Chapter 2
East Asian Trade Integration and Its Main Challenge

Lili Yan Ing and Gracia Hadiwidjaja

Chapter 2
East Asian Trade Integration and Its Main Challenges

Lili Yan Ing and Gracia Hadiwidjaja

1. Introduction

East Asia has seen significant economic growth, transforming it from a group of poor countries into emerging developing economies and lifting about 3.2 billion people out of poverty. The region has recorded exceptional average annual economic growth of 10% in the last 2 decades (2000–2018).[1] The 'Big 5' Southeast Asian countries – Indonesia, Malaysia, Thailand, the Philippines, and Viet Nam – recorded average economic growth of 5.0% over the same period (World Bank, 2020). It is widely believed that that the successful economic growth of East Asia is largely driven by its opening up to trade and investment (Bhagwati, 1999; Frankel, Romer, and Cyrus, 1996; World Bank, 1993). The simultaneous growth of Southeast Asia and China increased East Asia's share of world trade from 19% in 2000 to 28% in 2019 (World Bank, 2020).

At least two major trade events have taken place in East Asia in the last 2 decades. The first one is the establishment of the Association of Southeast Asian Nations (ASEAN) Free Trade Area in 1992, followed by five ASEAN+1 free trade agreements (FTAs): the ASEAN–Australia–New Zealand FTA (in effect since 1 January 2010), the ASEAN–China FTA (1 January 2005), the ASEAN–India FTA (1 January 2010), the ASEAN–Korea FTA (1 January 2010), and the ASEAN–Japan Comprehensive Economic Partnership Agreement (1 December 2008) (WTO, 2020). The ASEAN Comprehensive Investment Agreement, signed on 26 February 2009, has improved the movement of capital. The second one is China's accession to the World Trade Organization (WTO) in January 2001. Since joining WTO, China has established itself as a centre of world trade. China's share of world trade increased from 2.2% in 2000 to 10.5% in 2018, after the United States, which contributed 15%, and followed by Germany (7%), Japan (4%), and France (4%) (UNCTAD, 2019). Since 2019, China's share of world trade has surpassed that of the United States.

Recognising that their trade and investment strategy had brought them to a higher level of economic growth, the 16 East Asian countries committed to form the Regional Comprehensive Economic Partnership (RCEP). It is expected to level up East Asian countries' trade and investment, overall development, and people's welfare.

---

[1] Based on the authors' calculation, which excludes Myanmar, the Lao People's Democratic Republic, and Brunei Darussalam, and data for 2015 due to missing values in some countries.

The RCEP, dubbed the biggest regional trade agreement in the 21st century, was substantially concluded on 4 November 2019. It consists of 15 countries: the 10 ASEAN Member States (AMSs),[2] Australia, China, Japan, New Zealand, and the Republic of Korea (henceforth, Korea). Combined, the RCEP represents 48% of the world's population, 32% of gross domestic product (GDP), 28% of exports, 28% of imports, and 42% of foreign direct investment inflow (Figure 2.1). The 15 member countries finally signed the agreement at the East Asia Leader Summit in November 2021.[3]

Although the RCEP negotiations have been concluded, however, a major challenge for East Asian and world trade is the increasing number of restrictive measures. To give us a clear picture of the measures in the six East Asian countries covered in our study,[4] we present all the trade-related measures that could have consequences on the quantity or price of traded goods or both: non-tariff measures (NTMs). NTMs are policy measures, other than customs tariffs, that can potentially have an economic effect on international trade in goods, changing the quantities traded or prices or both (UNCTAD, 2010). NTMs include technical regulations on the characteristics of products or production processes, sanitary and phytosanitary (SPS) measures, and technical barriers to trade (TBTs), as well as non-technical measures such as licences and quotas or price-affecting measures, and financial or exchange rate regulations.

Of course, not all measures are restrictive, and many are designed to serve as checks and balances on the quality of goods for health, safety, and environmental protection. Indeed, the number of measures does not reflect a country's level of protectionism. But how can we differentiate between good measures and restrictive measures? While tariffs have been reduced significantly, how can we manage the growing number of measures?

---

[2] Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam.

[3] India pulled out of RCEP negotiations in November 2019 (*India Today*, 2019; ASEAN, 2019), but many believe it will join soon. If not, it will incur significant costs. India would benefit from the integration: 1.4%–3.8% higher GDP, 3.0%–8.3% higher investment, and 4.0%–6.9% higher exports from the baseline, based on the global trade analysis project analysis (Itakura, 2019). Compared with its Southeast Asian neighbours, India has been left behind in many aspects of economic development. If it does not join the RCEP, India will miss the opportunity to integrate with the regional production network and to access new market access to rising powers in the Asia-Pacific (Choudhury, 2019).

[4] Australia, China, India, Japan, Korea, and New Zealand.

Figure 2.1. The 16 RCEP Negotiating Countries, 2018

48% of the world's population

32% of the world's GDP

28% of world trade

49% of world FDI inflows

16 RCEP negotiating countries

Brunei Darussalam, Cambodia, Indonesia, the Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Viet Nam, Australia, China, India, Japan, the Republic of Korea, and New Zealand

FDI = foreign direct investment, GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic, RCEP = Regional Comprehensive Economic Partnership.
Notes: In 2021, the 15 RCEP signing countries represents about 30% of global GDP, population, trade, and FDI. Source: Authors, based on World Development Indicators (accessed 16 December 2019).

Our study provides a comprehensive review of all NTMs in six East Asian countries. Data were collected from mid-2016 to December 2018. The data cover all laws, regulations, and official notifications in effect in December 2018. An overview and analysis of NTMs in ASEAN are in Ing, de Cordoba, and Cadot (2016); Doan and Rosenow (2019); and Ing, Peters, and Cadot (2019).

Section 2 reviews the RCEP. Section 3 discusses East Asia's regional trade integration agenda and main challenges to trade in the region. Section 4 presents the frequency index, coverage ratio, and prevalence score of NTMs in the six countries. Section 5 draws conclusions and recommends policy.

2. Regional Comprehensive Economic Partnership: Long-awaited Trade Deal

On 15 November 2020, the 10 AMSs and five ASEAN FTA partners (Australia, China, Japan, Korea, and New Zealand) ended 8 years of exhaustive negotiations and signed the RCEP. The partnership is the largest trading bloc in the world, broader than even the United States–Mexico–Canada Agreement and the European Union. The RCEP includes a market of $26.2 trillion of output and 2.2 billion people, accounting for about 30% of global GDP and 30% of the world's population. The RCEP agreement will enter into force 60 days after at least six AMSs and three non-ASEAN partners ratify the agreement, and the RCEP's tariffs will be gradually eliminated over 20 years. The ratification (and thus the coming into effect of the agreement) is expected to take place 3 years after the signing.

The RCEP aims to integrate the region's economies by significantly reducing tariff rates and simplifying rules of origin to improve market access and investment opportunities offered in ASEAN+1 FTAs. Goods from any member nation will receive the same preferential tariff treatment, lowering the cost of exports and improving the ease of doing business. The simplification will incentivise firms to look within the RCEP region for suppliers. The RCEP will have larger positive impacts on the real GDP of almost all the AMSs than other FTAs of which the AMSs are members (Itakura, 2013). Income is expected to increase by about 3% for the AMSs under the RCEP by 2025 and is likely to go up by 3.9% for Korea, 1.8% for Japan, 1.4% for China, 1.4% for Australia, and 0.9% for New Zealand (Petri and Plummer, 2014). The RCEP can create trade amongst members but may divert trade away from non-members, which could also divert investment and change in supply chains (Pangestu and Armstrong, 2018).

Another objective of the RCEP is to deepen integration amongst member countries, with ASEAN becoming a central player. The RCEP, hence, has the potential to facilitate the creation of an Asia-Pacific free trade area and to diversify economic regionalism by adding ASEAN as an important player in the global economic order (Menon, 2013; Das and Reema, 2014; Gupta, 2014). If the RCEP expands to become an Asia-Pacific free trade area, then ASEAN – in consultation with Japan, China, and Australia – will become the agenda-setter for a highly important regional economy.

In November 2019, India indicated that it had several objections to joining the RCEP and decided to not sign the agreement. At the RCEP Summit, Prime Minister Narendra Modi said that 'the present form of the RCEP agreement does not fully reflect the basic spirit and the agreed guiding principles of RCEP. It also does not address satisfactorily India's outstanding issues and concerns in such a situation' (*Business Standard*, 2020). Protectionism has become more pronounced during the Modi administration, which feared that India's industries would be unable to compete with China's and that China's goods would overflow India's markets.

By not joining the RCEP, India will lose both economic and strategic influence in the region. If it joins the RCEP, India's income will increase by $60 billion annually (about 1.1 percentage points in real GDP gains) by 2030. If it does not join the agreement, India's income will fall by $6 billion (Petri and Plummer, 2020). India is unlikely to join the RCEP, however, blaming its $60 billion trade deficit with China on past trade agreements, and the RCEP demands reductions in dairy and e-commerce tariffs, which are politically sensitive issues in India (Gupta and Ganguly, 2020).

The RCEP has 20 chapters, 17 annexes, and 54 schedules of commitments that cover market access, rules and disciplines, and economic and technical cooperation. The chapters comprise goods, unified rules of origin, customs procedures and trade facilitation, SPS measures and TBTs, trade remedies, services, the General Agreement on Trade in Services, investment, intellectual property, electronic commerce, competition, small and medium-sized enterprises, economic and technical cooperation, government procurement, and dispute settlement, as well as institutional, general, and final provision chapters (ASEAN, 2019). A chapter dedicated to supporting micro, small, and medium-sized enterprise development is a key feature of the RCEP, which is expected to facilitate the integration of such enterprises into the global value chain.

Given its large and diverse membership, the RCEP is modestly rigorous. For example, it will eliminate tariffs on more than 80%–90% of products, compared with 96% eliminated by the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The RCEP includes flexibility in almost all the chapters of the agreement and excludes behind-the-border barriers, and its intellectual property provisions add little to existing ones. The RCEP does not have any chapters on labour, the environment, or state-owned enterprises. Its services and investment chapters tend to follow positive-list approaches to market access rather than the negative lists used in the CPTPP (Chaisse and Pomfret, 2019). The provisions and mechanisms for investor–state dispute settlement, consultation, trade facilitation, and regulatory cooperation are expected to be included and improved over time (Petri and Plummer, 2020).

The implementation of the RCEP may face several challenges. To start with, consolidating and harmonising tariff liberalisation is difficult to achieve. Each of the five ASEAN+1 FTAs has different tariff elimination schedules, and 55 tariff elimination schedules exist under the five ASEAN+1 FTAs (Fukunaga and Kuno, 2012). Not all member countries view greater openness as an advantage, and many, therefore, might not be willing to commit to deeper integration and tend to make lower offers than those under their existing FTAs. Some RCEP members are also members of the CPTPP, giving rise to concerns about potential confusion over the future implementation of both agreements, especially in dealing with behind-the-border commitments. The three major economies in the RCEP – China, Japan, and Korea – have relatively few trade agreements, so joining the RCEP means that these powerful economies must compromise with each other (Damuri, 2018).

3. East Asian Integration: Conclusion of the Regional Comprehensive Economic Partnership and Challenges to Trade

In East Asia, tariff rates have decreased significantly due to WTO commitments as well as bilateral and regional obligations, whilst the number of NTMs has increased. This phenomenon has also occurred in almost all countries (WTO, 2019). From May to October 2019, G20 economies introduced import-restrictive measures covering $460.4 billion of traded merchandise, representing a 37% increase over May–October 2018 (WTO, 2019).

Whilst the average applied tariff rates in the six countries declined from 12.3% in 2000 to 5.0% in 2018 (most favoured nation tariff rates declined from 13.6% to 7.9%), the number of NTMs increased. Recently, the measures have been largely dominated by TBTs and SPS measures, which account for 80% of all measures. The developed countries (Australia, Japan, and New

Zealand) reduced their applied tariffs from 3%–7% in 2000 to 2%–4% in 2017. Korea cut its applied tariff rates from 9.8% in 2000 to 5.4% in 2017. The developing countries – China and India – followed a similar pattern. In 2000, China and India implemented applied tariff rates of 16.4% and 33.4%, respectively, and cut them to 8.5% and 8.9% in 2017.

While East Asia has progressed in trade and investment openness, the next main challenge remains unsolved: the increasing number of NTMs.[5] The RCEP agreement includes provisions such as the harmonisation of standards, technical regulations, conformity assessment procedures, and cooperation for regulatory coherence. Streamlining NTMs is daunting for all countries in the region.

While tariffs were once commonly used as the sole protectionist measure, the rising adoption of preferential trade agreements or regional trade agreements with tariff liberalisation commitments across countries is framing NTMs as protectionist measures that substitute for tariffs. Using the specific trade concerns database of 1995–2010, the WTO (2012) assessed that TBTs may replace tariffs, although limited evidence is found on SPS measures.

On one hand, justified NTMs have no direct intentions towards protectionism since most have non-trade objectives such as the protection of health, safety, the environment, animal welfare, and culture, although the effects can be trade reducing. NTMs can be corrective – addressing market failures, i.e., adverse selection, moral hazard, and externalities that can emerge in asymmetric information in markets (Ing, Cadot, and Walz, 2017) – and even facilitate trade and enhance welfare (Beghin et al., 2013).

On the other hand, Bhagwati (1988) argues that industries protected by high tariff rates are less affected by NTMs than industries that have lower tariff rates, as governments tend to utilise NTMs as a substitute for tariffs (the Law of Constant Protection). The use of policy tools such as NTMs in international trade is inseparable from the domestic political economy. Grossman and Helpman (1994) argue that pressures from domestic interest groups can substantially affect policy outcomes. When it comes to importing goods, support from domestic producers pushes governments to implement more NTMs on imported final goods rather than intermediate goods. NTMs are usually largely implemented in import-competing sectors (Broda, Limao, and Weinstein, 2008).

Empirically, using a large cross-section of 91 countries, Kee, Nicita, and Olarreaga (2009) showed that the frequency index of NTMs increases with GDP per capita, whilst average tariff rates decrease. Bagwell and Staiger (2014) argued that developed countries tend to impose NTMs to form trade policy spaces for future negotiations with developing countries.

Table 2.1 shows that, on average, 34% of the measures are SPS and 50% TBTs. Export measures represent about 13%, whilst the rest are in other forms. China has the highest number of NTMs,

---

[5] The CPTPP imposes conformity, as it refers to the 'same or equivalent procedures, criteria, and other conditions. The WTO's TBT Agreement allows differences in procedures if an assurance of conformity to applicable technical regulations and standards is maintained. On the limitation of information requirements, the protection of legitimate commercial interests, and the adequacy of review procedures, the CPTPP applies the terminology 'shall explain', which is stronger than the TBT Agreement's 'shall ensure' and 'what is necessary'. On SPS measures, the CPTPP provides more clarity on specific aspects of science and risk analysis than the WTO's SPS Agreement and more comprehensive transparency and information sharing than the WTO's SPS Agreement.

whilst Japan records the lowest. Agricultural countries such as India largely use SPS measures, whilst manufacturing bases such as China mainly employ TBTs. However, a higher number of NTMs does not reflect the level of protectionism.

Table 2.1. Non-tariff Measures, by Type, in the Six East Asian Countries

Country	SPS		TBT		Export measures		Other measures		Total NTMs
	No. of NTMs	% of total NTMs	No. of NTMs	% of total NTMs	No. of NTMs	% of total NTMs	No. of NTMs	% of total NTMs	
Australia	292	15	1,035	55	468	25	102	5	1,897
China	1,659	23	4,380	59	1,052	14	274	4	7,365
India	2,311	50	1,674	36	485	11	148	3	4,618
Japan	264	21	722	56	194	15	98	8	1,278
Korea	707	37	809	42	307	16	107	5	1,930
New Zealand	1,547	51	1,404	46	60	2	42	1	3,053
Total	6,780	34	10,024	50	2,566	13	771	3	20,141

MFN = most favoured nation, NTM = non-tariff measure, SPS = sanitary and phytosanitary, TBT = technical barrier to trade.
Notes: For the detailed NTM classification, see the Appendix. The six countries are Australia, China, India, Japan, Korea, and New Zealand.
Source: Author, based on the UNCTAD TRAINS database, https://trainsonline.unctad.org/home (Accessed 20 June 2020).

4. Non-tariff Measures in the Six East Asian Countries

This section presents simple economic analyses of NTMs in the six countries. While a number of methods quantify the impacts of NTMs on trade (Deardorff and Stern, 2001; Ing and Cadot, 2017; de Melo and Nicita, 2018a), three main basic methods measure the prevalence of NTMs in trade by measuring the incidences of NTMs.

(i)   *Frequency index* (FI) is the ratio of the number of products (calculated based on tariff lines) affected by at least one NTM to the total number of products within the product group. FI indicates the percentage of traded goods to which NTMs apply.

(ii)   *Coverage ratio* (CR) is basically the FI weighted by the value of exports (imports). CR is the ratio of the value of traded products affected by at least one NTM to the total value of traded goods. CR measures the percentage of trade subject to NTMs.

(iii)   *Prevalence score* (PS) is the average number of all unique types of NTMs applied simultaneously on traded goods, which is basically the average number of NTMs applied to traded goods.

$$FI_i = \frac{\sum_{k=1}^{hs} NTM_{ik}D_{ik}}{\sum_{k=1}^{hs} D_{ik}} 100 \tag{1}$$

$$CR_i = \frac{\sum_{k=1}^{hs} NTM_{ik}M_{ik}}{\sum_{k=1}^{hs} M_{ik}} 100 \tag{2}$$

$$PS_i = \frac{\sum_{k=1}^{hs} NoNTM_{ik}D_{ik}}{\sum_{k=1}^{hs} D_{ik}} 100 \tag{3}$$

In these equations, k denotes product, i represents the country enforcing the NTMs, NTM_{ik} is a dummy indicating the incidence of an NTM at the nomenclature of traded goods Harmonized System (HS) at the six-digit level, $NoNTM$ denotes the number of NTMs, M is the value of imports, and D is a binary variable that equals 1 when country i imports product k, and zero otherwise. M can be replaced by X to measured exported goods.

These indicators are mostly calculated on overall trade, considering all types of NTMs, but they can also illustrate the incidence of NTMs in specific groups of products (e.g., the average number of SPS measures applied to agricultural products, and TBTs to manufactured products).

NTM coverage varies, depending on countries' comparative advantage in certain sectors and need for imported products. A high-frequency index does not necessarily translate to a high coverage ratio. One plausible explanation is that countries tend to regulate imports of goods over which they have a comparative advantage and produce in excess, but not necessarily imported goods that they need. For example, in Japan, whilst NTMs are used more frequently for animal products than for mineral products, they cover a higher import value in minerals (85%) than animal products (72%). China, which has large shares of machinery and mineral fuels, applies NTMs to almost all machinery: about 99% of product lines in the machinery category are affected by at least one NTM. When weighted by the value of imports, about 96% of the value of machinery imports is affected by NTMs. In China, 95% of metal product lines are affected by at least one NTM, and when weighted by the value of its imports, 83% of China's metal imports are affected by NTMs. In contrast, a services-based developed country like Australia applies NTMs to only 7% of metal product lines.

Figure 2.2 shows the frequency index and coverage ratio for exports of the six countries across 15 product classifications (01 animal, 02 vegetables, 03 food, 04 mineral fuels, 05 chemicals, 06 plastic and rubbers, 07 leathers, 08 wood, 09 textiles, 10 footwear, 11 stone and glass, 12 metals, 13 machinery and electrical equipment, 14 transportation, and 15 miscellaneous). Except for Japan and New Zealand, most countries tend to regulate most animal, vegetable, and food products. The measures affect 68%–99% of products in those categories in four countries, whilst they affect only 10%–42% in Japan and New Zealand.

Figure 2.3 examines how heavily regulated a sector is relative to other sectors within a country and to the same sector in other countries. Through the prevalence score, we estimate the average number of NTMs applied to import products in six countries by sector. Although the score does not imply stringency, it provides some indication of the level of complexity that importers must face in each sector. Australia, China, and India apply more than eight measures to animal products, whilst Japan and New Zealand apply only about one or two measures (Figure 2.5).
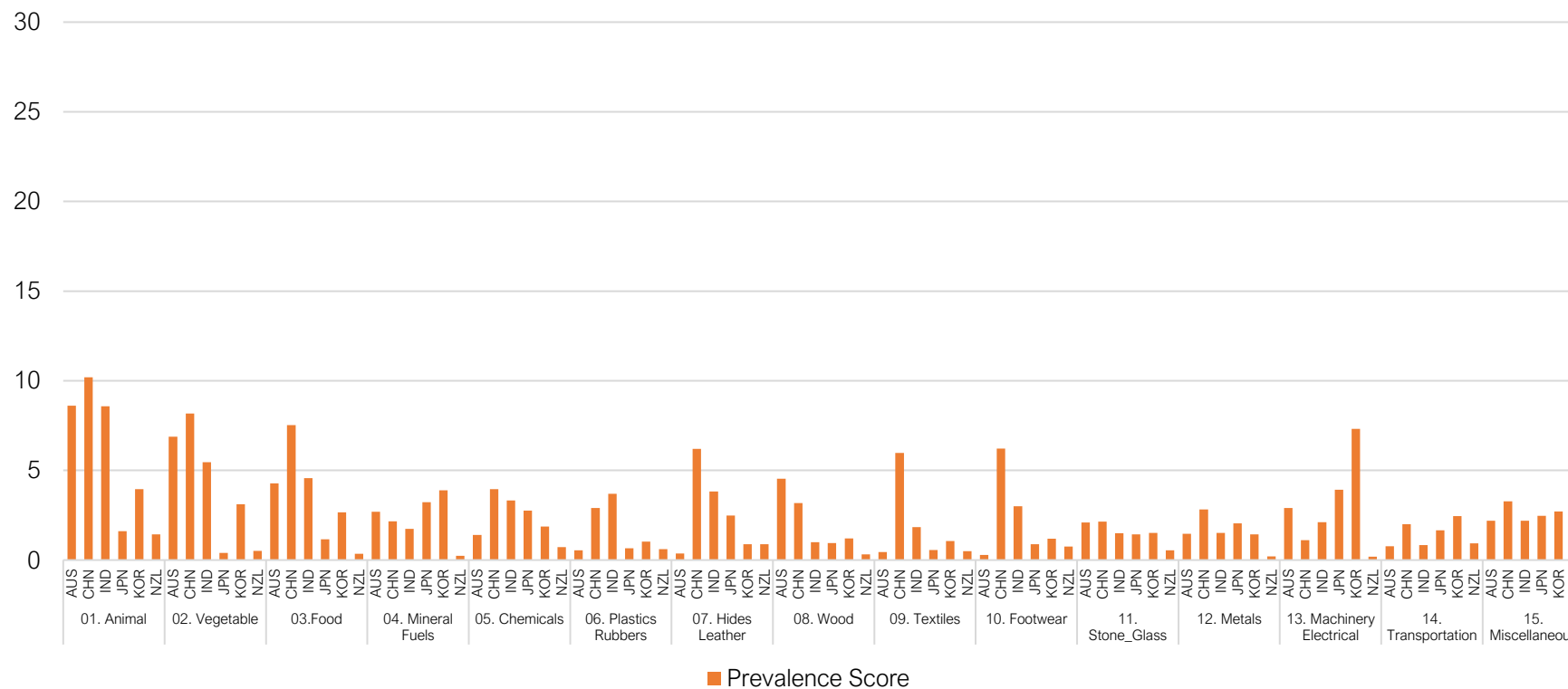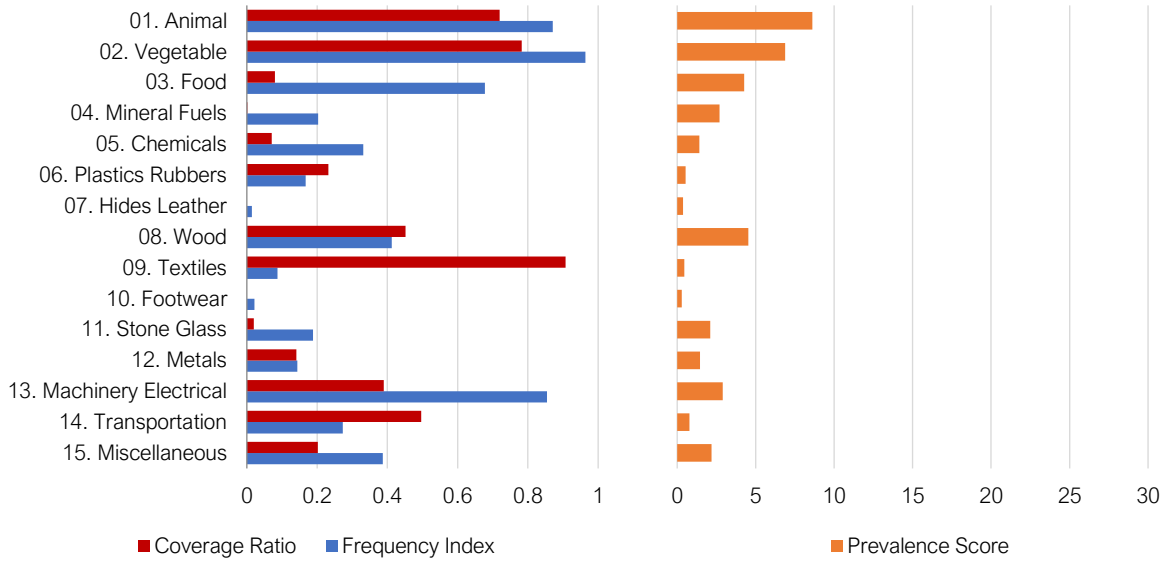
Figure 2.2. Frequency Index and Coverage Ratio of Exports: Australia, China, India, Japan, Korea, and New Zealand
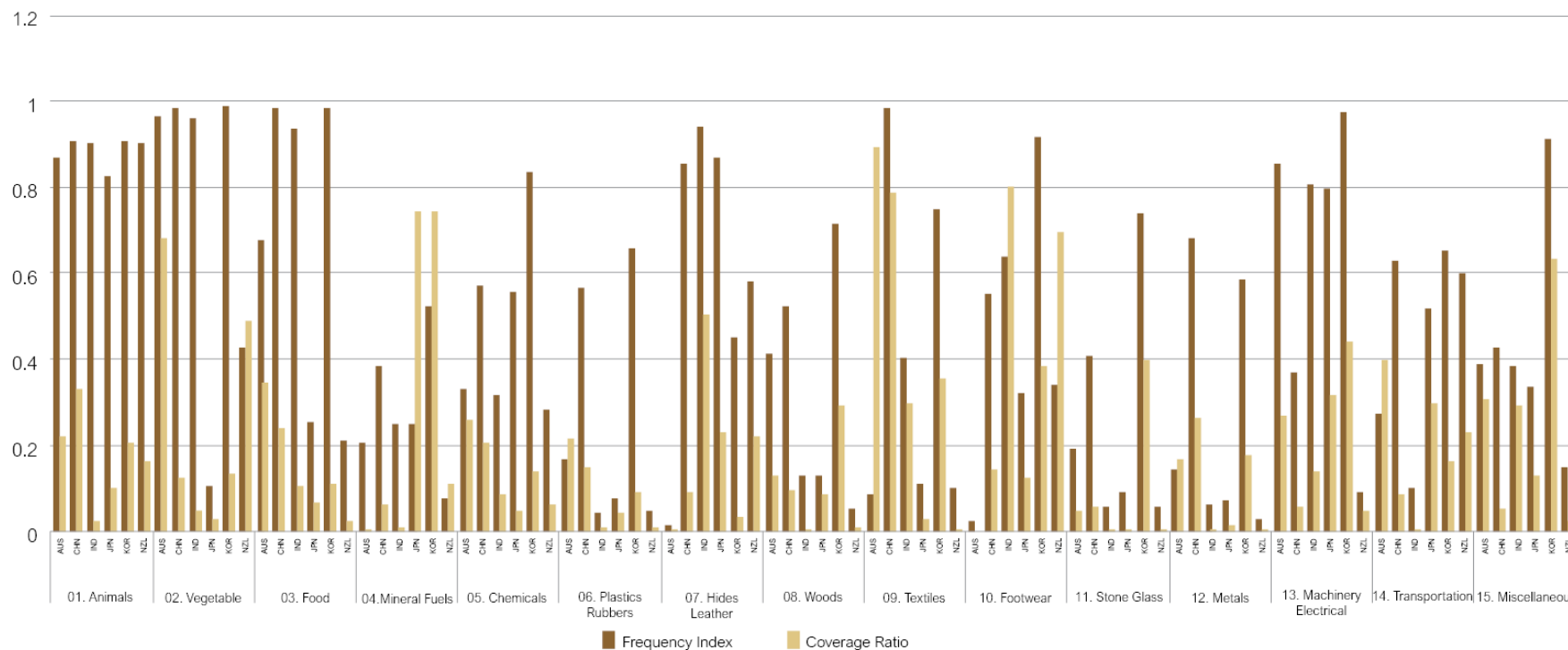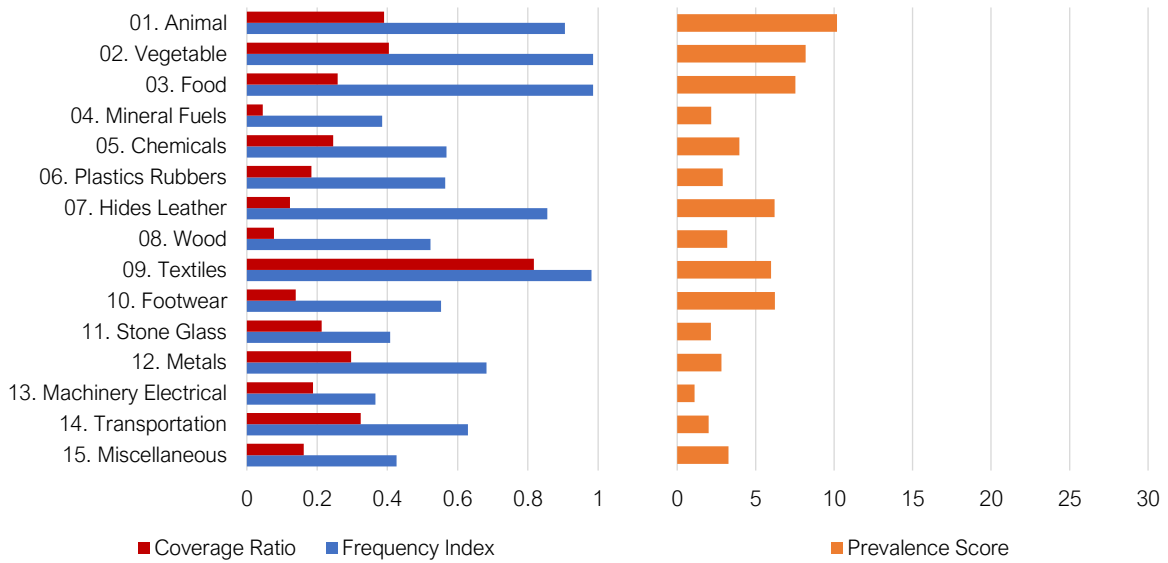

AUS = Australia, CHN = China, HS = Harmonized System, IND = India, JPN = Japan, KOR = Republic of Korea, NTM = non-tariff measure, NZL = New Zealand.
Notes: Data on NTMs are from the UNCTAD TRAINS database (accessed 1 May 2020). Data on imports for each country in 2018 are from the World Bank WITS database at the HS six-digit level. The trade year used was based on the year the NTM data were collected. The sector is defined at the HS 2017 two-digit level.
Source: Authors.

Figure 2.3. Prevalence Score of Exports: Australia, China, India, Japan, Korea, and New Zealand

■ Prevalence Score

AUS = Australia, CHN = China, HS = Harmonized System, IND = India, JPN = Japan, KOR = Republic of Korea, NTM = non-tariff measure, NZL = New Zealand.
Notes: Data on NTMs are from the UNCTAD TRAINS database (accessed 1 May 2020). Data on imports for each country in 2018 are from the World Bank WITS database at the HS six-digit level. The trade year used was based on the year the NTM data were collected. The sector is defined at the HS 2017 two-digit level.
Source: Authors.

Figure 2.4. Frequency Index, Coverage Ratio, and Prevalence Score of Exports for Six East Asian Countries
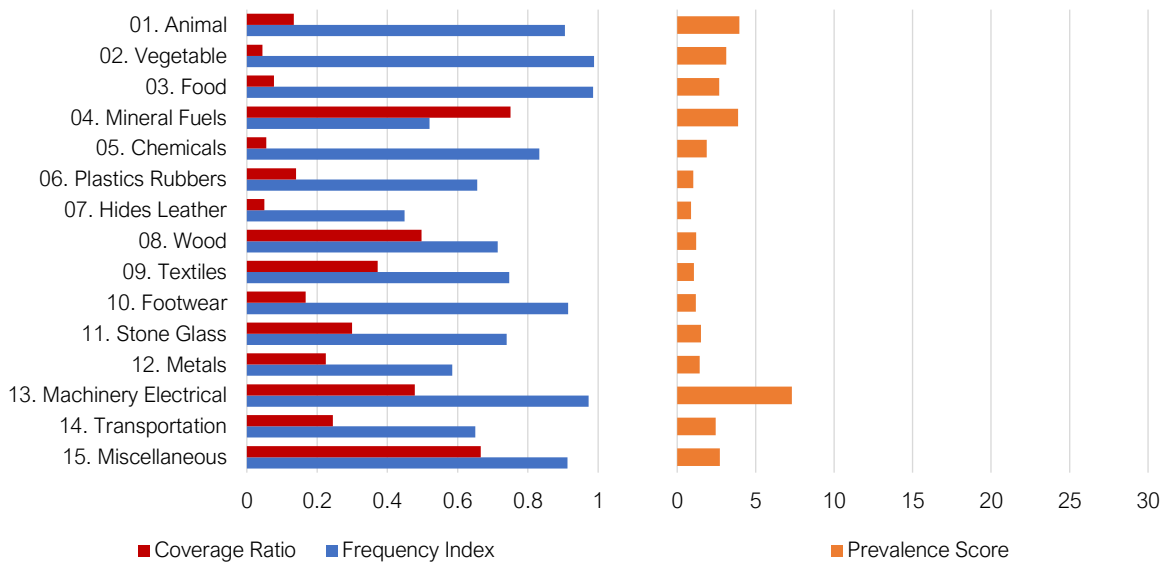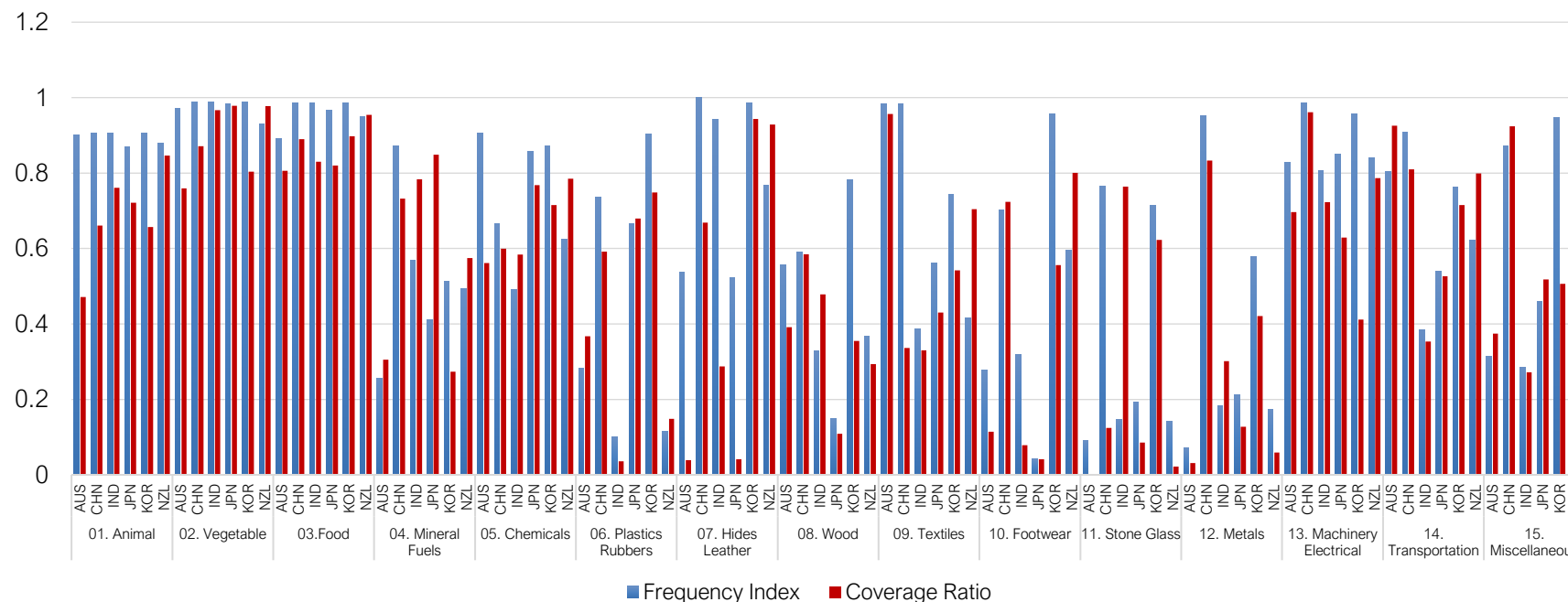
2.4a. Australia

2.4b. China

2.4c. India

Coverage Ratio ■ Frequency Index ■ Prevalence Score

2.4d. Japan

Coverage Ratio ■ Frequency Index ■ Prevalence Score

2.4e. Korea

Coverage Ratio ■ Frequency Index ■ Prevalence Score ■

2.4f. New Zealand

Coverage Ratio ■ Frequency Index ■ Prevalence Score ■
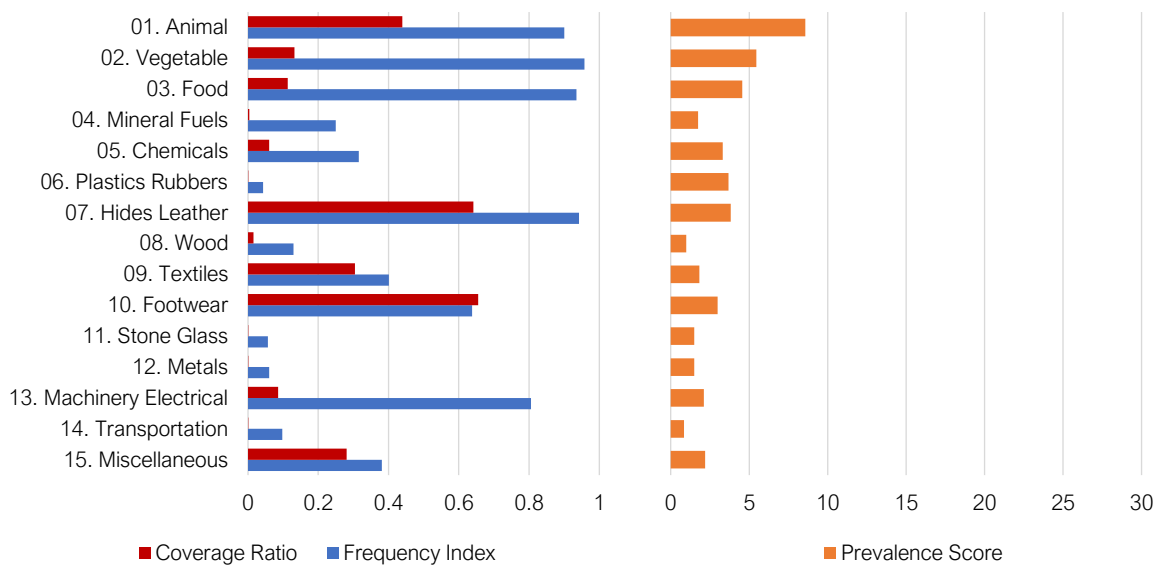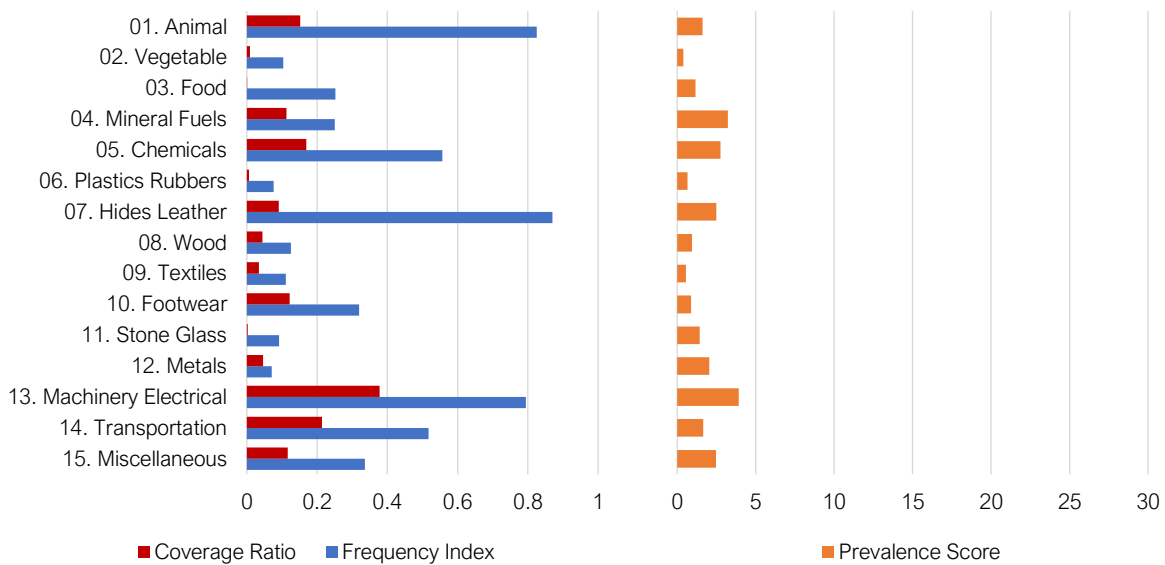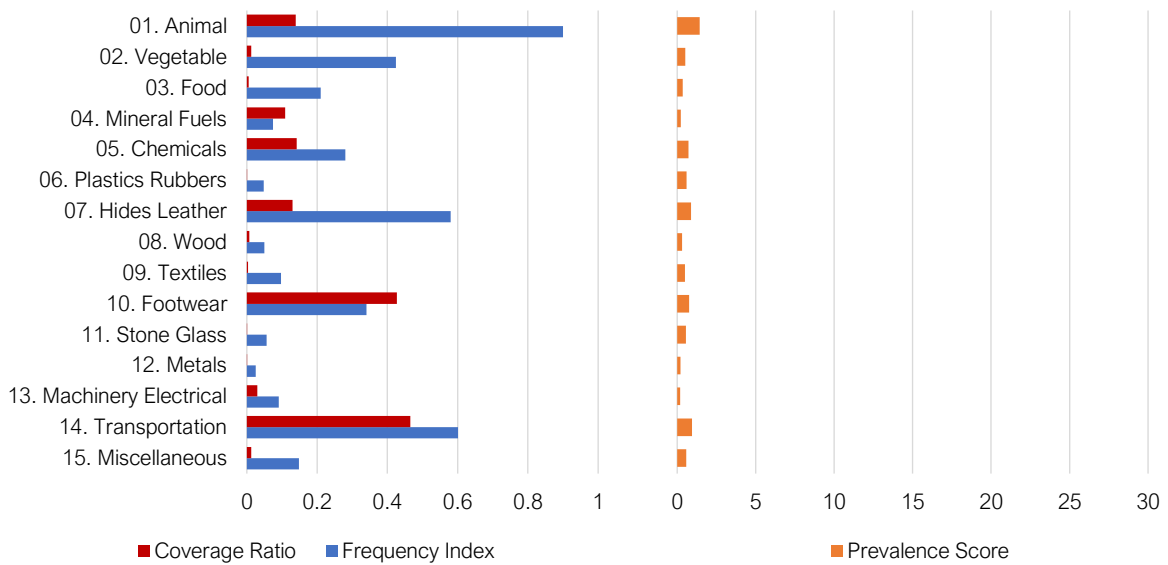
HS = Harmonized System
Notes: Data on NTMs are from raw data from the UNCTAD TRAINS database (accessed 1 May 2020).
Data on imports for each country in 2017/2018 are from the World Bank WITS database at the HS six-digit
level. The trade year used was based on the year the NTM data were collected. The sector is defined at
the two-digit level using HS 2017.
Source: Authors.

Figure 2.5 shows the frequency index and coverage ratio for imports of the six countries across 15 product classifications. In general, animal, vegetable, and food products tend to be more regulated than products in other categories, largely because of quality and safety standards. Except for Australia, the measures affect 66%–98% of trade in those sectors.

Figure 2.6 shows the prevalence score of imports in the six countries. There are considerable variances in the average number of measures applied to imports across countries and sectors. The food and vegetable sectors are subject to more NTMs applied to the same product, whilst fewer NTMs are applied to less traded products such as wood (HS.08) and stone and glass (HS.11). Within those sectors, India applies on average more than seven measures to stone and glass products (HS.11) whilst Australia and New Zealand barely impose any measures, with detailed figures of each country presented in Figure 2.7.

Figure 2.5. Frequency Index and Coverage Ratio of Imports: Australia, China, India, Japan, Korea, and New Zealand

AUS = Australia, CHN = China, HS = Harmonized System, IND = India, JPN = Japan, KOR = Republic of Korea, NTM = non-tariff measure, NZL = New Zealand.
Notes: Data on NTMs are from the UNCTAD TRAINS database (accessed 1 May 2020). Data on imports for each country in 2028 are from the World Bank WITS database at the HS six-digit level. The trade year used was based on the year the NTM data were collected. The sector is defined at the HS 2017 two-digit level.
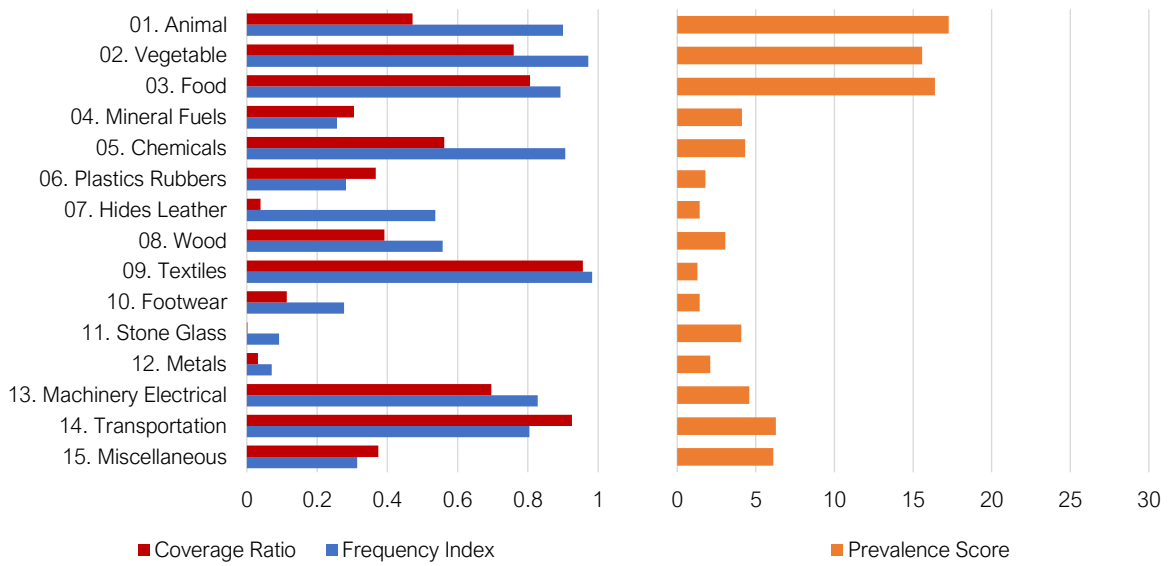Source: Authors.

Figure 2.6. Prevalence Score of Imports: Australia, China, India, Japan, Korea, and New Zealand
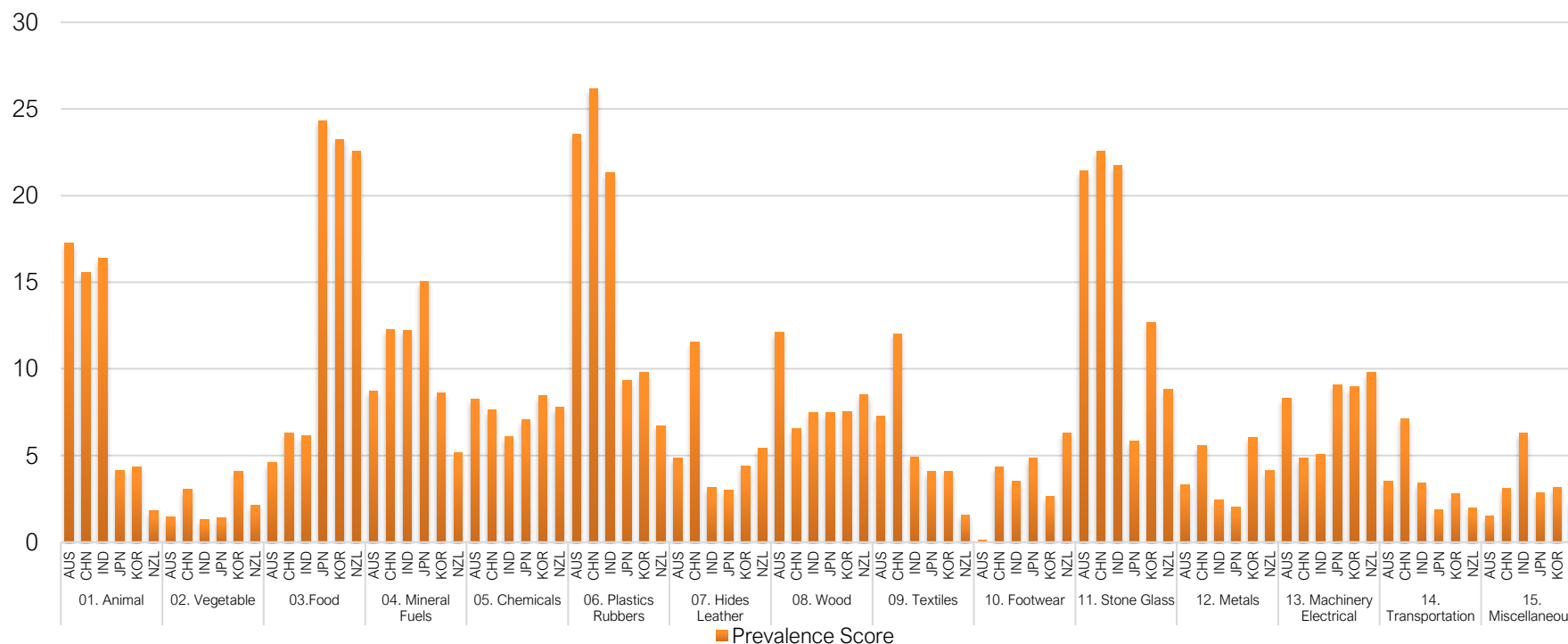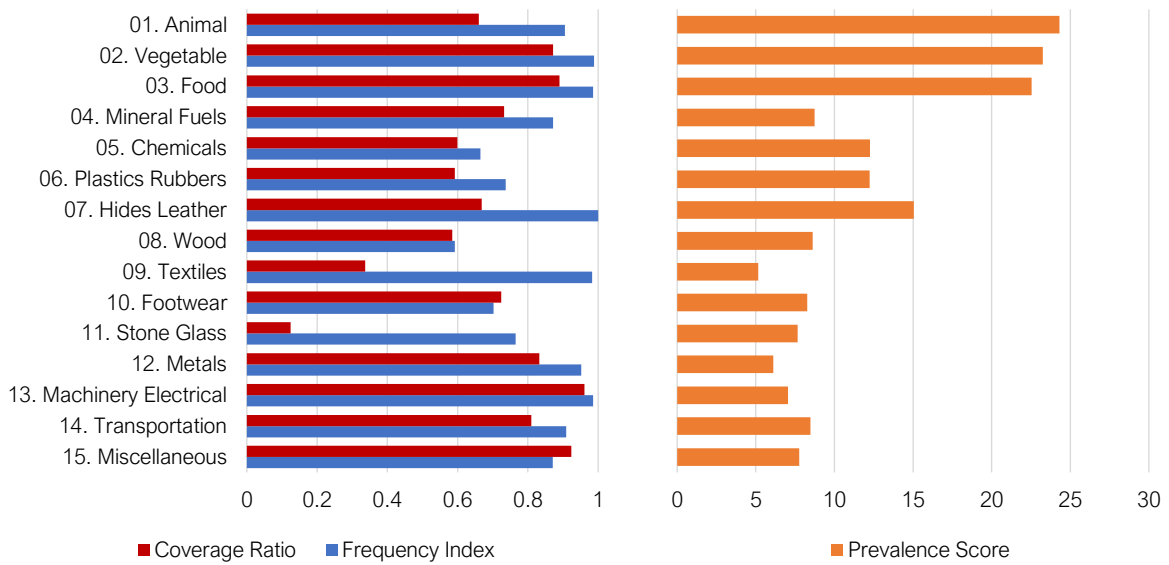

AUS = Australia, CHN = China, HS = Harmonized System, IND = India, JPN = Japan, KOR = Republic of Korea, NTM = non-tariff measure, NZL = New Zealand.
Notes: Data on NTMs are from the UNCTAD TRAINS database (accessed 1 May 2020). Data on imports for each country in 2018 are from the World Bank WITS database at the HS six-digit level. The trade year used was based on the year the NTM data were collected. The sector is defined at the two-digit level, based on HS 2017.
Source: Authors' calculations.

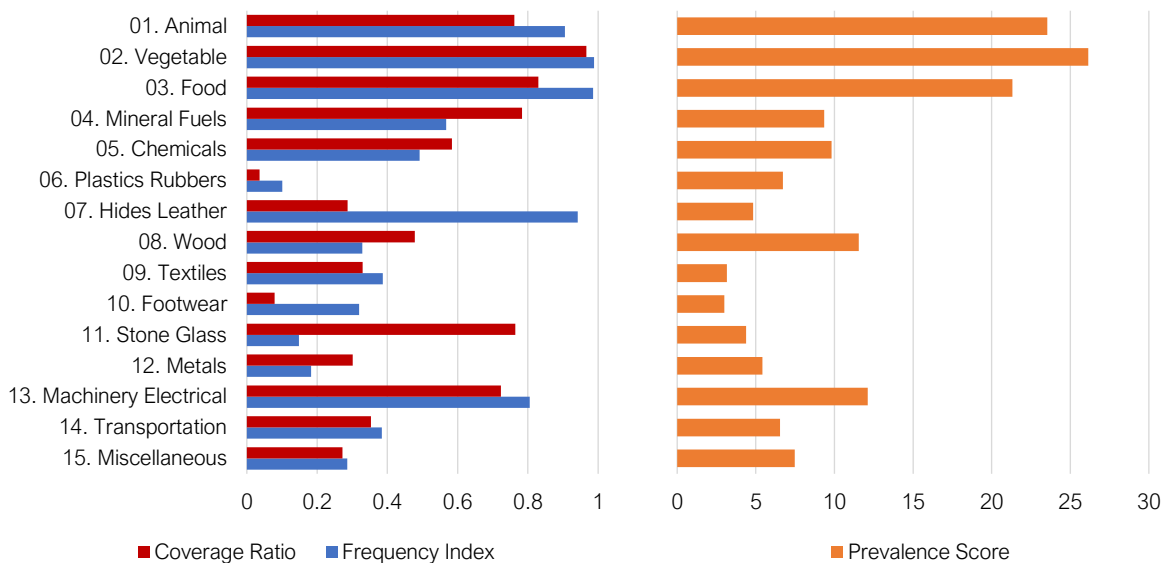## Figure 2.7. Frequency Index, Coverage Ratio, and Prevalence Score of Imports for Six East Asian Countries
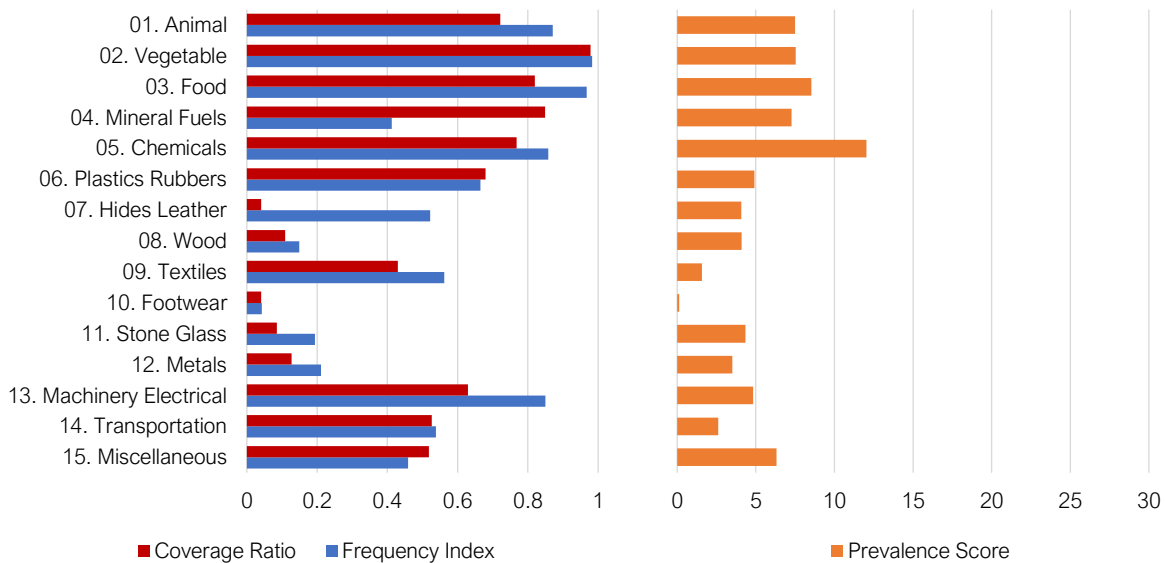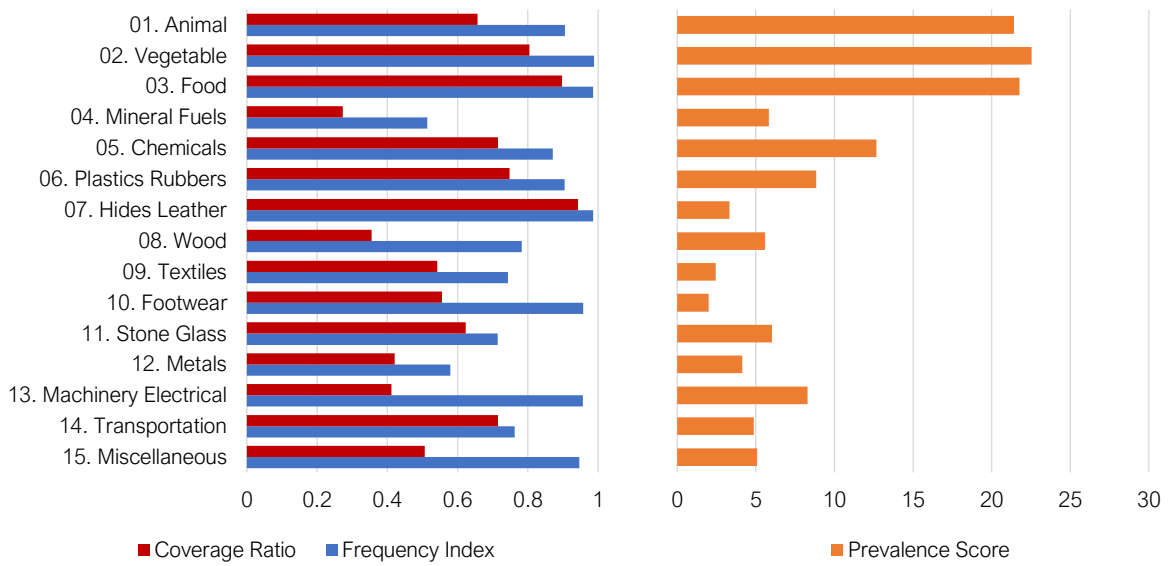
2.7a. Australia

2.7b. China

2.7c. India

Coverage Ratio ■ Frequency Index ■ Prevalence Score ■

2.7d. Japan

Coverage Ratio ■ Frequency Index ■ Prevalence Score ■

2.7e. Korea

Coverage Ratio   Frequency Index   Prevalence Score

2.7f. New Zealand

Coverage Ratio   Frequency Index   Prevalence Score
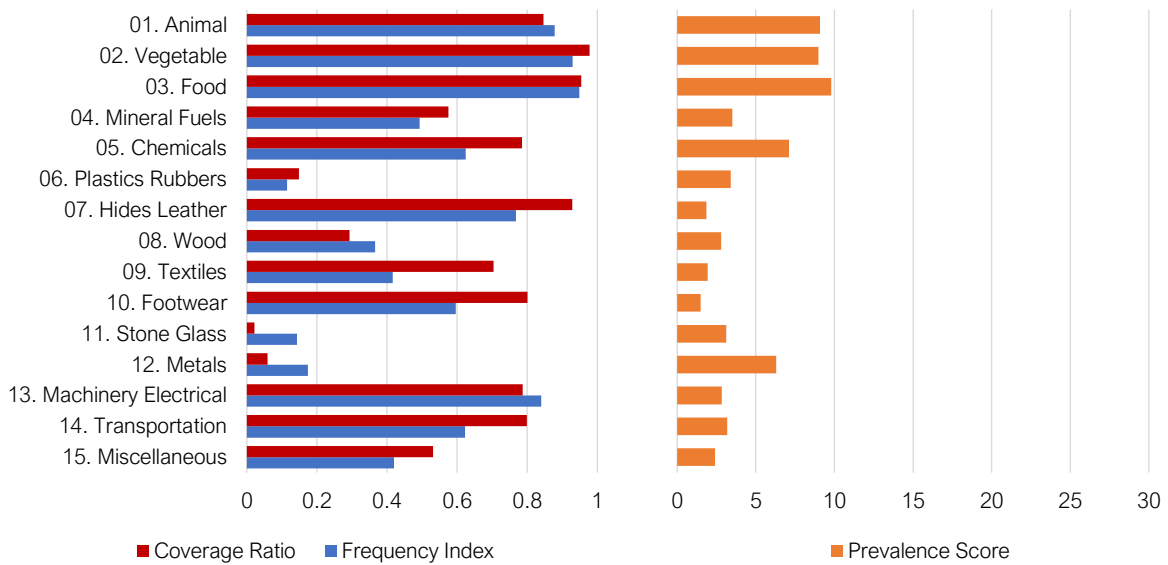
Notes: Trade data were downloaded from the World Bank WITS database at the Harmonized System (HS) six-digit level for 2017. The trade year used was based on the year the non-tariff measures data were collected. The sector was defined in HS 2017 two-digit sections.
Source: Authors, based on UNCTAD TRAINS raw data (accessed 1 May 2020).

5. Conclusions and Policy Recommendations

While the RCEP was substantially concluded in November 2019 and signed by the leaders in November 2020, NTM issues will still pose a significant challenge for East Asian integration.

First, at the national level, all countries should not only adopt online licensing procedures, but also ensure that automatic licensing is in place. Second, they should streamline NTMs and the procedures to obtain licences and/or permits. Third, at the regional level, East Asia should consider establishing a regional committee with enforcement powers to deal with NTMs to harmonise standards and mutual recognition agreements and to review all regulations. Unless all members fulfil their commitments to reduce restrictive trade measures, the RCEP may have less significant impacts on trade and investment in the regional and worldwide.

References

ASEAN (2019), *Regional Comprehensive Economic Partnership Agreement, Legal Text of the RCEP Agreement*. Available at: http://rcepsec.org/legal-text/ (accessed 20 November 2020).

ASEAN (2019), Joint Leaders' Statement on the Regional Comprehensive Economic Partnership (RCEP), 4 November, Bangkok, Thailand.

Bagwell, K. and R.W. Staiger (2014), 'Can the Doha Round Be a Development Round? Setting a Place at the Table'*,* in R.C. Feenstra and A.M. Taylor (eds.) *Globalization in an Age of Crisis: Multilateral Economic Cooperation in the Twenty-First Century,* National Bureau of Economic Research Conference Report. Chicago and London: University of Chicago Press, pp.91–124.

Beghin, J.C., A. Disdier, S. Marette, and F. van Tongeren (2013), 'A Cost–Benefit Approach for the Assessment of Nontariff Measures in International Trade', in J.C. Beghin (ed.) *Nontariff Measures with Market Imperfections Trade and Welfare Implications*, *Frontiers of Economics and Globalization,* vol. 12*.* Bingley, United Kingdom: Emerald Group Publishing, pp.15–41.

Bhagwati, J. (1988), *Protectionism*. Cambridge, MA: MIT Press.

Bhagwati, J. (1995), 'US Trade Policy: The Infatuation with FTAs', *Department of Economics Discussion Paper Series*, No. 726. New York: Columbia University.

Bhagwati, J. (1999), 'The "Miracle" that Did Happen: Understanding East Asia in Comparative Perspective', in E. Thorbecke and H. Wan (eds.), *Taiwan's Development Experience: Lessons on Roles of Government and Market*. Boston, MA: Springer, pp.21–39.

Broda, C., N. Limao, and D.E. Weinstein (2008), 'Optimal Tariffs and Market Power: The Evidence', *The American Economic Review*, 98(5), pp.2032−65.

Business Standard (2020), 'What Is RCEP'. Available at: https://www.business-standard.com/about/what-is-rcep (Accessed 24 December 2020).

Cadot, O., A. Asprilla, J. Gourdon, C. Knebel, and R. Peters (2015), 'Deep Regional Integration and Non-tariff Measures: A Methodology for Data Analysis', *Policy Issues in International Trade and Commodities Research Study Series*, No. 69. New York and Geneva: United Nations Conference on Trade and Development.

Chaisse, J. and R. Pomfret (2019), 'The RCEP and the Changing Landscape of World Trade', *Law and Development Review,* 12(1), pp.159–90.

Choudhury, R.N. (2019), 'Why Did India Betray RCEP?', *East Asia Forum.* Available at: http://www.eastasiaforum.org/2019/12/21/why-did-india-betray-rcep/ (Accessed 23 December 2020).

Damuri, Y. (2018), 'How Might the Trans-Pacific Partnership Affect the Game?' in J. Drake-Brockman and P. Messerlin (eds.), *Potential Benefits of an Australia–EU Free Trade Agreement: Key Issues and Options*. Adelaide, Australia: University of Adelaide Press, pp.75–94. (Accessed 23 December 2020).

Das, S.B. and B.J. Reema (2014), 'The Regional Comprehensive Economic Partnership: New Paradigm or Old Wine in a New Bottle?' *ISEAS Economics Working Paper,* 2014-3, pp.1–32.

Deardorff, A.V. and R.M. Stern (2001), 'Measurement of Non-tariff Barriers', *Journal of International Economics*, 55(1), pp.239–42.

Doan, H.T.T. and S. Rosenow, eds. (2019), *Non-tariff Measures in ASEAN – An Update.* Jakarta: Economic Research Institute for ASEAN and East Asia (ERIA).

Frankel, J.A., D. Romer, and T. Cyrus (1996), 'Trade and Growth in East Asian Countries: Cause and Effect?' *NBER Working Paper Series,* No. 5732. Cambridge, MA: National Bureau of Economic Research.

Fukunaga, Y. and A. Kuno (2012), 'Toward a Consolidated Preferential Tariff Structure in East Asia: Going Beyond ASEAN+1 FTAs', *ERIA Policy Brief,* No. 2012-03. Jakarta: ERIA. Available at: https://www.eria.org/ERIA-PB-2012-03.pdf (accessed 3 January 2021).

Grossman, G.M. and E. Helpman (1994), 'Protection for Sale', *The American Economic Review*, 84(4), pp.833–50.

Gupta, S. (2014), 'Making RCEP about Region-Wide Liberalisation', *East Asia Forum,* 23 February. Available at: https://www.eastasiaforum.org/2014/02/23/making-rcep-about-region-wide-liberalisation/ (Accessed 24 December 2020).

Gupta, S. and S. Ganguly (2020), 'Why India Refused to Join the World's Biggest Trading Bloc', *Foreign Policy*, 23 November. Available at: https://foreignpolicy.com/2020/11/23/why-india-refused-to-join-rcep-worlds-biggest-trading-bloc/ (Accessed 24 December 2020).

India Today (2019), 'India First: Amit Shah Explains Why PM Modi Said No to RCEP', 13 November.

Ing, L.Y., O. Cadot, R. Anandhika, and S. Urata (2016), 'Non-tariff Measures in ASEAN: A Simple Proposal', in L.Y. Ing, S.F. de Cordoba, and O. Cadot (eds.) *Non-tariff Measures in ASEAN*. Jakarta: ERIA, pp.13–36.

L.Y. Ing, S.F. de Cordoba, and O. Cadot (eds.) (2016), *Non-tariff Measures in ASEAN*. Jakarta: ERIA.

Ing, L.Y., O. Cadot, and J. Walz (2017), 'Transparency in Non-tariff Measures: An International Comparison', *The World Economy*, 41(3), pp.884–912.

Ing, L.Y. and O. Cadot (2019), 'Ad Valorem Equivalents of Non-tariff Measures in ASEAN', in L.Y. Ing, R. Peters, and O. Cadot (eds.), *Regional Integration and Non-tariff Measures in ASEAN*. Jakarta: ERIA, pp.40–64.

Ing, L.Y., R. Peters, and O. Cadot, eds. (2019), *Regional Integration and Non-tariff Measures in ASEAN*. Jakarta: ERIA.

Itakura, K. (2013), 'Assessing the Economic Effects of the Regional Comprehensive Economic Partnership on ASEAN Member States', in L.Y. Ing (ed.) *East Asian Integration*. Jakarta: ERIA, pp.1–24.

Itakura, K. (2019), 'Impacts of NTMs on Trade and Welfare: A Case Study on ASEAN', in L.Y. Ing, R. Peters and O. Cadot (eds.), *Regional Integration and Non-tariff Measures in ASEAN*. Jakarta: ERIA, pp.27–39.

Kee, H.L., A. Nicita, and M. Olarreaga (2009), 'Estimating Trade Restrictiveness Indices', *The Economic Journal,* 119(534), pp.172–99.

Knebel, C. and R. Peters (2019), 'Non-tariff Measures and the Impact of Regulatory Convergence in ASEAN', in L.Y. Ing, R. Peters, and O. Cadot (eds.) *Regional Integration and Non-tariff Measures in ASEAN*. Jakarta: ERIA, pp.65–89.

Limão, N. and P. Tovar (2011), 'Policy Choice: Theory and Evidence from Commitment via International Trade Agreements', *Journal of International Economics*, 85(2), pp.186–205.

De Melo, J. and A. Nicita (2018a), 'Non-tariff Measures: Data and Quantitative Tools of Analysis', *FERDI Working Paper*, No. 218. Clermont-Ferrand, France: Foundation for Studies and Research on International Development.

De Melo, J. and A. Nicita (2018b), 'Non-tariff Measures Scope and Overview', in J. de Melo and A. Nicita (eds.) *Non-tariff Measures: Economic Assessment and Policy Options for Development.* Geneva: United Nations Conference on Trade and Development, pp.1–12.

Menon, J. (2013), 'Supporting the Growth and Spread of International Production Networks in Asia: How Can Trade Policy Help?' *ADB Working Paper Series on Regional Economic Integration*, No. 112. Manila: Asian Development Bank.

Nasbeshima, K. and A. Obashi (2019), 'Regulatory Dissimilarity: A First Look at the Newly Collected Non-tariff Measure Database', *ERIA Discussion Paper Series*, No. 12. Jakarta: ERIA.

Pangestu, M. and S. Armstrong (2018), 'Asian Economic Integration: The State of Play', in S. Armstrong and T. Westland (eds.), *Asian Economic Integration in an Era of Global Uncertainty.* Canberra: ANU Press, pp.15–61. Available at: https://press-files.anu.edu.au/downloads/press/n4106/pdf/ch02.pdf (accessed 24 December 2020).

Petri, P.A. and M.G. Plummer (2014), 'Asia-Pacific Regional Integration: Economic Effects and Implications for the Global Trading System', 5 June, Available at: http://econbrowser.com/archives/2014/06/guest-contribution-asia-pacific-regional-integration (accessed 24 December 2020).

Petri, P.A. and M.G. Plummer (2020), 'East Asia Decouples from the United States: Trade War, COVID-19, and East Asia's New Trade Blocs', *PIIE Working Paper*, 20-9. Washington, DC: Peterson Institute for International Economics. Available at: https://www.piie.com/system/files/documents/wp20-9.pdf (Accessed 5 January 2021).

RIS (2015), 'Non-tariff Measures and Standards', *World Trade and Development Report: Mega Regionals, WTO and New Issues*. New Delhi: Research and Information System for Developing Countries, pp.39–56.

Van Tongeren, F., J. Beghin, and S. Marette (2009), 'A Cost–Benefit Framework for the Assessment of Non-tariff Measures in Agro-Food Trade', *OECD Food, Agriculture and Fisheries Working Papers*, 21. Paris: Organisation for Economic Co-operation and Development.

United Nations Conference on Trade and Development (UNCTAD) (2010), *Non-tariff Measures: Evidence from Selected Developing Countries and Future Research Agenda.* New York and Geneva.

UNCTAD (2016), *Guidelines to Collect Data on Official Non-tariff Measures.* New York and Geneva.

UNCTAD (2018), *UNCTAD TRAINS: The Global Database on Non-tariff Measures User Guide,* 2017, Version 2. New York and Geneva.

UNCTAD (2019), *International Classification of Non-tariff Measures,* 2019 Version. New York.

UNCTAD and World Bank (2018), *The Unseen Impact of Non-tariff Measures: Insights from a New Database*. Geneva.

UNCTAD Trade Analysis Information System (TRAINS), *Non-tariff Measure Database*. Available at: https://trainsonline.unctad.org/home

World Bank (1993), *The East Asian Miracle: Economic Growth and Public Policy.* New York: Oxford University Press.

World Bank (2020), *World Development Indicators*. Available at: https://wits.worldbank.org/

World Trade Organization (WTO) (2012), *World Trade Report 2012 – Trade and Public Policies: A Closer Look at Non-tariff Measures in the 21st Century*. Geneva. Available at: https://www.wto.org/english/res_e/booksp_e/anrep_e/world_trade_report12_e.pdf

WTO (2019), *Report on G20 Trade Measures: Mid-October 2018 to Mid-May 2019*. Geneva. Available at: https://www.wto.org/english/news_e/news19_e/g20_wto_report_june19_e.pdf

WTO (2020), *Report on G20 Trade Measures: Mid-October 2019 to Mid-May 2020*. Geneva. Available at: https://www.wto.org/english/news_e/news20_e/report_trdev_jun20_e.pdf