

AANZFTA Non-Tariff Measures Review

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ASEAN-AUSTRALIA-NEW ZEALAND FREE TRADE AREA
ECONOMIC COOPERATION SUPPORT PROGRAMME
(AECSP)

The ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) Economic Cooperation Support Program (AECSP) was established in 2010 aiming to realize the full benefits of the AANZFTA through supporting the Parties and ASEAN Secretariat in the operationalization and implementation of AANZFTA.

With support from the AECSP, the AANZFTA Non-Tariff Measures Review Report was prepared by the Adelaide Research and Innovation Pty. Ltd., University of Adelaide, Australia. Based on the report, the AANZFTA Committee on Trade in Goods developed recommendations to the Ministers to take forward the Non-Tariff Measures (NTM) work.

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ABSTRACT

This report outlines the findings of a study on the impact of Non-tariff Measures along the supply chain throughout the region of the Association of Southeast Asian Nations (ASEAN), Australia and New Zealand. It was commissioned by the Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) Trade in Goods Committee to assist the Committee fulfil Article 7(4) of the Agreement's Trade in Goods Chapter which mandates a review of NTMs.

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Executive Summary

Non-tariff measures (NTMs) have come into increasing focus for businesses as tariff levels have fallen over the past decades. In view of this, the report on NTMs is timely and provides an important step toward facilitating trade in the region.

NTMs can be defined as policy measures other than ordinary customs tariffs with the potential to have an economic effect on international trade in goods or services. These include laws and regulations that govern international trade directly (such as import and export regulations), and those that can affect trade indirectly through domestic policies (such as labelling and packaging requirements).

There are valid reasons why NTMs are imposed by governments. NTMs may support legitimate and necessary policy objectives, such as safeguarding public health and the environment. However, some NTMs act as unnecessary barriers to trade, or may have unintended consequences which distort trade.

This report outlines the findings of a study on the review of NTMs along the supply chain throughout the region of the Association of Southeast Asian Nations (ASEAN), Australia and New Zealand. It was commissioned by the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) Trade in Goods Committee to fulfil Article 7(4) of the Agreement's Trade in Goods Chapter which mandates a review of NTMs. Given that the surveys were largely focused on the seafood and wood/furniture sectors, further work is recommended to confirm the extent to which the conclusions may be relevant to trade more generally, or reflect features of trade specific to these sectors. This would also enable the potential identification of other sector specific aspects to trade.

The study involved consultations with 110 companies, mostly Small-to-Medium Enterprises (SMEs), during in-country consultations conducted in Australia, Indonesia, Malaysia, New Zealand, Singapore and Thailand between August 2015 and March 2017. Of these companies, 44 participated in the Wood and Timber Furniture Sector and its supporting industries, while 28 participated in the Seafood Sector. A total of 19 trade forwarders and a further 19 companies operating in other sectors were also consulted. 83 of the 110 companies consulted are engaged in international trade.

At the conclusion of the consultations, qualitative and quantitative data collected throughout the study was analysed and seven key insights were identified:

- (1) **Lack of Transparency and Accessibility of Information** continue to present significant challenges for companies engaged in international trade. The inability to easily access clear guidelines on the documentary evidence required to demonstrate compliance, or to anticipate the costs and time required for shipments to clear customs, present significant risks for companies and may inhibit participation in international trade.
- (2) The **complexity and variability of regulations and procedures across the region** make it difficult for companies to determine whether or not they meet trade requirements, what documentary evidence they must produce to demonstrate compliance, and from which authorities this documentation must be obtained. This complexity creates uncertainty for traders and may discourage some companies, particularly small and micro-scale enterprises, from participating in international trade.
- (3) **Inconsistent implementation of NTMs** across the region creates confusion and uncertainty for traders. This uncertainty can inhibit the development of key relationships and contracts and prevents companies from establishing sustainable supply and value chains.
- (4) The **requirement that companies duplicate their efforts**, in order to comply with local and foreign rules and processes, places undue burden on exporting companies, both in terms of the time and fees associated with conducting international trade, and may be prohibitive for some companies.
- (5) Where NTMs and trade regulations are neither transparent nor consistent, **widespread use of facilitation payments, and unethical and possibly corrupt practices** commonly referred to as “S-11 Technologies” are adopted to facilitate trade.

- (6) NTMs and the strategies engaged to manage them tend to **favour Medium-to-Large Enterprises and disadvantage Small-to-Micro-Scale Enterprises (SMSEs)**, many of whom lack the resources to effectively navigate cumbersome or complex trade requirements through the engagement of dedicated staff to research requirements and ensure compliance, or the adoption of use of facilitation payments, and unethical and possibly corrupt trade practices.
- (7) Significant **capacity gaps** across the region both on the part of government officials and companies engaged in import and/or export activities exacerbate compliance issues and limit the potential benefits traders are able to derive from preferential trade agreements.

The study found that the NTMs in place had significant implications. There is one set of implications related to the building of, participation in and efficiency of operation of value chains. Further implications included those for the competitiveness of exporters, the costs of uncertainty in international transactions, the difficulties created in providing support for exporters, the use of other unethical measures to facilitate trade and the barriers to the participation of SMSEs in world trade.

The following 11 recommendations have been developed to respond to these findings:

- (1) **Develop an online application through which traders can access information about trade regulations, requirements and step by step guides via smartphone technology. This will guide traders in understanding requirements, and how to move through the process of meeting these, including how to complete necessary applications for permits, licences or other documentation. It will link to a repository of official documents as references, allow companies to register to receive email alerts for updates or regulatory changes, and provide business matching, networking and e-commerce services.**
AANZFTA member countries would develop a single regional (AANZFTA) business friendly, non-technical trade education portal that can be used by companies throughout the AANZFTA to easily identify and access instruction on how to adhere to general trade regulations and take advantage of the benefits of preferential trade agreements throughout the region. The portal should be linked to existing websites or portals, and embed opportunities for business matching and networking, including e-commerce functions.
- (2) **Share information on a continuing basis among government and the business community** to increase transparency and accessibility of trade related information. Where new regulations or changes to existing legislation are proposed, improved means of consulting with and communicating changes to the business community must be adopted, including early public consultation and review of proposed regulations.
- (3) **Increase automation of documentation approvals**, including self-declaration and Certificates of Origin (COOs).
- (4) **Develop a pre-shipment assurance portal**, including for illegal logging regulations, where traders can submit completed documentation for review prior to despatching their goods to international destinations in order to increase trader confidence that their goods will be cleared by customs, meet post-entry requirements such as quarantine protocols, and/or meet domestic requirements in the importing country and thereby encourage greater participation in international trade.
- (5) **Develop an AANZFTA members Trusted Trader Network** which recognises companies that trade regularly and consistently meet NTM requirements, and rewards them with certification which provides them with access to a range of trade facilitation benefits such as access to simplified and streamlined documentary processes and express clearance of goods through customs.
- (6) **Review trade regulations and practices of each AANZFTA member to identify, replicate and implement best practice across the region.**
- (7) **Assess the costs and benefits of proposed regulations** for all stakeholders to ensure that the views of SMSEs are considered in the design of new or revised regulations.

- (8) **Collaborate among government and industry associations to build the capacity of companies**, through the facilitation of access to information and provision of training to assist them in understanding regulatory requirements and develop effective systems to help them comply with these.
- (9) **Improve training and education programs for government officials**, including regular refresher courses to ensure they remain informed on the most recent developments in trade and best practices across the region. This should be supported by a central administrator who would also be responsible for reviewing decisions made by officers in the field, promoting consistency in the application of regulatory requirements, disseminating best practice, and providing precedents to inform front-line decision-making.
- (10) **Reduce quantitative restrictions and improve automatic licensing arrangements to facilitate trade**, to mitigate potential trade diversion that could undermine a company's relative competitive advantage and a country's comparative advantage.
- (11) **Ensure consistent application of Harmonised System editions** throughout the region to lower the possibility of additional costs for exporters in cases where inconsistent editions of the Harmonised System have led to a rejection of certificates of origin and preferential tariffs not being eligible.

1. Introduction & Background

Non-tariff measures (NTMs) have come into increasing focus for businesses as tariff levels have fallen over the past decades. In view of this, the report on NTMs is timely and provides an important step toward facilitating trade in the region.

NTMs can be defined as policy measures other than ordinary customs tariffs that can potentially have an economic effect on international trade in goods or services. These include laws and regulations that govern international trade directly (for example, import and export regulations), or affect trade indirectly through domestic policies (for example, labelling requirements or packaging requirements).

There are valid reasons why NTMs are imposed by governments. NTMs may support legitimate and necessary policy objectives, such as safeguarding public health and the environment. However, some NTMs can act as an unnecessary barrier to trade, or may have unintended consequences, due to the manner of their implementation and may lead to distortions in trade.

This report outlines the findings of a study on the impact of NTMs along the supply chain throughout the AANZFTA region. The study involved consultations with 110 companies in Australia, Indonesia, Malaysia, New Zealand, Singapore and Thailand. Detailed and substantive information on NTMs was collected through consultations with companies, with a particular focus on the Seafood and the Wood and Timber Furniture Sectors. These sectors were identified in consultation with the Trade in Goods Committee following the development and review of case studies on potential sectors, and were chosen on the basis that they were engaged in region-wide trade and have established value and supply chains. Detailed information on the methodology used and a statistical overview of the companies consulted is provided in Annexes I and II. Given that the surveys were largely focused on the seafood and wood/furniture sectors, further work is recommended to confirm the extent to which the conclusions may be relevant to trade more generally, or reflect features of trade specific to these sectors. This would also enable the potential identification of other sector specific aspects to trade.

The remainder of this report is divided into the following sections:

- **Section 2:** Definition and Classification of Non-Tariff Measures
- **Section 3:** Discussion of the interaction between Global Value and Supply Chains and NTMs, with particular focus on the Seafood and Wood and Timber Furniture Sectors
- **Section 4:** Discussion, Key Insights & Implications from Consultations with Companies
- **Section 5:** Recommendations for addressing the Key Insights identified during consultations with businesses
- **Annex I:** Detailed Methodology
- **Annex II:** Statistical Overview of Companies Consulted

2. Definition and Classification of Non-Tariff Measures

Non-tariff measures (NTMs) refer to the wide and heterogeneous range of policy interventions, other than border tariffs, with the potential to affect and distort trade of goods, services, and factors of production. The term measure, as opposed to barrier, is used here to reflect the potential uncertainty of the trade effect of some instruments. While some measures such as quotas are explicit barriers to imports, others such as standards can, under certain circumstances, even increase the volume of trade, rather than act as a barrier. Furthermore, many NTMs are based on legitimate non-economic objectives and can be introduced in a manner consistent with multilateral trade rules (e.g. measures to protect human or animal health, the environment, national security, etc.)¹. Usage of the term measures, therefore, accords greater latitude in identifying trade-related instruments. In recent decades, the worldwide reduction in tariff levels has resulted in an increased focus on NTMs as policy tools, as well as efforts to classify them and measure their impact.

Most classifications of NTMs distinguish between technical measures, contingency measures (anti-dumping, countervailing, and safeguard measures), quotas, price controls, export restrictions, and behind-the-border measures such as competition, trade-related investment measures, and government procurement or distribution restrictions. Most classification systems acknowledge the existence of measures but avoid making judgements on their legitimacy, adequacy, necessity or discrimination against international trade.

The roots of the distinction between NTMs and tariffs can be traced back to the text of the GATT, which, through Article XI envisaged a trading system governed by tariffs. At that time, quantitative restrictions represented the principal NTM, although a number of other instruments such as licensing and standards were also in existence². In 1967, the GATT Contracting Parties decided to create an inventory of NTMs based on notifications to provide a basis for future negotiations. Some 800 measures notified were classified into the following five broad categories:

- (1) Government participation in trade
- (2) Customs and administrative entry procedures
- (3) Standards involving imports and domestic goods
- (4) Specific limitations on imports and exports (quantitative restrictions and the like)
- (5) Restraints on imports and exports by the price mechanism.³

Following a decision by the GATT Contracting Parties made during the Tokyo Round to continue to develop this inventory for agricultural and industrial products, the inventory was updated by the Group on Quantitative Restrictions and Other NTMs (created in 1982) and subsequently by the Technical Group on Quantitative Restrictions and Other NTMs (created in 1986)⁴.

Baldwin (1970) made one of the first academic attempts to develop a taxonomy of NTMs. His basic framework defines a non-tariff measure as "any measure (public or private) that causes internationally traded goods and services, or resources devoted to the production of these goods and services, to be allocated in such a way as to reduce potential real world income"⁵. Baldwin's definition suggests that NTMs should not be limited to measures designed to restrict trade. He argued that export subsidies and other policies that increase trade but are distortions nonetheless, should also be included in the basic framework (such examples as foreign investment controls and immigration policies). While Baldwin's definition is useful in the sense that it defines NTMs as distortions, it is not particularly practical due to the breadth of its scope.

The most recent, and arguably most useful, taxonomy for NTMs was produced by the United Nations Conference on Trade and Development (UNCTAD) (2012)⁶. This will serve as the primary reference point for classification and discussion of NTMs throughout the remainder of this report.

UNCTAD defines NTMs as policy measures, other than ordinary customs tariffs, with the potential to have an economic effect on international trade in goods, changing quantities traded or prices or both. Since this definition is also broad, a detailed classification is critical to identifying and distinguishing

¹ OECD (2013).

² See Article XI

³ GATT documents COM.IND/4, COM.IND/6 and L/3298.

⁴ GATT documents MTN/3E/DOC/5-10; GATT documents MTN/3B/1-5

⁵ Baldwin, R. (1970), *Non-Tariff Distortions in International Trade*, Washington, D.C., Brookings Institution.

⁶ <http://unctad.org/en/Pages/DITC/Trade-Analysis/Non-Tariff-Measures/NTMs-Classification.aspx>

between the various forms of non-tariff measures. The UNCTAD classification of non-tariff measures encompasses 16 chapters which are summarised in Figure 1. UNCTAD's classification provides exporters with access to transparent, reliable and comparable information that promotes clear understanding of NTMs.⁷

⁷ Recent work conducted by ERIA (2016) included the development of a Non-Tariff Measures database for the ten ASEAN countries, with a total of 5,975 NTMs identified across the region, most of which related to technical barriers to trade and sanitary and phytosanitary measures. For an extensive overview of NTMs in ASEAN, see Ing, Cordoba and Cadot (2016) in ERIA (2016).

Figure 1: UNCTAD's Classification of Non-Tariff Measures by Chapter

	CHAPTER	SUMMARY OF CONTENT
IMPORTS	TECHNICAL MEASURES	
	A SANITARY AND PHYTOSANITARY MEASURES	Deals with sanitary and phytosanitary (SPS) measures. It gathers measures such as restriction for substances and ensuring food safety, and those for preventing the dissemination of disease or pests. Chapter A also includes all conformity-assessment measures related to food safety, such as certification, testing and inspection, and quarantine.
	B TECHNICAL BARRIERS TO TRADE	Collects technical measures, also called TBT. It refers to measures such as labelling, mandatory technical regulations and quality requirements. As in the case for SPS, chapter B also includes all conformity-assessment measures related to technical requirements, such as certification, testing and inspection
	C PRESHIPMENT INSPECTION AND OTHER FORMALITIES	Classifies the measures related to pre-shipment inspection and other customs formalities.
	D CONTINGENT TRADE PROTECTIVE MEASURES	Groups the contingency measures, i.e. those measures implemented to counteract particular adverse effects of imports in the market of the importing country, including measures aimed at foreign trade practices considered "unfair". They include antidumping, countervailing, and safeguard measures.
	E NON-AUTOMATIC LICENSING, QUOTAS, PROHIBITIONS, AND QUALITY CONTROL MEASURES OTHER THAN FOR SPS OR TBT REASONS	Includes licensing, quotas and other quantity control measures, including tariff rate quotas.
	F PRICE-CONTROL MEASURES, INCLUDING ADDITIONAL TAXES AND CHARGES	Lists price-control measures implemented to control or affect the prices of imported goods. Among the examples are those to support the domestic price of certain products when the import prices of these goods are lower; to establish the domestic price of certain products because of price fluctuation in domestic markets, or price instability in a foreign market; or to increase or preserve tax revenue. This category also includes measures other than tariff measures that increase the cost of imports in a similar manner (para-tariff measures).
	G FINANCE MEASURES	Lists the finance measures. It refers to measures restricting the payments of imports, for example when the access and cost of foreign exchange is regulated. It also includes measures that impose restrictions on the terms of payment.
	H MEASURES AFFECTING COMPETITION	Includes those measures affecting competition – those that grant exclusive or special preferences or privileges to one or more limited group of economic operators. They refer mainly to monopolistic measures, such as State trading, sole importing agencies or compulsory national insurance or transport.
	I TRADE-RELATED INVESTMENT MEASURES	Deals with trade-related investment measures, and encompasses the measures that restrict investment by requiring local content or requesting that investment be related to export in order to balance imports.
	J DISTRIBUTION RESTRICTIONS ON POST-SALES SERVICES	Chapters J and K relate to the way products, or services connected to the products, are marketed after importation. They are considered non-tariff measures because they could affect the decision of being imported. Chapter J focuses on distribution restrictions, referring to restrictive measures related to the internal distribution of imported products. Chapter K deals with restrictions on post-sales services, for example, restrictions on the provision of accessory services.
	K RESTRICTIONS ON POST-SALES SERVICES	
	L SUBSIDIES (EXCLUDING EXPORT SUBSIDIES)	Chapters L to O relate to behind-the-border policies. Chapter L contains measures that relate to the subsidies that affect trade. Chapter M, on government procurement restriction measures, refers to the restrictions bidders may find when trying to sell their products to a foreign government. Chapter N gathers restrictions related to intellectual property measures and intellectual property rights. Chapter O focuses on rules of origin, grouping the measures that restrict the origin of products or its inputs.
	M GOVERNMENT PROCUREMENT RESTRICTIONS	
	N INTELLECTUAL PROPERTY	
	O RULES OF ORIGIN	
	NON-TECHNICAL MEASURES	

EXPORTS	P	EXPORT-RELATED MEASURES	Focuses on export measures. It groups the measures a country applies to its exports and includes export taxes, export quotas and export prohibitions.

3. Non-Tariff Measures and Global Value and Supply Chains

Global value and supply chains, as distinct from local or in-country only supply chains, play an important role in international trade. This section provides a brief overview and introduction to global value and supply chains and discusses their interaction with NTMs, with particular focus on the Seafood and Wood and Timber Furniture Sectors.

A global value and supply chain can be defined as a sequence of functional activities and processes in more than one country as part of the overall process of value creation in the manufacturing and sale of a final commodity.

Global value and supply chains can be found in most sectors and, though they do carry sector specific characteristics, most involve the movement of raw or intermediate goods (inputs used in the production of final commodities) through several countries. In each country one or more steps are undertaken, resulting in the production of a final commodity for sale to consumers, or an input required in the production of a separate final commodity.

According to UNCTAD, trade in inputs and services incorporated at various stages in the process of producing goods and services for final consumption accounted for 60 per cent of global trade in 2013, or US\$20 trillion. Figure 2 shows that 54 per cent of all goods traded in 2016 were classified as intermediate goods, compared to 27 percent classified as consumption goods, and only 19 per cent classified as capital goods. Considering that most capital goods are used by industry in the manufacture of consumer goods, the overall percentage of goods traded as intermediates or inputs in the production process is likely to account for more than 65 percent of global trade in 2016.

Figure 2: Global Trade by Product Classification (2016)⁸

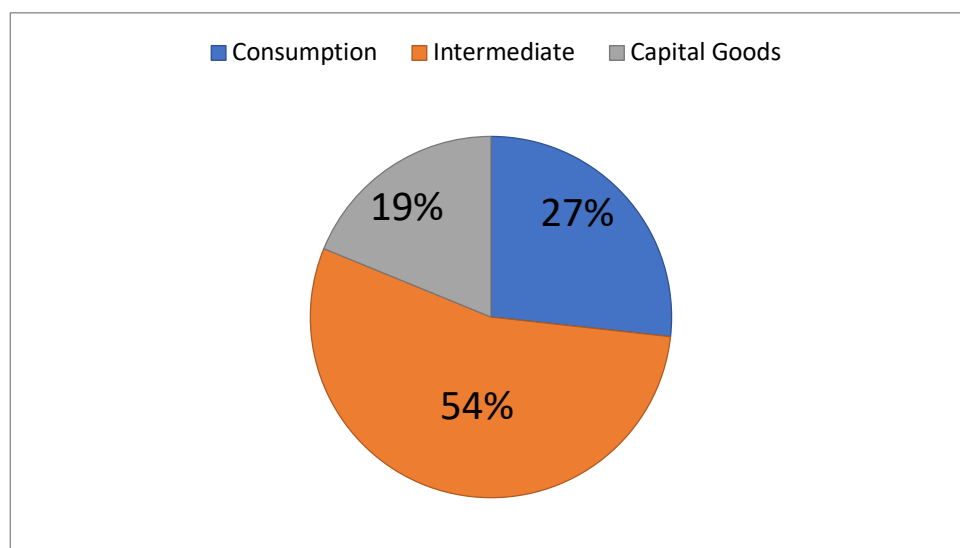
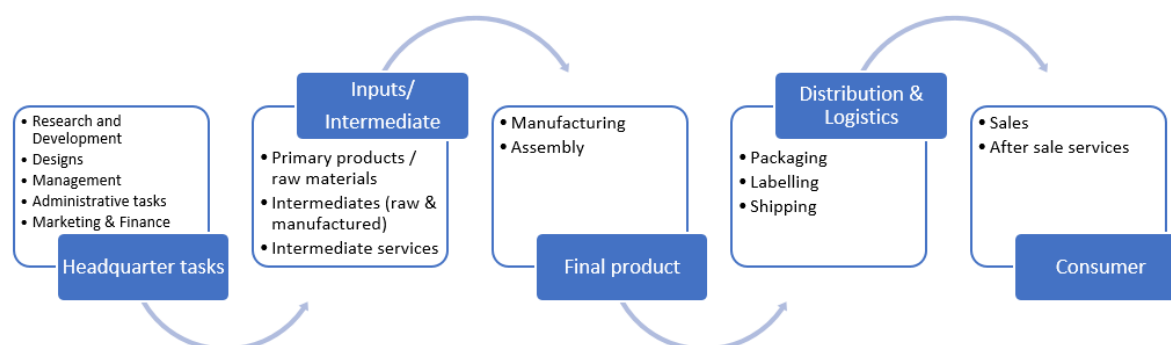


Figure 3 provides an example of a simplified Value and Supply Chain incorporating a range of activities, including the collection of raw materials, assembly of final products, distribution and logistics and finally consumption. At each step, additional value is accumulated, culminating in the final price of the commodity.

⁸ Figure derived from UNCOMTRADE (2017)

Figure 3: Simplified Value and Supply Chain⁹



As they pass from one country into another, commodities face potential tariff barriers and NTMs which can directly impact the flow of goods and services between companies.

In the wake of WTO multilateral trade liberalisation and the expansion of trade agreements, there has been a significant reduction in tariff related trade costs, with tariffs now contributing as little as 10 per cent of overall trade costs. At the same time, there has been a significant increase in NTMs which now account for as much as 60 to 90 per cent of trade related costs, around half of which are associated with indirect trade procedures and currency fluctuations.¹⁰

There are important differences between tariffs and NTMs which have the potential to directly impact the competitiveness of companies participating in international trade. Firstly, while tariffs are levied as a simple tax based on the value of the commodity, NTMs often take the form of fixed costs which are not trade related. Secondly, while tariffs do not require traders to possess special skill sets or knowledge, NTMs can be both complex and costly for businesses to navigate.

These differences have important ramifications for companies engaged in international trade and may place Medium to Large Enterprises at a competitive advantage compared to Small and Micro Scale Enterprises which often lack the resources to benefit from economies of scale and are unable to engage advisors to assist them in successfully navigating NTMs.

Since NTMs are present at every step of the global supply and value chain, whether seen as restrictive or not, they impose costs which ultimately pass through the entire supply chain to the final consumer. As NTMs affect trade flows and the prices of products at different stages of the value chain in various ways, they influence the demand for companies' products and their overall competitiveness in the international market.

Sections 3.1 and 3.2 discuss sector specific examples of global value and supply chains and their interaction with

Unintended Consequences for SMSEs

NTMs present a particular challenge to Small and Micro Scale Enterprises which often lack the resources to benefit from economies of scale and are unable to engage advisors to assist them with the identification of and compliance with NTMs.

For example, where an export licence is required, the cost is fixed regardless of whether one or ten containers are exported. This means that the per unit cost of NTMs decreases as the overall volume of goods increases, placing larger companies at a competitive advantage compared to their smaller counterparts.

Furthermore, as NTMs require traders to possess knowledge of trade regulations and practices in order to participate in international trade, large companies with the resources to employ legal advisers and/or researchers to assist them in identifying and meeting requirements have a second competitive advantage over SMSEs, many of whom lack the knowledge and resources to participate in international trade under the existing arrangements.

⁹ Figure adapted from ESCAP (2016)

¹⁰ This is consistent with the findings of UNCTAD (2015) and OECD (2015)

3.1 Global Value and Supply Chains: The Wood and Furniture Processing Sector

Global value and supply chains in the Wood and Furniture Sector involve several steps, including the purchase and trade of raw materials, intermediate goods development, furniture manufacturing and the sale of furniture. These operations may take place in the same country and be managed by a single company, or involve many companies located in several countries.

Figure 4 provides an example of a furniture manufacturing supply chain based on consultations with companies undertaken as part of this study. It involves two distinct stages, the trade and processing of logs into intermediate goods (timber) and the trade and manufacturing of the final product (timber furniture).

Figure 4: The Furniture Value and Supply Chain¹¹

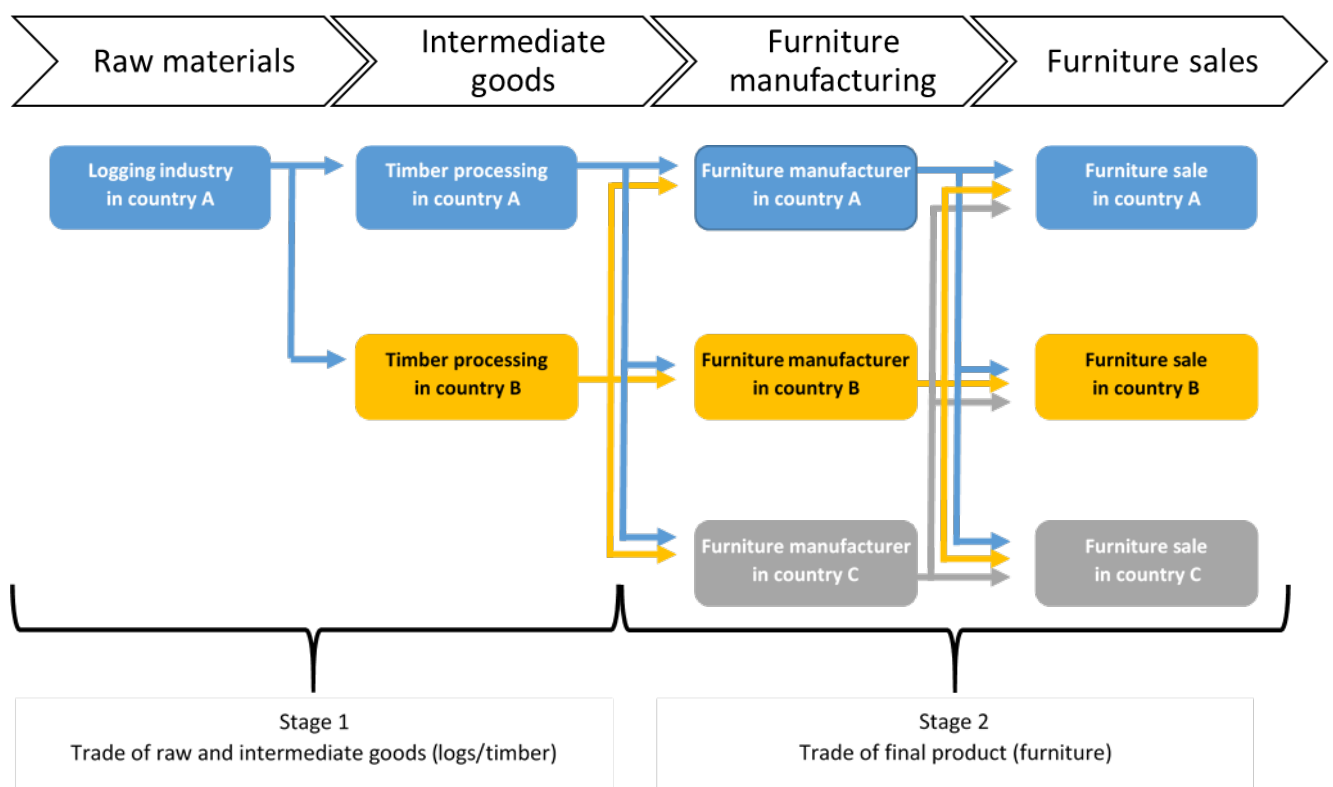


Figure 4 demonstrates that the furniture manufacturing supply chain can take various forms which are summarised below:

- A company located in country A owns a plantation on which it grows trees for harvest, owns its own saw mill and can refine the logged wood into timber for use in its own furniture manufacturing. The company owns show rooms in which it can present and sell its final product. As all value and supply chain processes take place in the same country, the company is not subject to any NTMs.
- A logging industry in country A sells its produce either domestically for further processing into timber or exports its logs to country B where the logs are refined into timber which can be used in the manufacture of furniture. The refined timber may be sold to a furniture manufacturer in the same country, or to a company located overseas (for example in country A or C).
- A log processing company in country A either seeks its inputs (unprocessed logs) domestically or imports them from overseas (for example country B). The timber may then be sold domestically

¹¹ Institute for International Trade

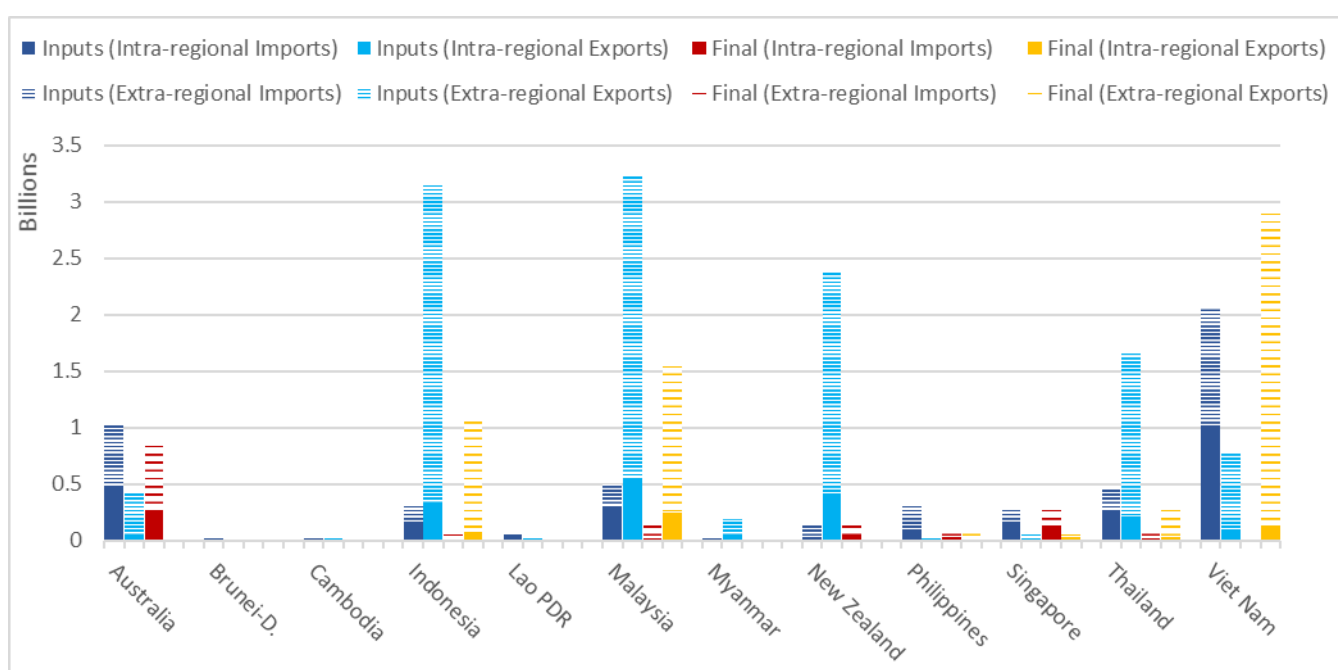
as inputs or for final furniture manufacturing in country A or exported to a company in country B or C.

- (d) A furniture manufacturer in country A can source its inputs (processed timber) either domestically or import it from overseas (from country B or country C). Its final product (furniture) can then be sold in the domestic market (country A) or exported overseas to country B or C.

Where the inter-linkages between value and supply chains extend across borders, NTMs can directly impact commercial decisions concerning source markets and destination markets for products. NTMs can also be a decisive factor in the decision to participate in international trade. This is especially the case for Small and Micro Scale enterprises for whom the resources required to investigate and navigate international trade regulations may come at a significant opportunity cost in terms of current business¹².

Figure 5 provides an overview of intra-regional and extra-regional trade of goods classified as potential furniture inputs (timber) and trade of wooden furniture of the AANZFTA member countries in 2015. It is important to note that the data presented is not exclusively used in the furniture industry but also used as building materials, it nonetheless provides a strong indication of the extent of trade of potential intermediate produce in the region.

Figure 5: Regional Trade of Furniture Inputs & Wooden Furniture, 2015 (US\$ Billion)¹³



The figure shows that Viet Nam is the largest intermediate goods importer of timber products in the region, importing about US\$1 billion worth of inputs from within the region and an additional US\$1.1 billion from outside the region. Malaysia, Indonesia and New Zealand are the largest supplier of intermediate products in the region, each exporting more than US\$2.4 billion to the world.

Viet Nam is a strong player within the supply chain of furniture trade. The country is heavily involved in the importation of primary and intermediate goods and has a strong furniture manufacturing sector that exports throughout the region as well as supplying furniture overseas.

Australia is identified as the largest importer of finished furniture products, importing more than US\$250 million from within the region and almost US\$600 million from outside the region.

¹² Data analysis underlines the supply chain linkages within the region, while interviews with furniture manufacturer confirm the adverse impact of NTMs.

¹³ Figure derived from UNCOMTRADE (2017)

3.2 Global Value and Supply Chains: The Seafood Sector

Like the Wood and Timber Furniture Sector, global value and supply chains in the Seafood Sector can take many forms, and may involve a single company that is embedded in all stages of the supply chain, including catching, processing, canning and sale of canned and fresh seafood, in a single country or involve more complex scenarios involving multiple companies across multiple countries.

Figure 6 provides an example of a global value and supply chain in the Seafood Sector in which five distinct phases are identified:

- (1) Seafood is caught at sea
- (2) Primary processing of seafood takes place either at sea or on shore in country A, B or C
- (3) Secondary/ final processing of seafood take place both onshore and/or offshore, including de-boning, shelling, cooking and packaging
- (4) Seafood distribution (sale of the product to specialised distributors, restaurants grocery stores etc.)
- (5) Food services (consumption/sale at restaurants or grocery stores)

In the example provided, a vessel from Country A catches seafood in Country B. The primary processing of the fish takes place on board of the vessel and is then landed in the vessel's home country (Country A) where secondary processing takes place. The final product is then sold either in the domestic market (Country A) or exported to foreign markets, which could include countries B and C.

Figure 6: Seafood Value and Supply Chain¹⁴



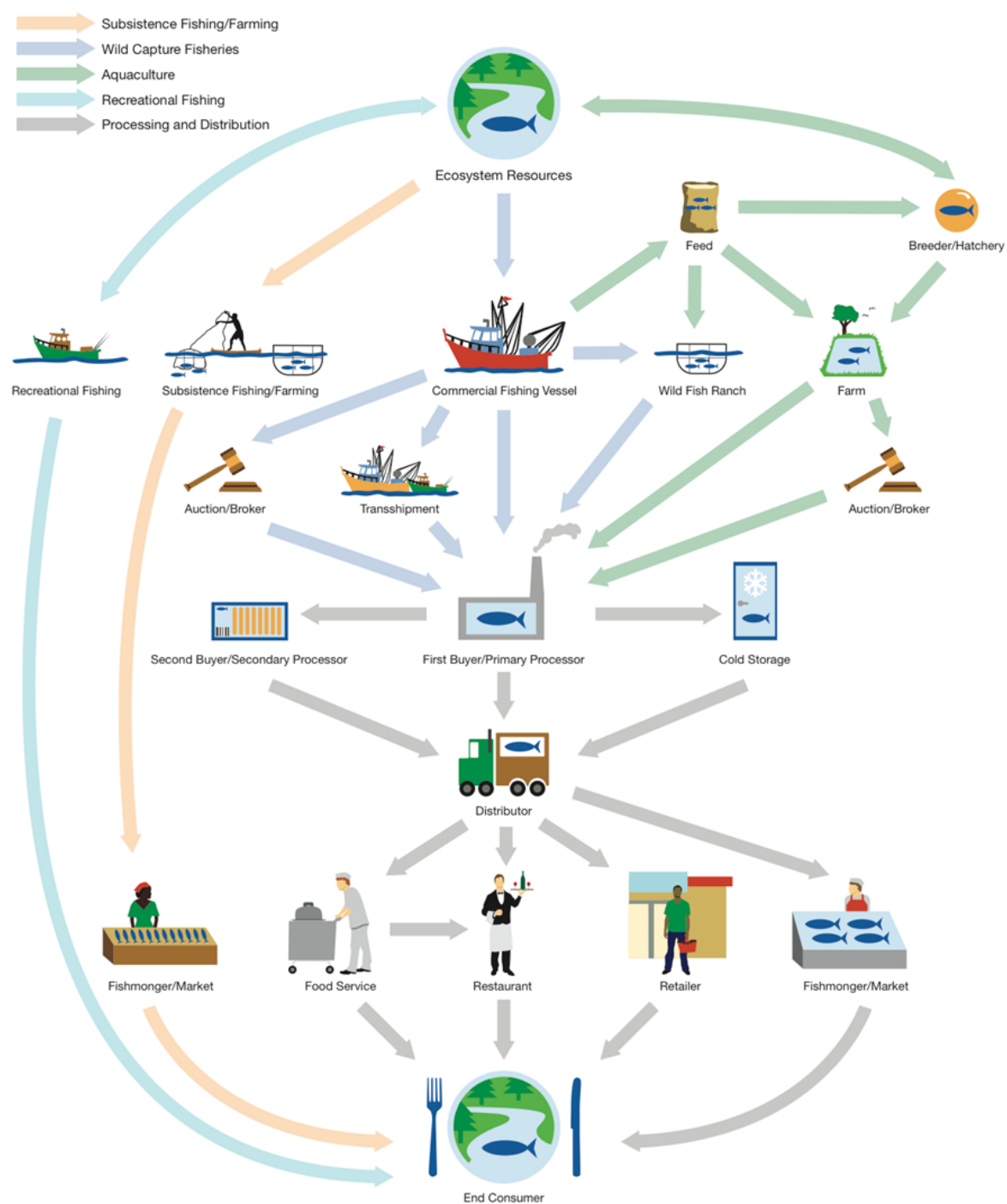
¹⁴ Breachingtheblue.com (2012), available at: <http://breachingtheblue.com/2012/07/31/the-seafood-supply-chain/>

Interviews with companies revealed that initial processing of seafood in the AANZFTA region generally takes place off-shore prior to seafood being landed in developing countries with cheaper labour costs for secondary processing, which may include de-boning, shelling, cooking and packaging for wholesale or retail sales. During this step, the seafood is frozen and labelled as a product of the country in which the secondary processing takes place. It is not uncommon that the original country where the seafood was caught or farmed to be omitted at this stage.

Although these steps can potentially be undertaken in country A, B or C the nature of seafood and logistical constraints mean the seafood is most often landed, processed, packaged and labelled in the same country before being distributed locally or exported to its final destination. Conducting these activities across multiple countries would include additional logistical expenses and require the seafood to be kept frozen for an extended period of time, both increasing costs and reducing the premiums that might be charged for fresh or chilled product. Furthermore, companies reported that delays in the goods clearing customs have the potential to jeopardise the entire shipment, highlighting the importance of NTMs in the selection of efficient supply chain for seafood operators.

Finally, Figure 7 presents the different stakeholders within the seafood supply chain and their interactions throughout the supply chain. Depending on where the company is based, these stakeholders may include subsistence fishing and farmers, wild capture fishermen, aquaculture farmers, recreational fisherman, processors and distributors, and the final consumer.

Figure 7: Potential Stakeholders in Seafood Value and Supply Chains¹⁵



¹⁵ Breachingtheblue.com (2014), available at: <http://breachingtheblue.com/2014/01/22/traceability-in-the-seafood-industry/>

4. Discussion, Key Insights & Implications from Consultations with Companies

4.1 Methodology

The focus of this study was to understand the impact of NTMs on companies trading in the AANZFTA region. The methodological approach was carefully designed to enable the collection of detailed and substantive information on NTMs through consultations with companies, with a particular focus on the Seafood and the Wood and Timber Furniture Sectors. These sectors were identified in consultation with the Trade in Goods Committee following the development and review of case studies on potential sectors, and were chosen on the basis that they were engaged in region wide trade and have established value and supply chains. With the exception of sector specific issues, such as those relating to sanitary and phytosanitary measures (SPS) and illegal logging regulations, companies from all sectors consulted reported similar experiences and the findings of this study can be expected to reflect the experiences of the broader trading community throughout the region. The methodology was comprised of the following key stages:



Initial contact with companies was established in Stage 1, during which the following points were highlighted to businesses with a view to gaining their trust and encouraging their participation in the study:

- Businesses and business associations were provided with a clear understanding of the project, its importance and the potential benefits that may result from their involvement with a view to encouraging participation.
- Businesses were connected with the consultant and a trusting relationship was established.
- Businesses were assured that although the project was undertaken for the governments of the AANZFTA region, that the consultant operates independently.
- Companies were assured that the identities of all contributors would remain undisclosed and that follow-up reports would not include identifiers.

Data collection commenced in Stage 2. Following initial contact by telephone, information on each company was collected and collated via an online survey tool. This provided valuable background information for the subsequent in-country visits and context for the final report and aggregate findings.

More in-depth data was then collected during interviews conducted either face-to-face or via teleconference. While some companies chose to be interviewed via teleconference because this medium offered greater flexibility, most targeted businesses preferred to be interviewed face-to-face with a total of 110 companies having been consulted during field visits to Australia, Indonesia, Malaysia, New Zealand, Singapore and Thailand.

During Stage 3 data was analysed and cross-referenced with responses provided by other interviewees. Legislation was also reviewed to help provide context to and confirm the accuracy of statements made during interviews. The outcomes of the interviews and consultations were also subject to a supply and value chain analysis to investigate how NTMs affect business.

Where companies raised specific questions to the consultant, follow up was undertaken and responses to these questions were subsequently provided.

For further detail on the methodological approach, including details of the online survey and interview questions, please see Annex I.

4.2 Seven Key Insights from Consultations with Companies

At the conclusion of the consultations, qualitative and quantitative data collected throughout the study were analysed and measures were identified that can be directly related to seven of the sixteen UNCTAD classifications of non-tariff measures. Therefore, only seven UNCTAD NTM classifications were perceived to be problematic by those firms consulted throughout the AANZFTA region, with the majority of issues relating to technical measures or Rules of Origin (ROO).

The study revealed that businesses perceived differences in the transparency of and consistency with which NTMs were applied by governments. Within the wider AANZFTA region (to include all AANZFTA Parties and other major trading partners in the Asian region), businesses identified two distinct groupings:

Group A:

NTMs set by countries within that group were reported to be strict, but transparent and consistent. Companies located in countries that belong to Group A reported that in most instances information on trade regulations is easily accessible in these countries. Companies consulted that are located outside Group A expressed the view that such information could be presented in a less-technical and more business-friendly manner. This was particularly important to smaller companies for whom the ability to understand a country's import requirements was a significant factor in their decision to invest in expanding into that market.

Companies conducting trade with countries belonging to Group A had a clear understanding of what to expect from rules and regulation. Officials from these countries were reported to consistently adhere to the rules and requirements of trade, providing businesses with the necessary certainty to enter into trade with clients from these countries. In most instances, companies reported that clear information flow and consistency translated to clear understanding of the costs and time involved in trade.

Group B:

NTMs and trade regulations set by the countries in Grouping B were perceived to be neither transparent nor consistent by the firms consulted. Companies reported that they are often unable to estimate the length of time required for a shipment to clear customs or whether the information and documentation provided will be sufficient to meet the NTMs of these countries. This lack of transparency and consistency can result in variations in trade costs, even when trading the same product within the same country.

Firms reported that trying to manage the process to trade with many clients from many different countries is extremely time consuming and costly. Some companies consulted in ASEAN, especially medium-sized enterprises, reported that they engage local trade agents and forwarders who specialise in managing trade across borders to reduce the time and costs associated with navigating varying regulations throughout the region, especially where trade regulations are unclear and can potentially be interpreted in many ways.

Deeper analysis of these findings resulted in the identification of seven key insights which were found to impact both the ability and willingness of companies to participate in international trade and benefit from preferential trade agreements. These include:

- (1) **Lack of Transparency and Accessibility of Information** continue to present significant challenges for companies engaged in international trade. Poor accessibility of information makes it difficult for companies to determine what rules apply and how compliance must be demonstrated, significantly increasing the investment of time, risks and costs associated with trading across borders.

The inability to easily access clear guidelines on the documentary evidence required to demonstrate compliance, or to anticipate the costs and time required for shipments to clear customs presents significant risks for companies and was found to inhibit participation in international trade.

- (2) The **complexity and variability of regulations and procedures across the region** make it difficult for companies to determine whether or not they meet trade requirements, what documentary evidence they must produce to demonstrate compliance, and from which authorities this documentation must be obtained. This complexity creates uncertainty for traders and may discourage some companies, particularly small and micro-scale enterprises, from participating in international trade.
- (3) The **requirement that companies duplicate their efforts** in order to comply with local and foreign rules and processes places undue burden on exporting companies, both in terms of the time and fees associated with conducting international trade, and may be prohibitive for some companies.
- (4) **Inconsistent implementation of NTMs** across the region creates confusion and uncertainty for traders, this uncertainty can inhibit the development of key relationships and contracts and prevent companies from establishing sustainable supply and value chains. Where clear information is available on the rules that apply and manner in which compliance must be demonstrated, some processes involve a degree of discretion on the part of government officials. This creates uncertainty for companies and generates unacceptable risks of delay and/ or significant costs associated with ameliorating those risks, including the adoption of facilitation payments, and unethical and possibly corrupt trade practices known as “S-11 Technologies”.
- (5) Where NTMs and trade regulations are neither transparent nor consistent **widespread use of facilitation payments, and unethical and possibly corrupt practices** commonly referred to as “S-11 Technologies” are adopted to facilitate trade.
- (6) NTMs and the strategies engaged to manage them tend to **favour Medium-to-Large Enterprises and disadvantage Small-to-Micro-Scale Enterprises (SMSEs)**, many of whom lack the resources to effectively navigate cumbersome or complex trade requirements through the engagement of dedicated staff to research requirements and ensure compliance or the adoption of facilitation payments, and unethical and possibly corrupt trade practices.
- (7) Significant **capacity gaps** across the region both on the part of government officials and companies engaged in import and/or export activities exacerbate compliance issues and limit the potential benefits traders are able to derive from preferential trade agreements.

4.3 Implications of NTMs in the AANZFTA Region

Equally important to the NTMs identified are a number of important implications which ultimately distort trade and have an adverse welfare effect for the AANZFTA region. These implications need to be considered and addressed to create a more enabling trade environment for businesses in the region. Therefore, this section discusses several implications of NTMs identified.

Variations in customs clearance times and associated fees place undue burdens on companies and impact the demand for their products and their competitiveness in the international market.

Companies repeatedly reported inconsistencies in trade regulations that directly affect the demand for their products and the establishment of supply and value chains, as well as relationships with clients in existing supply and value chains. Such inconsistencies were reported to result in uncertainty concerning the time required for a shipment to clear customs and the associated fees.

Where there is uncertainty concerning the timing or overall transportation costs of a shipment, companies that are reliant on imports are forced to stock goods in order to safeguard their competitiveness within the market. This is particularly important for companies that are reliant on intermediate goods for production, as delays in the import of intermediate goods can otherwise interrupt production.

The need to purchase and hold additional stock places a financial burden on these companies as they are required to invest in large inventories to meet the costs associated with storing them. Furthermore, these costs must be recovered in the company's transactions with clients and consumers, ultimately impacting the price and demand for their product/s and their competitiveness in the international market.

Companies expressed the view that greater certainty with respect to costs, procedures and time required for goods to clear customs would enable them to establish longer-term relationships and develop more sustainable supply and value chains

Lack of clear information on NTMs creates uncertainty for exporters and impacts upon their competitiveness

Lack of clear information on NTMs was found to result in poor trader certainty and capacity to successfully navigate NTMs. Businesses reported that their lack of understanding of international trade rules made them less likely to participate in international trade. For example, consultations with firms in the Seafood Sectors in Australia, Indonesia, Malaysia, New Zealand and Thailand found that traders experience significant challenges in obtaining foreign regulatory information on the importation of fresh, frozen and processed seafood. Once identified, firms did not report difficulties meeting foreign regulations, with the exception of the ongoing need to remain informed of changes to those regulations.

A major NTM faced by seafood exporters in the AANZFTA region is the requirement to obtain a Health Certificate for the Export of Fish and Fishery Products from their country's respective Food Safety or Health Standard authorities and then meet the Sanitary and Phytosanitary Measures (SPS) and Standards / Quarantine regulations of the countries of destination. Irrespective of their size, exporting seafood companies consulted throughout the AANZFTA region reported that, once understood, the procedure for obtaining local health and food safety certificates for the export of seafood was transparent and the requirements for meeting their country's standards were easily met. However, exporting to international destinations was found to be much more difficult, with significant variations in the requirements of destination countries and a lack of information available to assist exporting companies in navigating these.

While export to Australia, New Zealand and many other countries in the AANZFTA region only requires exporting firms to provide a health or food safety certificate for the export/ import of seafood, exporting to third country markets such as China and the European Union requires additional documentation and firms are subjected to rigorous auditing procedures. For example, the European

Union requires exporting firms to obtain approval from the Export Establishment for Export of Fishery Products from the European Union. Once approved, local government authorities conduct regular audits of the exporting firm to ensure they maintain the standards set out in the European Union's regulations. In contrast, the regulatory requirements imposed on the seafood sector throughout the AANZFTA region may be considered to effectively facilitate trade.

Similarly, Indonesian, Malaysian and Thai seafood companies reported significant variations in the SPS measures and Standards of countries of destination. In particular, exporting seafood companies did not feel that all countries "accept and trust" their local health certificates and standards.

For example, while the requirements in many countries are consistent and companies were aware of what to expect, SPS requirements for seafood were perceived to be more rigorous in some countries than in others, even when regulations are similar. Exporting companies from Malaysia, Indonesia and Thailand expressed that this indicated a lack of trust in the firm's local certifications and standards on the part of authorities of those countries where more rigorous procedures are applied.

Companies consulted reported that in some countries each individual shipment arriving is required to be certified by the authorities, and tested for antibiotics and viruses before clearing customs. Depending on the product, quarantine officers are known to take samples from each container in order to verify that they meet country specific standards. This is time consuming and results in extended clearance times.

Lengthy product specific SPS/ customs clearance arrangements in some countries have the most significant impact on exporting companies' costs for some products in the Seafood sector. Delayed customs clearance not only jeopardises shipments and reduces the timeframe within which goods can be sold as "fresh", but also attract additional port handling and storage costs, as shipments are held in certified warehouses while they are inspected. These costs are ultimately passed onto the consumer as the cost of the final product, directly affecting the demand for products and the overall competitiveness of exporting companies.

In comparison, the risk mitigation strategies adopted by other countries' authorities were perceived to be more reasonable and resulted in significantly shorter clearance times. Malaysian and Thai health certificates are accepted and random testing on shipments is conducted to mitigate the risk of importing food contaminated by antibiotics and viruses.

Those companies that are well established in international trade reported investing significant resources on ensuring they remain informed of foreign regulatory requirements, with some companies hiring dedicated research teams to investigate foreign regulatory requirements and ensure they meet them. This was found to be prohibitive for smaller companies not currently engaged in international trade, who simply lack the resources required to navigate foreign government regulations.

However, it was noted that information gathering does not automatically translate to accurate information on trade rules. Consequently, a number of firms have implemented risk mitigation strategies to avoid costly errors, including the employment of legal advisers by large companies and the hire of trade agents and trade forwarders by companies of all sizes.

As trade agents and forwarders face similar challenges in identifying and interpreting foreign regulations they often enter into partnerships with trade agents and forwarders in the destination country. As part of their risk mitigation strategy, some limit their services to the shipment of cargo, leaving responsibility for completing the associated paperwork to their clients and will not proceed with shipping until their client has provided all required documentation.

Where trade agents assist with the preparation of documentation, this is often scanned and sent via email to an overseas partner for verification before proceeding with shipping. All risk mitigation strategies involve additional costs, which must be incorporated into the final service fees, and are ultimately passed on to consumers in the final sale price, impacting demand for products and the overall competitiveness of the company in the international market.

Exporter of Canned Seafood and Meat Products (Large Scale Company)

The large-scale company is active throughout the entire supply chain and trades multiple products including canned fish (mainly tuna) and canned meat products. The company imports some of its tuna. Additionally, the company has its own ships and used to do extensive fishing in another country's waters. Due to recent changes in that country's fisheries regulations, the company has shifted to other waters. The company reports that this shift is associated with higher costs, which are however lower than those that would have occurred if the company would have stayed in that country's waters. The company reports that it has to engage a large research and legal team to deal with the regulations of its exporting markets, which ultimately increases its final costs which can partially be offset due its large export volumes. Nevertheless, the firm faces difficulties importing beef and in exporting canned chicken. The firm reports that SPS requirements related to canned chicken are unclear and currently cannot be met.

Lack of accurate information, delays and inconsistencies in the Issuing of Certificates of Origin (COO) can be time-consuming

In some instances, a Certificate of Origin (COO) is required by importing countries to verify the origin of a good or commodity. This COO is issued by the exporting country and can only be obtained from local government authorities in some countries, while approved institutions or organisations such as Chambers of Commerce or business associations may be authorised to issue them in others.

Consultations with businesses revealed that countries where non-government institutions or organisations are authorised to issue COOs tended to process them faster than those entirely reliant on local government authorities. Where government authorities are solely responsible for issuing COOs, variations in the time for COOs to be issued and significant inconsistencies and delays were reported with adverse impacts for business.

Companies commonly reported that COOs were not processed by government officials in a timely manner, with some firms suggesting that this may be due to understaffing. It was also reported that incorrect or incomplete information was provided by government officials at times, leading to COOs being incorrectly issued. Consequences include delays and non-acceptance of COOs by authorities in destination countries. In the latter case, preferential tariff rates are unable to be applied and businesses are required to meet additional costs.

Discussions with government officials working in departments responsible for issuing COOs confirmed these reports and acknowledged that understaffing and lack of knowledge were issues of concern. On the other hand, they also found that firms were often unprepared and lacked awareness of the proper procedures for obtaining a COO, even in cases where information is readily available.

Firms in some countries reported that the process for obtaining a COO can be time-consuming.

Poor awareness of regulation on the part of government officials prevents exporters from obtaining advice and support when it is most needed.

Private sector companies and associations in some countries reported that government officials, even those directly involved in international trade processes and procedures, were sometimes unaware of the details of regulations and simply referred to websites when consulted. This is especially the case with queries relating to newly introduced regulations or amended foreign regulations, with the result that exporting companies are often unable to obtain advice and support when it is most needed.

As costs associated with complying with NTMs are passed onto consumers, they impact the demand for products and the competitiveness of companies trading in the international market

Companies reported that costs and prices play a significant role in establishing a company's market position and in ensuring the strength of their networks. Companies consulted confirmed that additional trade costs, such as shipment, customs clearance, facilitation costs paid to trade forwarders and

agents, and costs associated with delays at port, including spoiled produce, are ultimately passed on to the final consumer of that product. These costs not only impact a company's bottom line, but the demand for their product/s and overall competitiveness in the international market.

For example, consultations revealed inconsistent application of cumulation rules across the AANZFTA region and that inconsistencies in the classification of products between countries result in additional costs to exporters.

Traders also reported that cumulation rules, which are intended to widen the definition of originating products and provide the necessary flexibility to support the development of economic relationships between countries within a free trade area, were not consistently applied by government officials¹⁶. Business perception is that this results from misunderstandings on the part of customs officers concerning the application of ROO cumulation rules, and in cases where exporting companies are attempting to apply the rule to non-ASEAN Member State (AMS) intermediates.

Several companies reported experiencing difficulties, increased costs and delays as a result of inconsistent use of tariff codes throughout the AANZFTA region. Companies cited instances in which failure to align the Harmonized Commodity Description and Coding System (Harmonized System, HS) code of the sending country and the HS code of the receiving country resulted in the rejection of COOs, and the subsequent application of duties which were most often borne by the exporting company. Consequently, some exporters now account for this potential risk in their cost estimates. These additional costs are passed on to the client (importer) potentially reducing demand for the exporters' products and ultimately impacting their overall competitiveness in the international market.

Prawn exporter (Medium Scale Company)

The medium scale company exports farmed prawns internationally. The company has extensive knowledge and experience in exporting weekly to Australia, Japan, New Zealand, South Korea and the European Union. The company does not make use of FTAs as these do not provide preferential benefits to their products.

As an exporting company, both its country of origin's SPS requirements and the destination country's SPS regulations need to be met. Additionally, depending on export location, the company may need to be audited on regular basis. Even though the company sells the same product, different SPS handling in the export markets is required which adds to the overall costs and may incur time delays. For example, the company reported that exports to one country are most difficult and most costly. Instead of random checks as it is the case for other export markets every shipment is tested in that country. This implies longer handling times (on average ten days) and adds significant additional fees to the overall costs (such as port handling charges). The result is that the company ships relatively less produce to that country compared to another market as the additional costs increase the final price of their prawns to an extent that demand declines. The firm imports feed from China and South Korea and does not experience any delays importing.

NTMs can negatively impact the development of key relationships and contracts, and inhibit the ability of traders to establish sustainable supply and value chains

Companies recognised that good networks with all stakeholders in the supply chain, including trade forwarders and agents, are critical to successful participation in international trade. Once established, these networks and relationships rely on continuity of supply throughout the value and supply chain to meet the requirements of each phase of production and ensure consistent supply to consumers. Delays at the border and the resulting volatility in trade costs directly affect business and may have downstream impacts for the whole supply chain.

All companies engaged in international trade reported the use of trade forwarders and agents. Prior to the conduct of trade, a contract is established between the exporter (seller) and importer (buyer). The three most common contracts formed between these parties and their respective responsibilities are summarised below:

¹⁶ <http://www.wcoomd.org/en/topics/origin/instrument-and-tools/comparative-study-on-preferential-rules-of-origin/specific-topics/study-topics/cum.aspx>

- (1) The buyer is responsible for the cargo as soon as it enters the ship. The cost of the product incorporates:
 - (a) costs of the product itself;
 - (b) transportation of the product from the location of the seller to the port;
 - (c) port handling charges which can include warehouse charges, forklift rental and handling fees;
 - (d) costs and fees associated with the clearance of cargo; and
 - (e) service charges of the trade forwarder or trade agent which may include any additional fees required to facilitate clearance of customs.
- (2) The buyer is responsible for the cargo as soon as it arrives at the buyers' port. The costs of the product that the seller charges the buyer include:
 - (a) costs of the product itself;
 - (b) transportation of the product from the location of the seller to the port;
 - (c) port handling charges which can include warehouse charges, forklift rental and handling fees;
 - (d) costs and fees associated with the clearance of cargo;
 - (e) service charges of the trade forwarder or trade agent which may include any additional fees required to facilitate the clearance of customs; and
 - (f) shipping costs of the cargo from the seller's port to the port of destination.
- (3) The seller is responsible for the overall costs of the shipment, including the customs clearance at the port of destination (the buyer's port). The costs of the product that the seller charges the buyer include:
 - (a) costs of the product itself;
 - (b) transportation of the product from the location of the seller to the port;
 - (c) port handling charges which can include warehouse charges, forklift rental and handling charges;
 - (d) costs and fees associated with the clearance of cargo;
 - (e) service charges of the trade forwarder or trade agent which may include any additional fees required to facilitate the clearance of customs;
 - (f) shipping costs of the cargo from the seller's port to the port of destination;
 - (g) port handling charges at the port of destination which can include warehouse charges, forklift rental and handling charges;
 - (h) costs and fees associated with the clearance of cargo at port of destination; and
 - (i) service charges of the trade forwarder or trade agent which may include any additional fees to facilitate the clearance of customs at the port of destination.

Companies utilising the third mode of contract summarised above noted that the establishment of continuous and ongoing networks may be undermined when customs procedures such as NTMs are non-transparent, making it difficult for traders to determine the costs associated with customs clearance at the port of the seller as well as the port of destination. Any delays have the potential to increase the cost of the products which, unless specifically noted in the contract, are borne by the seller who is unable to recover the additional costs.

In the event that first or second modes of contract summarised above are utilised, whereby the buyer is responsible for shipping and customs clearance, trade agents and trade forwarders engaged to assist in meeting the documentary requirements at ports may not be able to provide final costs for their services until the shipment has cleared customs, resulting in high levels of uncertainty. Trade forwarders and logistic agents such as DHL and FedEx confirmed that they are not able to provide clear information on the final fees for customs charges in some countries.

To mitigate this risk, sellers typically omit any costs related to customs clearance, including port handling charges and costs associated with the trade forwarder or agents, only including these once the cargo has cleared customs. This creates uncertainty for both the exporting company and their partners who are unable to accurately estimate the overall costs of the shipment, the per unit price of the product to be sold to the consumer and therefore the demand for their final product in the market.

Such variations in the time and costs required to deliver products to stakeholders were reported to adversely impact relationships with clients and make it difficult to establish robust value and supply chains.

Singaporean Trade Forwarder

A Singaporean trade forwarder explained that the costs of customs clearance for the same country and same product can vary significantly. For example, the trade forwarder explained that it could vary from \$100 to \$1000 for the same kind of shipment. Two immediate implications are that (1) uncertainty is imposed on both the trade forwarder and the client, and (2) that the variation in fees, which are overheads passed on to the final consumer, lead to a drop in overall demand. As neither the trade forwarder, nor the client can accurately forecast the overall overheads, the client is not willing to order as much as he might have if these fees would be consistent and transparent. This affects the demand of the products of the firms and adversely affects trade and the supply and value chains throughout the region and leads to trade distortion and an overall welfare loss.

Uncertainty concerning the impact of NTMs influences where Medium-to-Large companies source products

Medium-to-Large Enterprises explained that the level of certainty surrounding the impact of NTMs had a direct impact on their decision to source products from a particular country. Countries known for their inconsistent trade practices are less appealing than those where export and import regulations are transparent and well understood.

For example, firms reported that they were more likely to source products from Korea, despite the additional costs, as their export regulations are transparent and applied with consistency. In such cases, the short-term cost to the firms' competitiveness resulting from the increased price of their product was deemed preferable to the variance in overhead costs and time required to deliver products to local businesses experienced when trading in countries known for inconsistencies in information and costs. The importance of consistency to the establishment of robust supply chains throughout the region was again highlighted in these discussions.

Where NTMs and trade regulations are neither transparent or consistent, widespread use of facilitation payments, and unethical and possibly corrupt practices, referred to as "S-11 Technologies", are adopted to facilitate trade

Research revealed that Medium-to-Large Enterprises have developed a solution to help them manage the lack of transparency and consistency concerning the implementation of NTMs and trade practices in some countries within the wider AANZFTA region. In order to facilitate trade and safeguard their competitiveness in the market place, many medium to large enterprises utilise a combination of "S-11 Technologies". The term "S-11 Technologies" refers to bribery practices, namely the engagement of preferred trade agents and trade forwarders with local contacts, known as "runners", who are employed to engage in unlawful practices on their behalf. In practice, the process of trade can be described as follows:

- The firm provides the agent/ forwarder with the requested information
- The agent/ forwarder uses the information to prepare the documentation
- The agent/ forwarder hands the documentation to local "runner" who takes the prepared documentation to clear customs
- The "runner" returns to the agent/ forwarder with a request for additional information and a "fee" to be paid to clear customs
- The agent provides the "runner" with the "fee" which is charged to the client (the firm that has hired the agent/ forwarder)
- The "runner" leaves with the "fee" and returns with clearance documentation

Of the 83 firms engaged in international trade, 79 confirmed the establishment of this system in various forms to facilitate trade with countries from Grouping B. One firm that reported using local contacts to assist in clearing goods through customs, expressed the view that this was essential in order to avoid significant delays. The remaining firms consulted were not engaged in international trade but were nonetheless aware of "S-11 technologies".

Medium scale firms trading in fresh food, including fish, described “S-11 technologies” as essential to ensuring fresh food (including fresh fish) clears customs with minimal delays. It is not uncommon for receipt of the official documentation required for clearance of fresh food to take up to three days. Such delays can result in spoiled food, essentially voiding the entire shipment. With the application of “S-11 technologies”, official documentation becomes a mere formality, with many shipments of fresh food and fish having cleared customs and even been consumed, prior to completion of official documentation.

Firms recognised that this is a potentially serious issue for the health and safety of consumers, and had taken steps to ensure that the fresh food and fresh fish products are safe for human consumption. In particular, the food testing services of Singapore AVA are often utilised to ensure the safety of products prior to their shipment. In these cases, samples are sent to Singapore AVA for analysis to ensure that the product meets international health and safety food standards. While this results in an increase in costs, it was considered important to mitigate the risk of potential contamination of food and the subsequent impacts to traders.

NTMs and the strategies employed by exporters to manage them tend to favour Medium-to-Large Enterprises over Small and Micro-Scale Enterprises

Analysis of the data obtained through consultation with businesses revealed that NTMs and the strategies employed to manage them tend to favour Medium-to-Large Enterprises over Small and Micro-Scale Enterprises as a result of their capacity constraints. For example:

- While Medium-to-Large Enterprises reported hiring legal research teams or advisors to guide them through the trade process, Small and Micro-Scale Enterprises lack the resources to engage professionals to provide them with valuable information on NTMs and instruct them on how to meet their requirements.
- As many fees are incurred by shipment, without reference to the size or value of the shipment, larger cargos attract a lower per unit trade cost.
- Though the costs for agents, trade forwarders and “S-11 technologies” do impact on the competitiveness of Medium-to-Large Enterprises, they were found to significantly limit the ability of Small and Micro-Scale Enterprises to participate in international trade and the global supply and value chain. This is because the nature of their products and the scale at which they are produced are often insufficient to meet these costs.
- Inconsistencies in information and fees decreases the ability of Small and Micro-Scale Enterprises to deliver their goods on time and increases the risk that they will be required to meet additional costs as a result of delays (e.g. port handling charges), costs which they lack the resources to meet.
- Approaches of countries of Grouping A to SPS measures and Standards, Technical Regulations and Conformity Assessment Procedures (STRACAP) impact companies trading in the Seafood Sector and Wood and Timber Furniture Sector differently depending on their size.

This is not to say that all Small and Micro-Scale Enterprises are unable to engage in international trade. Consultations were undertaken with SMSEs trading in specialised non-fresh food products who are currently engaged in international trade. These firms reported working closely with their clients to ensure that required documentation is provided, and employ local “runners” to facilitate trade. Others addressed these constraints by limiting their trade engagement to a few countries and investing significant resources in networking with clients and local contacts to ensure trusting relationships are established with the result that cargo is cleared within a reasonable timeframe.

Nonetheless, it is clear that NTMs provide a direct advantage to relatively large companies that can afford to hire their own legal research teams or legal advisers, employ agents, trade forwarders and “S-11 technologies”, export or import large shipments (several containers) or who have a greater tolerance for variations in costs, thereby placing Small and Micro-Scale Enterprises at a competitive disadvantage in the context of international trade as a result of their capacity constraints.

Uncertainty concerning the due diligence requirements associated with Illegal Logging Regulations may deter some companies from exporting timber products.

Illegal logging takes place when timber is harvested, transported, bought or sold in violation of national and/ or international laws. It is difficult to provide a more precise definition than this, due to variations in the laws concerning logging across countries throughout the region. Illegal logging is a serious concern in the international trading community, given potential negative environmental, social and economic impacts. In addition to destroying some of the world's most ecologically valuable forest ecosystems and the resulting losses for global biodiversity and habitats of endangered species, depletion of forests due to illegal logging can also result in soil erosion, landslides, aggravate flooding and alter the local climate.

While recognising the seriousness of this issue and the right of countries to regulate in order to manage the potential impacts, it is also important to recognise the challenges that NTMs related to illegal logging may present for companies engaged in the trade of timber across the region.

Navigating NTMs related to illegal logging was found to be particularly challenging for companies engaged in the trade of timber. No assessment could be made as to how much these challenges were due to the effectiveness of regulations in addressing illegal logging, or how much resulted from uncertainty by legitimate operators over how to ensure that they were meeting the requirements imposed on their customers in the importing countries.

Companies, especially smaller companies, and private sector associations reported high levels of uncertainty on the part of exporters concerning their ability to meet the requirements of Illegal Logging regulations in importing countries prior to arrival of the goods. Even in cases where exporters are able to provide sample documentation that they believe meets requirements, they are unable to obtain confirmation that the documentation they have prepared is sufficient to meet importing country regulations (including post-entry requirements such as quarantine protocols). This may affect the readiness of importers to source product from certain companies, or may make some exporters reluctant to enter into contracts with buyers who expect them to guarantee that their product meets importing country requirements.

This inability to receive prior confirmation of the acceptance of a timber shipment can deter companies from trading. This is especially the case for SMSEs, for whom the cost of a shipment failing to clear customs presents too great a risk.

The process and requirements for obtaining a permit for the export of wood or timber varies across the AANZFTA region, and can be prohibitive for Small to Micro Scale Enterprises in some countries.

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Firms exporting in one country described the registration process as lengthy, multi-staged and involving the collection of documentation from a range of institutions and ministries. Fortunately, this is a one-off registration procedure.

However, those firms exporting wood or timber must obtain an additional export permit for which they are required to provide documentation confirming the legality of the timber. This includes a requirement that exporters obtain and retain records for each product that enable the timber to be traced to its origin. An export permit cannot be issued without the provision of this documentation.

The timber exporters reported that the process of obtaining and retaining a permit to export timber is excessively bureaucratic and time consuming. Furthermore, they did not feel the government supports them by maintaining documentation or streamlining procedures. Research confirmed the relatively complicated system reported by the companies interviewed.

In the event that a company fails to export, their export licence may expire and the company may be required to reapply for an export license and pay the associated fees a second time. The resources

required to process a second application are prohibitive for many smaller firms consulted, with the result that they are forced to focus on the domestic market or sell off their commodities to larger export companies.

Obtaining the documentation can prove difficult, as this involves other ministries and/or departments. For example, the required Phytosanitary Certificate is issued by the Department of Agriculture. Overall, firms reported that sufficient information is provided by the Malaysian Timber Industry Board to assist the firms in their trade.

BEST PRACTICE: Malaysian Timber Industry Board

Malaysian firms exporting timber to Australia, Indonesia, The Philippines and Thailand are required to register with and obtain export license from the Malaysian Industry Board.

Both registration and the application for an export license can be undertaken online, with export licenses being issued using the same medium, providing the required documentation can be obtained.

Overall, firms felt that sufficient information is provided by the Malaysian Timber Industry Board to support them in their trade.

Furniture Manufacturer (Small Scale)

The small-scale firm produces high quality hardwood furniture and reported that recent regulations on hardwood trade make it very difficult to access raw materials. In many instances, hardwood trade is restricted or prohibited in ASEAN member countries which increases costs of accessing intermediate products while experiencing a decline in quality. For example, ASEAN hardwood is being substituted with lower quality, higher priced African hardwood. Furthermore, the African raw materials are not traceable anymore which makes it impossible for the firm to trade with countries that impose relatively strict illegal logging regulations.

Domestically, export license regulations are considered expensive. The firm reports that if export does not take place on a regular basis, the export license may be suspended. A reapplication and the fees like license fees are applicable again.

Because of the above the firm has almost ceased exports completely and now focuses on the domestic market only. However, overall the firm has seen a significant decline in demand for their products. For example, the company used to export regularly to Australia and New Zealand, and would like to explore other markets. However, with the changes in the illegal logging regulations and the overall NTM environment, the company does not have the capacity to do so. The company also raised that FTAs “are not made for them”.

5. Recommendations

The following recommendations have been developed to address key findings identified throughout the study, with a view to harmonising regulations and procedures across the region where practical and addressing gaps in resources and capacity to make it easier and more cost effective for all companies to participate in international trade, irrespective of their size.

Figure 8 summarises these recommendations and maps them to the 7 key insights outlined in the section 4.2. The Figure provides an overview of which of the 7 key insights are addressed.

Figure 8: Summary of Recommendations and Key Insights Addressed

	LACK OF TRANSPARENCY & ACCESSIBILITY	COMPLEXITY & VARIABILITY	DUPLICATION	INCONSISTENT IMPLEMENTATION	FACILITATION PAYMENTS AND UNETHICAL TRADE PRACTICES	SMEs DISADVANTAGED	CAPACITY GAPS
RECOMMENDATIONS	KEY INSIGHTS ADDRESSED						
(1) Develop an online provision that enables traders to access information about trade regulations and requirements through a step by step guide, accessible through smartphone technology. This will guide traders in understanding requirements, and how to progress through the process of meeting these requirements. It will link to a repository of official documents as references, allow companies to register to receive email alerts for updates or regulatory changes, and provide business matching, networking and e-commerce services.	✓	✓	✓	✓	✓	✓	✓
(2) Share information on a continuing basis among government and the business community.	✓	✓	✗	✓	✓	✓	✓
(3) Increase automation of documentation approvals.	✓	✓	✗	✓	✓	✓	✓
(4) Develop pre-shipment assurance portals.	✓	✓	✓	✓	✓	✓	✓
(5) Develop an AANZFTA members Trusted Trader Network.	✓	✓	✓	✓	✓	✓	✓
(6) Review the trade regulations and practices of each AANZFTA member to identify, replicate and implement best practice across the region.	✓	✓	✓	✓	✓	✓	✓
(7) Assess the costs and benefits of proposed regulations.	✗	✗	✗	✗	✗	✓	✗
(8) Collaborate among government and industry associations to build the capacity of companies.	✓	✓	✗	✓	✓	✓	✓
(9) Improve training and education programs for government officials.	✓	✓	✗	✓	✓	✓	✓
(10) Reduce quantitative restrictions and improve automatic licensing arrangements to facilitate trade	✓	✓	✓	✗	✓	✓	✓
(11) Ensure consistent application of Harmonised System editions	✓	✓	✓	✓	✓	✓	✓

It is anticipated that providing businesses with clear and efficient processes and procedures, unambiguous definitions and explicit cost structures will not only increase the number of companies engaged in international trade, but also reduce the incentives to use unethical and inefficient practices, such as the use of “S-11 Technologies”.

- (1) Develop an online application through which traders can access information about trade regulations, requirements and step by step guides via smartphone technology. This will guide traders in understanding requirements, and how to move through the process of meeting these, including how to complete necessary applications for permits, licences or other documentation. It will link to a repository of official documents as references, allow companies to register to receive email alerts for updates or regulatory changes, and provide business matching, networking and e-commerce services.**

It is recommended that AANZFTA member countries develop a single regional (AANZFTA) business friendly, non-technical trade education portal that can be used by companies throughout the AANZFTA to easily identify and access instructions on how to adhere to general trade regulations and take advantage of the benefits of preferential trade agreements throughout the region.

This would not simply be a clearing house for existing websites but would be a fully integrated portal that would itself be a prime source of information, although it would have links to other websites with additional information. Through this portal, traders and government officials could develop the capabilities to access import/ export related, country specific information to assist traders.

Through the AANZFTA arrangements, members would be required to provide user-friendly information for businesses on their import and export regulations and immediately inform on proposed changes to legislation to ensure the online education provision is kept up to date.

Traders should be able to register to receive alerts when regulations that may affect their business change or are updated, including how they need to amend their practice to continue to benefit from the changed regulations.

The portal should be linked to existing websites or portals, and embed opportunities for business matching and networking, including e-commerce functions.

- (2) Share information on a continuing basis among government and the business community.**

While an information sharing platform or portal can solve many misunderstandings and uncertainties in international trade, it is not sufficient to enable businesses to understand and align their business practices to meet trade requirements. Continuous, transparent dialogue and effort between government agencies, the business community and private sector associations is critical to supporting businesses to understand and meet regulations, lower their compliance costs and increase their competitiveness in the international market. It is equally important in assisting government in understanding the impact that trade related regulations and procedures have on businesses.

Where new regulations or changes to existing legislation are proposed, improved means of consulting with and communicating changes to the business community must be adopted, including early public consultation and review of proposed regulatory changes.

It is recommended that the AANZFTA countries collaboratively develop a strategy for increasing communication between stakeholders. This may include, regular education sessions for government officials and traders, targeted training programs, community consultation, feedback mechanisms on websites and at trade agencies.

(3) Increase automation of documentation approvals.

In many instances companies reported that they were able to apply for and receive trade approvals such as export licences online. However, signatures and official seals are often still required as part of the process, requiring companies to attend government agencies in person to finalise documentation which can be time consuming for businesses.

It is recommended that all steps of application and approval be made available to complete electronically with a view to increasing transparency and efficiency. Furthermore, government agencies should be provided with a time-frame within which they must respond to applications, to allow strategic forward planning by companies.

The automation procedures should include self-declaration/ self-certification, streamlining of documentary requirements.

Additionally, reducing the amount of person-to-person contact required to conduct trade transactions will reduce opportunities for “S-11 Technologies” to be applied.

(4) Develop pre-shipment assurance portals.

A pre-shipment clearance portal where scanned documentation can be submitted for approval by the authorities in the destination country (whether in relation to documents to clear customs or to meet post-entry requirements such as quarantine protocols) would assist in facilitating trade, particularly by SMEs.

Furthermore, a region wide Certificate of Origin Portal that allows businesses to apply for COOs and submit them for pre-shipment clearance would mitigate the risk of delays, additional costs and possible use of facilitation payments, and unethical and possibly corrupt practices resulting from misclassification of HS tariff codes and lack of knowledge of COOs for the application of Rules of Origin under FTAs.

(5) Develop an AANZFTA members Trusted Trader Network.

For companies that conduct frequent trade with countries throughout the AANZFTA region under the FTA, a trusted business certificate should be offered that allows those companies to fast track the documentary requirements and clearance of their products.

For example, such a certificate could be offered to seafood producers who trade regularly.. Instead of having to check all their products every time they access some markets, a trusted trader certification could be provided that allows for random checks. The certificate should be conditional on the company consistently passing random inspections. Such a certificate would reduce administrative burdens, general customs clearance times and reduce the costs of trade.

(6) Review the trade regulations and practices of each AANZFTA member to identify, replicate and implement best practice across the region.

It is recommended the member countries of the AANZFTA region review their trade regulations and benchmark their trade regulatory system to that of other member countries and to international best practices.

Furthermore, it would be worthwhile to clearly identify the aims of regulations in each member country, and whether they are currently achieving the desired outcomes.

It is suggested that the benchmarking study be undertaken through independent and anonymous collection of information at the border from international traders, with a view to ensuring objectivity and establishing a realistic baseline for countries in the AANZFTA region.

This should be conducted in a consistent manner across all member countries, with the same methodology to be applied across the region. The Economic Research Institute for ASEAN and East Asia (ERIA) have developed a number of review processes which could be implemented for this purpose in delivering for this recommendation. For example, Cadot, Munadi and Ing (2013) have suggested ways to streamline NTMs in the ASEAN region. The authors suggest a clear methodology to review NTMs based on their effectiveness in meeting the desired outcomes, and an institutional set-up for the governance of NTMs is proposed in the form of a productivity commission.¹⁷

(7) Assess the costs and benefits of proposed regulations for all stakeholders to ensuring that the views of SMSEs are considered in the design of new or revised regulations.

Companies consulted throughout the study typically perceived a failure on the part of governments to recognise that any regulatory requirement or request for documentation increases the costs of doing business, and directly impacts both demand for products and overall competitiveness in the international market.

Governments must recognise that any change in regulations affects the entire value and supply chain, rather than specific companies along the supply chain. Even if a company is not trading in the international market, it may still be impacted by trade regulations. As such, it is recommended that further effort be invested in understanding the costs and benefits of proposed regulations or amendments to existing regulations throughout the value and supply chain. This should include consultation with and consideration of companies of all sizes, as well as industry associations.

Data obtained from private sector associations and industry suggests that government agencies across the AANZFTA region typically engage with medium-to-large enterprises. Throughout the consultations it has become clear that changes to regulations and documentary requirements often favour these organisations, since they have the resources available to understand and adjust to such changes quickly. The same changes may result in a loss of market share for SMSEs and SMEs which may lack the resources to identify, understand and adapt to meet the requirements of the changed regulatory environment.

Further effort should be invested during the regulatory development stage to assess the costs and benefits of proposed regulations for all stakeholders, ensuring that the views of SMSEs and SMEs are considered in the design of new or revised regulations. Good policy analysis can reduce unnecessary costs, and can ensure that impediments to trade are minimized.

(8) Collaborate among government and industry associations to build the capacity of companies.

It is recommended that government and industry associations collaborate to build the capacity of companies, through the facilitation of access to information and provision of training to assist them in understanding regulatory requirements and developing effective systems to help them comply with these.

(9) Improve training and education programs for government officials.

Provision of improved training and education programs for government officials, including regular refresher courses to ensure they remain informed on the most recent developments in trade and best practices across the region. This should be supported by a central administrator who would also be responsible for reviewing decisions made by officers in the field, promoting consistency in the application of regulatory requirements, disseminating best practice, and providing precedents to inform front-line decision-making.

¹⁷ ERIA Discussion Paper Series 2013 (24), Streamlining NTMs in ASEAN: The Way Forward by Cadot, Munadi and Ing (2013).

In many consultations companies and government officials felt that some customs officers lacked the knowledge and tools to effectively assist companies with specific trade related questions. Instead Government officials tend to refer to Government websites or provide technical information that is not helpful in addressing the needs of traders. Capacity training for government officials would help to ensure that they gain the knowledge required to assist companies in their trade.

(10) Reduce quantitative restrictions and improve automatic licensing arrangements to facilitate trade

The AANZFTA parties should continue to reduce or eliminate any quantitative restrictions on international trade and should improve automatic licensing to facilitate trade. The existence of quotas and quantitative prohibitions of goods trade indicates that such measures and limitations on trade can lead to a reduction of imports of intermediate goods or to a diversion of trade. This may undermine a company's relative competitive advantage and a country's comparative advantage.

(11) Ensure consistent application of Harmonised System editions

The AANZFTA parties should ensure a consistent application of the editions of the Harmonised System throughout the region through the timely implementation of tariff reduction schedules at the border. Inconsistencies in the Harmonised System classification of products between countries may result in additional costs for exporters, especially in cases where these lead to a rejection of certificates of origin and preferential tariffs not being eligible.

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Annex I: Detailed Methodology

The focus of this study was to understand the impact of NTMs on companies trading in the AANZFTA region. The methodological approach was carefully designed to enable the collection of detailed and substantive information on NTMs through consultations with companies, with a particular focus on the Seafood and Wood and Timber Furniture Sectors, and was comprised of the following key stages:



Stage 1: Establish relationships on the ground

Initial contact with companies was established in Stage 1, during which the following points were highlighted to businesses with a view to gaining their trust and encouraging their participation in the study:

- Providing businesses and business associations with a clear understanding of the project, its importance and “what is in the project for them” to encourage participation.
- Connecting businesses with the consultant to ensure a trust relationship is established.
- Explaining to businesses that, even though the project is undertaken for the Governments of the AANZFTA region, that the business consultations are run entirely independently.
- Preserving the confidentiality of the identity of the companies and assuring companies that follow-up reports will not include any identifiers.

The primary objective of this stage was to establish trust and rapport with businesses and private sector organisations, with a view to facilitating frank and open discussions about their use of NTMs and the issues they face.

The time required to build the required level of trust varied from company to company, taking up to six weeks in some cases. The use of local contacts with private sector connections was found to be the most successful approach to establishing relationships with local businesses.

In these cases, the local contacts made initial contact with the company via telephone, introducing the project and explaining its relevance to the targeted company.

The local contact was responsible for the following activities:

- Establishing contact with target businesses via telephone
- Introducing the project and consultant to local businesses
- Building trust
- Introducing the online survey
- Facilitating the establishment of working relationships between the consultant and the private sector
- Setting up in-country meetings

While in contact with the business, the local contact maintained regular communication with the consultant to ensure that all required information was provided and that schedules for potential in-country visits could be developed based on availability of both the firm and consultant.

It should be noted that the success of Stage 1 was critical to the success of the project, as it formed the foundation for Stages 2 and 3. Without a successful stage 1, stages 2 and 3 would not yield appropriate or useful data for analysis.

Stage 2: Data collection

Following initial contact via telephone, participating companies were sent an email containing a link to an online survey tool. The introductory phone call helped to ensure that businesses understood the purpose of the online survey and is believed to have increased the response rate. Information about the businesses, including their location within the supply chain and whether the firm participates in international trade were collected and collated via the online survey. This provided valuable background information for the subsequent in-country visits and context for the final report and aggregate findings.

More in-depth data was then collected during interviews conducted either face-to-face or via teleconference. While some companies chose to be interviewed via teleconference because this medium offered greater flexibility, most targeted businesses preferred to be interviewed face-to-face with a total of 110 companies having been consulted during field visits to Australia, Indonesia, Malaysia, New Zealand, Singapore and Thailand between August 2015 and March 2017. This was also the preferred method of the consultant as it provided the best opportunity to gather detailed information.

A detailed overview of the companies consulted is provided in the Annex II.

Stage 3: Analysis and Follow Up

During Stage 3, data was analysed and cross-referenced with responses provided by other interviewees. Legislation was also reviewed to confirm the accuracy of statements made during interviews. The outcomes of the interviews and consultations were also subject to a supply and value chain analysis to investigate how NTMs affect business.

Where companies raised specific questions to the consultant, follow up was undertaken and responses to these questions were subsequently provided.

Annex II: Statistical Overview of Companies Consulted

This Annex provides a statistical overview of the companies consulted during field visits to Australia, Indonesia, Malaysia, New Zealand, Singapore and Thailand.

1. Company Size

As Figure A1 shows, most companies self-categorised as Medium sized enterprises (46), followed by small companies (30). A total of 9 companies self-categorized as Small-to-Medium, with 12 Medium-to-Large enterprises. In addition, a total of 9 Large enterprises were consulted, all of which are well established in the market and engaged in international trade. By comparison, only 9 Micro companies were interviewed which participate in international trade to a very limited extent.

Figure A1: Company Size (All)

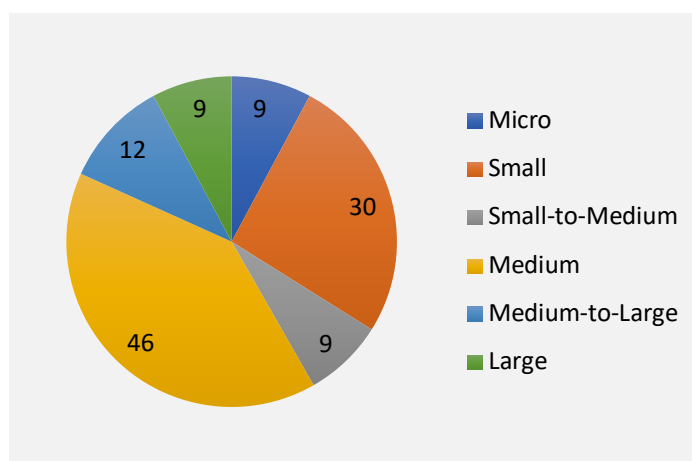
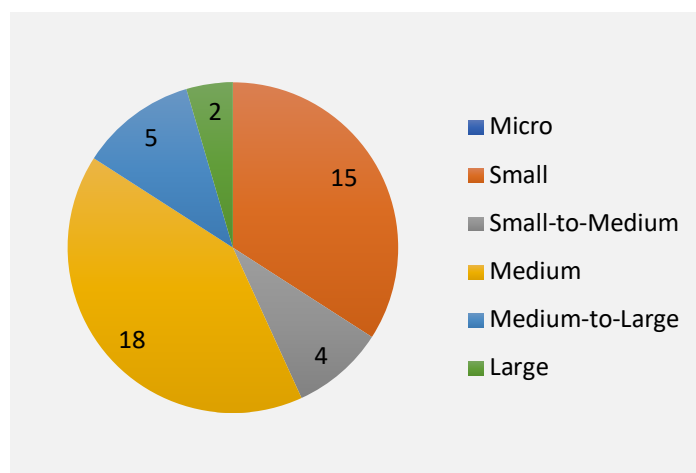


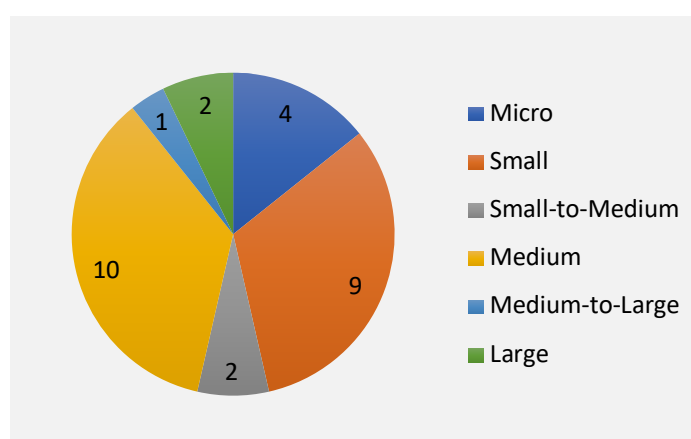
Figure A2 shows a disaggregated overview of the 44 companies consulted from the Wood and Timber Furniture Sector and its support industries. Of these 44 companies, 18 self-described as Medium sized and 15 as Small. No companies consulted considered themselves to be Micro scale enterprises. Two large companies were interviewed, as well as five companies that self-categorized as Medium-to-Large.

Figure A2: Company Size (Wood Sector)



As depicted in Figure A3, of the 28 companies operating in the Seafood Sector, 10 self-described as being Medium sized, 9 were reported to be Small in size. In addition, 2 large companies were consulted, together with one Medium-to-Large company, 2 Small-to-Medium and 4 Micro scale companies.

Figure A3: Company Size (Seafood Sector)



2. Trade Experience

The majority of the companies consulted were actively participating in international trade or had previous experience in export and/or import. It was found that the larger the size of the company, the more likely that the company was to participate in international trade as part of a global value and supply chain. Of the 110 companies interviewed, the vast majority (83) had experience in international trade, either exporting and/ or importing, or in the provision of advice to companies conducting trade as trade agents, trade forwarders or private sector consultants; see Figure A4.

Figure A4: Trade Experience of Companies Consulted



3. Company Sector

The focus of the business consultations was on the Seafood and Wood and Timber Furniture Sectors. However, consultations also took place with logistics companies and companies in other sectors such as electronics and the food processing industry.

Figure A5: Sector of Companies Consulted

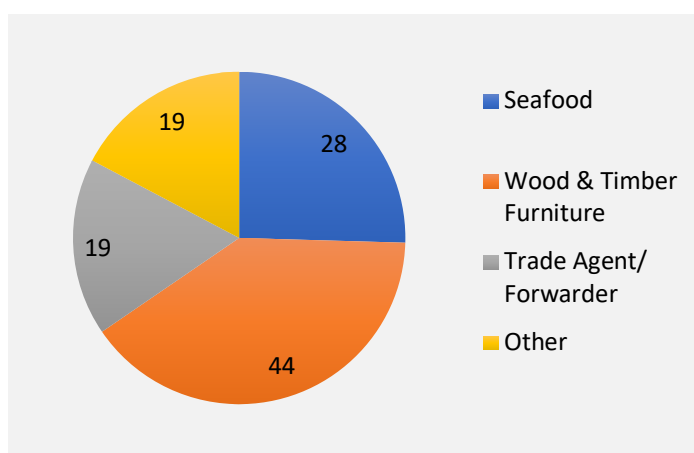
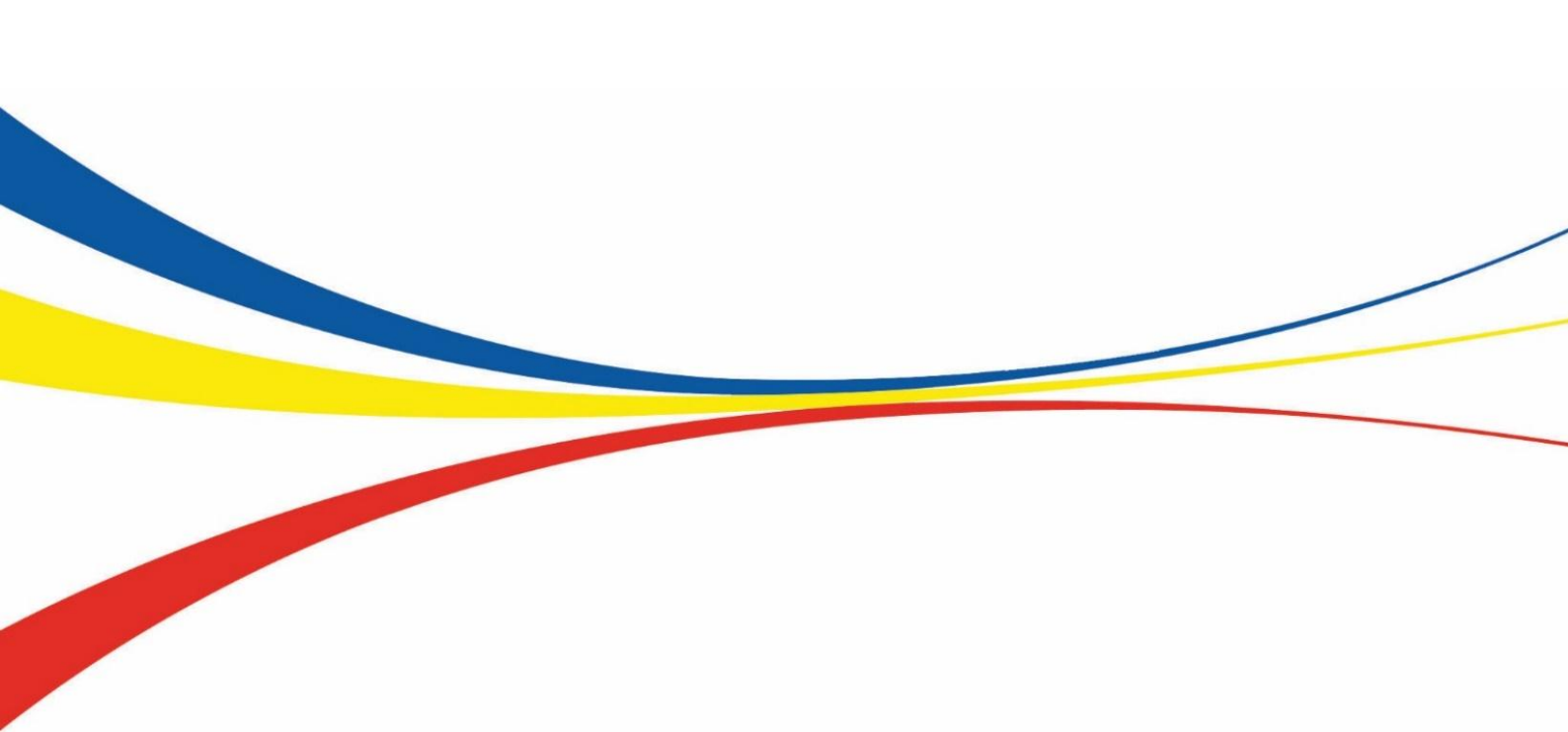


Figure A5 provides an overview of the Sectors of the companies consulted. Most companies interviewed belong to the Seafood (28) and Wood and Timber Furniture Sectors and its support industries (44). Consultations also took place with 19 trade forwarders and trade agents that assist companies with the transportation of goods and the clearance of cargo. During the field visits in Indonesia, Malaysia, Singapore and Thailand, 19 companies operating within other sectors were also consulted, including one garment producer, tea and dry goods traders, a food and snacks producer, electronic and construction companies.



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