEAN, recent discussions with the private sector reveal that NTBs have been frequently resorted to by many of the member countries. Some examples of NTBs, by country, on selected products is given in Table 4. It has become apparent that NTBs are of serious concern to the private sector and governments have become more cognizant of the need to remove them. At the recent ASEAN Summit in January 1992, the

Table 3 Frequency of Type II NTBs by Industry Group (percentage)

Industry	Indo- nesia	Malay- sia	Philip- pines	Singa- pore ^a	Thai- land	Total
Food, drugs, drinks, & tobacco	5	10	13	33	19	10
Textiles & jewelry	3	4	13	0	5	4
Wood, paper, & printing	4	2	0	0	10	4
Petroleum, chemicals, & oils	9	10	6	0	5	8
Building materials, glass, & ceramics	12	11	0	0	0	9
Metals, mechanical, & engineering	29	21	6	33	10	22
Rubber, plastics, & leather	16	17	25	0	13	17
Electrical, electronics, toys, etc.	22	25	37	34	38	26
Total	100	100	100	100	100	100

Note: a. Sample size is small.

Table 4 Some Examples of NTBs on Selected Products in ASEAN

Product	NTB Reported	Indonesia	Malaysia	Philippines	Thailand
Beverages	Border tax adjustment			X	
	Import license				X
Confectionery	Customs valuation	X			
Textiles	Import license				X
Paper products	Import prohibition				X
	State trading	X			
Chemicals	Customs classification	X	X		
Pharmaceuticals	Advance deposit requirement			X	
Fertilizers	Subsidies	X			
Vegetable oils	Import prohibition				X
	Import license	X			
Cement	Customs valuation		X		
	State trading	X			
Building materials	State trading	X			
	Customs classification		X		
Fire extinguishers	Foreign exchange			X	
Industrial gas	Customs valuation		X		
Plastic products	Customs classification		X	X	
	Customs valuation		X	X	
Electrical equipment	Standards testing				X
	Import prohibition	X			
	Customs valuation		X		

ASEAN leaders called for the removal of NTBs and a discussion of this issue has been suggested for the next ASEAN Summit.

CASE STUDIES OF NTBS IN ASEAN

In a recent study,⁶ fifteen interviews with manufacturers and trading companies, all of which had operations within the region, were conducted. Of the fifteen firms, four were multinational corporations. This section draws on those interviews and presents six case studies of various NTBs in ASEAN. Confidentiality prevents disclosure of the companies which participated in the survey.

Import Licensing

A major producer of edible oils has plants in various ASEAN countries. The products in each country are meant for domestic consumption. When new products are developed in one country, they are exported to neighboring countries to see if the market response would be sufficient to warrant domestic production. However, only licensed importers are allowed to distribute vegetable oils within Indonesia and there are difficulties in obtaining licenses. First, licensed importers are unwilling to take on new brands for fear of losing their import business with other producers. Second, even if a distributor could be found, he/she has to undertake intensive lobbying and payoffs to obtain licenses for the import of vegetable oils from other ASEAN

⁶ Kumar, "Policy Issues."

countries. These transactions raise the overall cost of imports, delay market access, and reduce competitiveness when the item is eventually brought into the market. After numerous experiences of this sort, the producer has decided not to pursue further market expansion since the costs of doing business in Indonesia far outweigh the benefits from the marginal increases in market share.

Domestic Procurement Policies

A multinational company involved in undersea engineering operations has faced restraints in its operations in Indonesia. Indonesia has a counterpurchase policy by which foreign companies must purchase products equal in value to the equipment and materials which they bring into the country under contracts awarded by the Indonesian government. This practice has impeded the firm's attempts to increase its presence in the country and has also limited its contracts with government agencies.

Standards Testing Procedures

The company is a well-known producer of sophisticated electronic testing equipment. The local subsidiary in the region exports these products to almost all countries within ASEAN. In exporting to Thailand, these state-of-the-art products undergo a contorted testing procedure. Three different government ministries are involved in the process. Application for testing is lodged with the first ministry, which after much consideration gives

a 3-month probationary period for the testing procedure. The product then goes to the second ministry which then processes the documentation and tests the equipment. The second stage may often take longer than three months and this leads to the whole process being declared null and void since the testing has exceeded the probationary period. The application is then sent back to the first ministry for reconsideration and it joins the queue again. This cycle repeats itself for various products. Experiences of this sort have led the company to disband any attempt at increasing its market penetration or introducing new products into the Thai market.

Customs Classification

A producer of semiprocessed chemicals has a large plant in Singapore. These semiprocessed chemicals are supplied to various manufacturing sites in Malaysia. On many occasions, these products have been reclassified by the customs authorities at the point of entry and have been subjected to higher tariffs. The frequency with which this problem occurred led the company to lodge appeals and obtain waivers. They were informed that the problems were a result of miscommunication or ambiguous instructions. These ad hoc measures have, nevertheless, caused the company numerous delays in supplying their customers in the different industrial zones in Malaysia.

Customs Clearance

A trading company supplies electrical parts and machinery to different manufacturers in the region. Each time its products are sent to Indonesia, they are subject to delays in checking, verification and customs processing. Documentation for some of the products is a long and tedious process and often requires long negotiations with officials before the items are released. In one case, the firm was initially informed that the items were subject to special licensing requirements. After going through consular services and obtaining the necessary papers, it was found that special licensing was not necessary.

Subsidies

Almost all of the ASEAN countries produce fertilizers for domestic consumption. Some producers manufacture fertilizers which are internationally competitive and sold in the world market. In Indonesia, domestic fertilizers are heavily subsidized by the government on the basis of the nature of usage but irrespective of the size of the buyer. While this is meant to support low-volume users such as small-scale farmers, it does not prevent large bulk purchases by others. The net effect of this has been that the more sophisticated manufacturers in the other ASEAN countries find it cheaper to buy in the Indonesian market than to produce elsewhere and sell there. Thus, the spillover effect of the subsidy scheme has been to distort the trade regime by setting up an import barrier.

THE ASEAN FREE TRADE AREA AND NTBs

In January 1993, fifteen product groups that are traded among the ASEAN countries were introduced for accelerated tariff reductions. The Common Effective Preferential Tariff (CEPT) scheme is to be applied to these product groups so that all countries will have zero or minimal tariffs on these items over the next 5 to 7 years. Eventually, AFTA is expected to include all manufactured goods. The fifteen groups on the CEPT Scheme are listed in Table 5.

While tariff reductions on these items should help to improve intra-ASEAN trade, a number of these items are currently constrained by the use of NTBs by the different countries. Because it has been recognized that nontariff barriers must be looked at concurrently with tariff reductions if AFTA is to become effective, the ASEAN Summit has proposed to look at nontariff measures in the next summit. If the impetus to go ahead with AFTA is maintained, then it is likely that some of the existing NTBs will be removed in the years to come.

Investors, manufacturers and trading companies must, however, recognize that NTBs are difficult to unearth and remedy. The lack of transparency of these measures makes the elimination of all NTBs an impossible task. More pertinent in the ASEAN context is the growing competition among the ASEAN neighbors and ensuring that the region becomes an attractive manufacturing base for multinationals. In doing so, governments in the region will continue to support domestic industries in attracting and adopting technology, providing information on

Table 5 CEPT Product Groups

Vegetable oils
Cement
Chemicals
Pharmaceuticals
Fertilizer
Plastics
Rubber products
Leather products
Pulp
Textiles
Ceramic and glass products
Gems and jewelry
Copper cathodes
Electronics
Wooden and rattan furniture

market access, raising overall productivity, and making specific subsidies available. These industrial incentives and investment policies will have spillover effects on trade. While these policies do not contravene trade agreements, they may have trade-restricting effects. It is the nature of these effects which companies within the region must be aware of, as pricing margins will be directly and indirectly affected.

Besides the more obvious NTBs, the move towards greater domestic liberalization in many ASEAN economies should help to remove structural bottlenecks resulting from state trading activities. The erosion of monopoly positions through privatization and the insistence on greater accountability by member governments may have a positive effect on trade within the

region. If no short-term balance-of-payments crises occur, then the incidence of foreign exchange controls impeding trade should also decline. A growing awareness of environmental issues in the region may, however, result in greater usage of technical standards as trade barriers.

CONCLUSION

Nontariff barriers have become important impediments to trade in recent years. Within ASEAN, NTBs have been used regularly by the different governments to protect domestic industries and offset balance-of-payments problems. The growing importance of regional trading arrangements has brought into focus the need to remove many of these NTBs. In this light, the current attempts to form an ASEAN Free Trade Area will need to address the issue of NTBs in the region. More interestingly, Type I NTBs such as quotas and licensing schemes may give way to tariffs and thereby become more transparent. However, the issue may continue to exist in the case of Type II NTBs.

Investors in the region must be aware of the changing structure of NTBs within ASEAN. First, as ASEAN continues its drive to be a productive investment zone competing with other areas, governments in the region will be forced to support and upgrade local industry. The fear of investment shrinkages from abroad and the need to move to higher value-added production will almost inevitably imply government support schemes ranging from credit subsidies, R&D grants, accelerated depreciation, and tax concessions. These are not trade-restricting measures per se,

but they may nevertheless create indirect entry barriers through their impact on pricing margins.

A second factor, and one which is becoming increasingly important, is the environmental impact of products. Environmental concerns and the adverse environmental impact of some products may provide countries with a device to prevent free and fair access for exporters. In fact, technical requirements are likely to be used more frequently with the argument that country-specific needs are different. There have been moves to harmonize technical standards across the countries in the region. This will, nevertheless, take time to come into effect and changing product specifications resulting from short shelf lives will, no doubt, offer numerous opportunities to circumvent standardized rules.

As markets become linked, the region will offer investors considerable opportunities. NTBs will almost always be invoked by governments intending to protect domestic industries and in overcoming short-term balance-of-payments crises. Similarly, there is the nagging worry that "fair" or "managed" trade may replace free trade in the future. One reason for this view is that countries may increasingly negotiate access to markets on a product-by-product basis depending on their strategic importance to national industrial development. A second reason is that the emergence of trade blocs and the failure of the Uruguay Round may mean retaliatory actions by countries bent on ensuring fair access. Although the ASEAN countries do not have substantial market power to exert such actions on their major trading partners outside the region, the fallout from trade disputes among the

external partners could damage trade prospects for the ASEAN members. This is because global investments by multinational companies may make it difficult to discern products made in the region from those originating in their home countries.

It is difficult to measure the impact of nontariff barriers on trade. The often temporary nature of nontariff protection and the manner in which NTBs are imposed make monitoring and control an overwhelming task. The challenge is therefore to unearth NTBs whenever they occur, to quantify them, if possible, and to adapt products to overcome product-specific technical requirements. The need for product differentiation and strategic pricing cannot be disregarded in penetrating markets in the region. Arbitrary decisions enforced by governments can only be redressed at high levels. Investors must, therefore, be prepared to work with and through the respective investment and trade authorities if NTBs are to be neutralized in the region.

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Table 3	Ibrahim and Mansor, "Nontariff Barriers"; and Kumar, "Policy Issues."
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Table 5	Singapore Declaration, 1992, ASEAN Summit.

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Opportunities in the Fertilizer Industry in the
ASEAN Region

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The program on *international trade and investment* examines trade in goods and services, and the flows of private capital in the Asia-Pacific region. Special emphasis is given to understanding the causes and consequences of expansion in international trade and finance. The program on *regional economic cooperation* focuses on improving understanding of rising regional economic interdependence and how this interdependence can be most effectively managed. The program studies the performance and prospects of existing regional cooperation arrangements (including ASEAN, PECC, APEC, and SAARC) as well as explores the potential for new arrangements. The program on *public policies and private economic initiative* focuses on the development of private economic initiative in the Asia-Pacific region. It assesses how different policy designs and implementation environments can improve the scope for private economic initiative; and how the economic, social, historical, and political characteristics of different market systems influence the scope for private initiative. The program on *policies, politics, and economic change* examines the political economy of structural change and policy reform in the region's economic development experience. The program analyzes the characteristics of politically and socially sustainable economic reform strategies that are consistent with broad development patterns and structural change.

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