


Opinions

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Non-tariff Measures on Goods Trade in Northeast Asia: Facts and the Way Forward



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There is a general perception that the use of non-tariff measures (NTMs) has increased worldwide in recent years. NTMs have acquired growing importance as tariffs have declined under the GATT/WTO regime. Less effectively regulated measures such as TBT (Technical Barriers to Trade) or SPS (Sanitary Phytosanitary) measures are substituted for obvious measures such as tariffs.


Among the many NTMs, TBT/SPS measures are the most frequently recorded in official data such as the WTO i-TIP. Although the primary reasons for implementing TBT/SPS measures are legitimate and important, NTMs may have con-

siderable restrictive and distorting effects on international trade and can be used as a tool to protect the local industry.

Having calculated the coverage ratio and frequency index of TBT/SPS measures of China, Japan and Korea (hereafter, CJK), I find that TBT/SPS measures vary across sectors but are especially prevalent in the agro-food industry. Several examples of the considerable TBT/SPS measures of CJK deserve notice. For instance, Korea's export of kimchi to China is near-completely blocked as the Chinese government classifies kimchi as pickled goods. Kimchi, being a fermented food with high levels of bacteria, cannot pass the hygiene standards China applies to pickled goods imports. Cadot et al. (2015) also find that the ad-valorem equivalents (AVEs) are highest in the animal and vegetable sectors worldwide; SPS and TBT measures account for the bulk of these AVEs.

The calculated coverage ratio and frequency index of TBT/SPS measures of CJK also implies that NTMs appear to have increased during the Global Financial Crisis (GFC) and remained high in number afterwards. UNCTAD (2010) reports that several countries have introduced new or stricter product standards in the wake of the GFC. Along with the previous observation, this is consistent with the stylized facts about the worldwide NTMs documented by the World Trade Organization (2012).

Regulatory measures such as TBT/SPS measures related to goods give rise to challenges in international cooperation, due to their restrictive effects on trade. The externality of NTMs created by the proliferated global production chains in CJK is especially detrimental. However, as Cadot et al (2015) point out, NTMs affect trade not only through their inherently stringent nature, but also through their non-harmonization in implementation and procedures. In this regard, achieving harmonization across the three countries through regional initiatives can actually constitute a more flexible instrument than multilateral negotiations. The successful removal of NTMs at the regional level may require some delegation of authority to agencies at the supra-national level.

As CJK agreed to resume, this year, the trilateral meeting among their respective foreign ministers, now would be the appropriate time to engage in in-depth discussions to reduce the non-tariff barriers to trade discussed above, since tariff liberalization alone has generally proved insufficient in promoting true economic integration across Northeast Asia. 

References

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