

ECONOMICS WORKING PAPER

Using Regionalism for Globalisation: The ASEAN Way

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February 2021


Abstract


In assessing regionalism, it has become customary to look to the European experience to serve as a benchmark against which all other regional integration programs are judged. But ASEAN is different. Compared to Europe, it is outward- rather than inward-looking, market rather than government driven, and institution light rather than heavy. These differences reflect the very different motivations and objectives of the two regional programs. ASEAN's success lies in its almost unique achievement of using regionalism for globalisation. The metrics that we use to assess regionalism must reflect true objectives, even if they lie below the surface. Widely used indicators such as shares of intra-regional trade and investment not only fail to capture the real story, but they can point in the wrong direction.


JEL Classification: F13, F14, F15


Keywords: Regionalism, Trade, ASEAN

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Using Regionalism for Globalisation: The ASEAN Way

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1. Background

As a regional organisation, the Association of Southeast Asian Nations – or ASEAN – is different in many ways. Previous assessments of ASEAN may not have fully recognised how different ASEAN's objectives may have been from most, if not all, other regional arrangements. This is mainly because in assessing regionalism, it has become customary to look to the European experience to serve as a benchmark against which all other regional integration programs are judged, if not ranked. Despite recent challenges, there is little doubt that Europe has made great strides in the economic sphere as well as in preserving the peace and security of the region. It is clearly the most integrated region in the world and there was a time when regional groupings everywhere looked on in awe, aspiring to emulate its many achievements. So how does ASEAN compare to this so-called model of regionalism?

Unlike Europe, regionalism for ASEAN has evolved to become more of a means rather than an end. With markedly different objectives in mind, any comparative assessment needs to employ criteria and metrics that measure intended outcomes as opposed to assumed outputs. In this paper, we look closely at what ASEAN has tried to achieve through the way in which it has implemented its economic protocols. By doing this, we try and delineate the true objectives of ASEAN instead of simply assuming that they must be the same as other regional arrangements. Put simply, this paper argues that any comparison with the European or other regional arrangements is likely to yield flawed results if the underlying objectives differ. Therefore, the metrics used in the assessment should align with true objectives.

The paper is sectioned in five parts. Section 2 provides a brief background of ASEAN and argues the importance of differentiating between stated and true objectives in evaluating progress towards goals. In Section 3, we examine ASEAN's trade performance using traditional and non-traditional indicators and assess performance accordingly. This section also brings out the practical importance of identifying true objectives and applying the correct metrics in assessing performance subsequently. The same is done for foreign direct investment (FDI) in Section 4. A final section concludes.

¹ I am grateful to participants at the Institute of South Asian Studies – Berkeley ASEAN Studies Center Workshop on "Revisiting Globalisation: Comparing Country Experiences from South Asia and the World" for their comments, particularly Vinod Aggarwal. Any remaining errors are mine.

2. Understanding ASEAN's Objectives: Stated versus Real

Born as a politico-security pact during the Viet Nam War in 1967, it took a while before ASEAN decided to get serious about pursuing an economic agenda. It was not until the Bali Summit of the five leaders in February 1976 that a formal set of regional cooperation measures were introduced. However, none of the economic cooperation programs had any significant impact on regional economic relations (Imada and Naya, eds, 1992) as they were explicitly designed that way. Member countries were not ready, willing, or interested in forging greater economic ties amongst each other and the implementation of these agreements reflected that. An outsider observing these outcomes would have declared the program a failure while an insider would have understood that they achieved exactly what they were designed to achieve: very little.

The first serious attempt at pursuing economic objectives commenced in 1992 when ASEAN leaders announced at their Summit that they would pursue the establishment of an ASEAN Free Trade Area, or AFTA. This marked a clear break with the past and the stated emphasis was on stronger economic cooperation: for the first time, 'free trade' was the regional objective. There was a clear timetable for implementation and a 'negative list' approach was adopted, in that all goods traded would be included within AFTA unless explicitly excluded.

On the trade liberalisation front, AFTA succeeded in doing much more than mandated – again drawing the contrast between stated and actual objectives but this time in a more positive way. However, AFTA had a much wider agenda, covering areas such as services, investment, intellectual property rights and the like. Yet, progress in all of these areas remained limited.

Instead of backing down, ASEAN decided to double down and announced an even more ambitious agenda labelled the ASEAN Economic Community (AEC). In 2007, ASEAN leaders signed the AEC Blueprint defining the actions, measures, and timelines leading up to the AEC's creation. An AEC Scorecard was drawn up to track progress in implementing specific measures within the Blueprint's timelines.

Like with the AFTA agenda (except for tariffs), ASEAN fell short of its target of realising the AEC by end-2015. By 2015, the full list of AEC Scorecard measures had grown from 316 to 611; of this total, 506 were identified as the focused base of measures for implementation between 2008-2015. By end-October 2015, ASEAN had reportedly implemented 92.7% of these 506 measures. The remaining 105 measures were deferred until after 2015 (ASEAN,

2015). A successor Blueprint called AEC 2025 had to be introduced, laying out the work for ASEAN economic integration that remained to be done.

Some see this as a failure on ASEAN's part, but should they? An alternative view could be that ASEAN was never going to meet the deadline of 2015 – which had been moved forward from 2020 – as it had been overly ambitious by design. With this explanation, the real objective was never to realise the AEC by 2015 (or even 2020) but to create sufficient momentum to get as close as possible to it than would otherwise have been possible. Given ASEAN's mixed record, this is not an implausible explanation.

Other assessments of ASEAN as a regional integration program may also have failed to delineate true underlying objectives from those that appear on the surface. It is often assumed, quite understandably, that the primary purpose of regional integration agreements is to increase regional integration outcomes. If that was the case, then traditional measures of integration such as changes in the shares of intra-regional trade and investment over time would be the appropriate metrics for assessing performance or measuring progress. However, if it is not the primary objective, then these metrics alone may not be sufficient in delivering an accurate assessment of performance.

3. Assessing Trade Performance

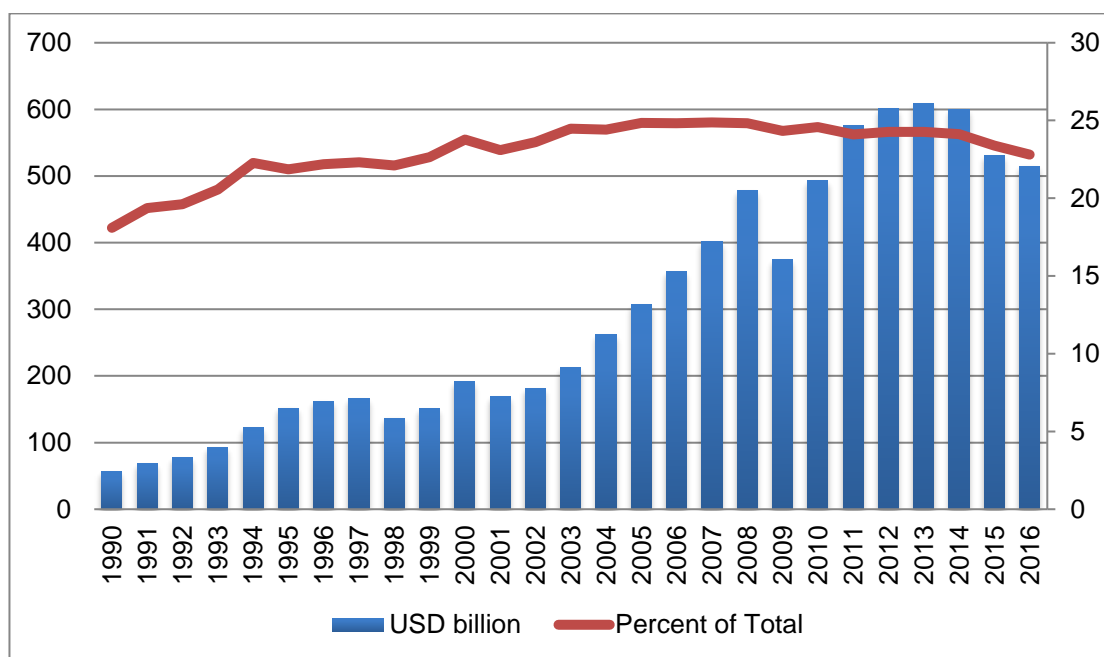
There are both price and quantity indicators that are used to measure the extent of integration. Price indicators are not as common as quantity indicators because data is limited. However, when sufficient data on prices are available, they can be employed to examine the degree of price convergence across markets as a measure of market integration with the law of one price setting the theoretical limit for perfect convergence. The most commonly used quantitative indicators of integration are measures of intra-regional trade. These measures are often concurrently used as indicators of inter-dependence and of self-reliance and independence.² They can also be used to indicate the degree of resilience to global shocks or shocks emanating from other regions.

In ASEAN, the share of intra-regional trade has remained low and relatively unchanged at around 20-25% for almost two decades (Figure 1). Other similar indicators such as trade

² Measures of business cycle synchronisation such as output correlations are often used as indicators of macroeconomic interdependence (see Capanelli *et al.* 2009).

intensity measures are less gloomy but still point in the same direction.³ Based on these traditional indicators of trade integration, ASEAN would be judged a failure. But what if there are broader objectives being pursued? What if regionalism is only a means towards greater ends?

Figure 1: Intra-ASEAN Trade



Source: ADB ARIC Integration Indicators Database. <https://aric.adb.org>

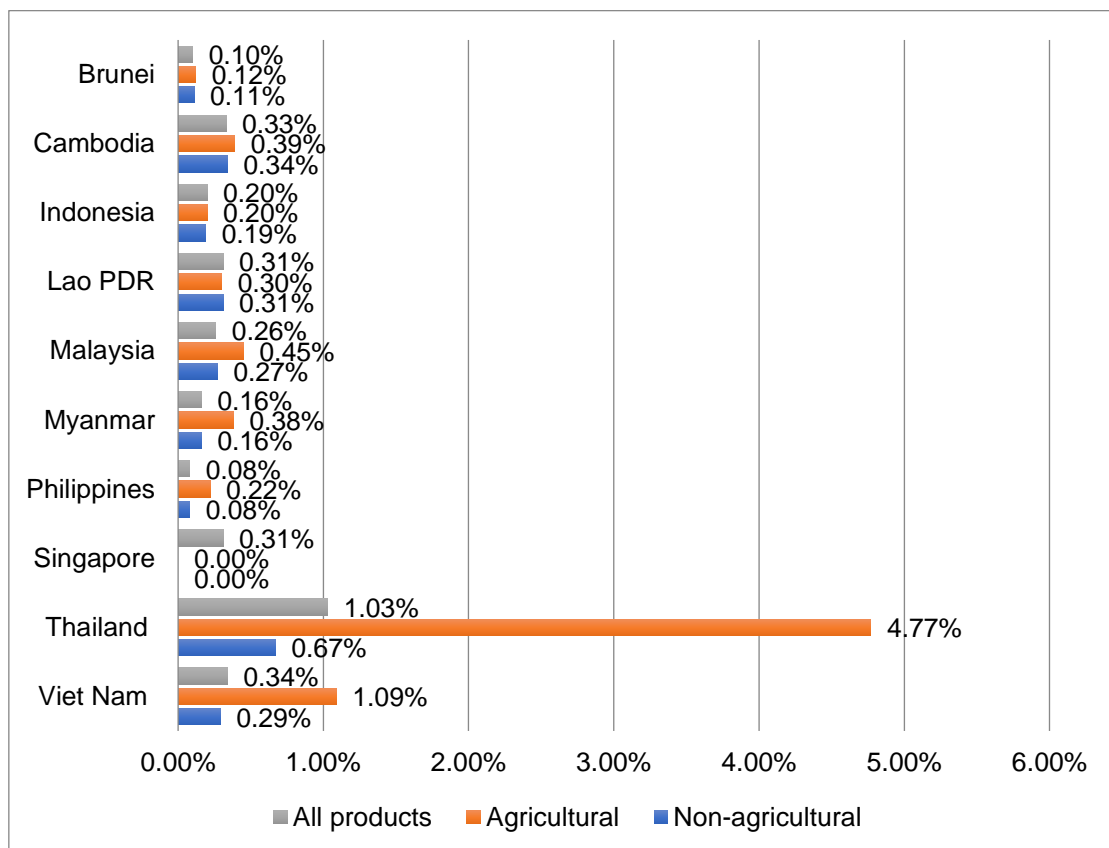
This is indeed the case for ASEAN. To illustrate, consider the implementation of the ASEAN Free Trade Agreement, or AFTA. ASEAN’s original members have used the agreement as a stepping-stone to pursue broader liberalisation and thereby promote globalisation. The data suggest that the original members have been multilateralising their tariff preferences over time, narrowing or eliminating the difference between preferential and most favoured nation (MFN) tariff rates. This initially began with multilateralising the Common Effective Preferential Tariff (CEPT) rates and then continued with the ASEAN Trade in Goods Agreement (ATIGA) rates.⁴

³ The trade intensity index is used to determine whether the value of trade between two entities is greater or smaller than would be expected based on their importance in world trade. It is usually measured as the ratio of two export shares. The numerator is the share of the destination of interest in the exports of the region under study while the denominator is the share of the destination of interest in the exports of the world as a whole.

⁴ ATIGA replaces the CEPT scheme of AFTA. It was signed in February 2009 and entered-into-force in May 2010.

This has significantly reduced – and often eliminated – the margins of preference (Figure 2). In a comparison of external tariffs of major regional trade agreements, the World Bank (2005) found that only the North American Free Trade Agreement (NAFTA) had lower external tariffs than AFTA. Since then, it is quite likely that the ASEAN’s external tariff rates have been reduced to be currently lower than NAFTA’s.

Figure 2: Decline of Margins of Preference in ASEAN



Note:

Latest available year. In the calculation of MFN tariff averages, general tariffs (for non-WTO members) and non-MFN tariffs are included.

Source: ITC Market Access Map Country Tariff Averages, downloaded 9 October 2017

As a result, more than 90% of tariff lines have a margin of preference of zero (Feridhanusetyawan, 2005) and more than 70% of intra-ASEAN trade is conducted at MFN zero (Table 1). On average, ASEAN members had 96% of their tariff lines at 0% by August 2017 (ASEAN 2017) and this share is expected to reach 98.7% by 2018 (ASEAN 2016).

Table 1: Preferential Trade by Agreement/Type of Regime, 2008 (Selected Regimes)

Regime	Share of Trade by Preferential Margin (PM) and MFN Rate (in percent of total trade)								
	Preferential Trade						Total Non-Pref, >0	Total MFN Zero	Trade weighted pref. margin (percentage points)
	Total Preferential	PM >20%	PM 10.1% to 20%	PM 5.1% to 10%	PM 2.6% to 5%	PM 0.1% to 2.5%			
Intra-ASEAN	20.1	2.0	2.0	2.6	4.7	8.7	3.6	72.9	1.7
Singapore-USA	7.2	0.2	0.2	0.6	4.8	1.4	0.0	92.7	0.3
Japan-Singapore	3.1	0.0	0.0	0.1	2.4	0.6	1.9	94.0	0.1
Australia-Singapore	6.4	0.0	0.0	0.2	6.1	0.0	0.0	93.6	0.4
India-Singapore	20.0	0.0	0.0	8.7	6.6	4.6	16.2	59.6	1.0

Source: WTO (2011)

There is an unusual amount of discussion about how ASEAN needs to raise the rates of utilisation of preferences within the agreement. To a certain extent, preference utilisation would overcome the attribution problem, i.e., to be able to say that such trade would not have taken place if not for the preferences provided by the trade agreement. Still, it does not fully overcome this problem as there is no definitive way of determining that such trade would not have occurred anyway. The case may be strengthened if intra-regional trade shares had increased significantly over time but this has not been the ASEAN experience.

Furthermore, rates of utilisation of preferences in ASEAN remain low by international standards. Table 2 provides utilisation rates for Japanese affiliates operating in ASEAN reported by Hayakawa *et al.* (2009). They employ the results of a survey conducted by JETRO to examine the utilisation of ASEAN FTAs by Japanese affiliates. The authors restrict the sample to Japanese affiliates that are actually exporting to or importing from ASEAN countries. They find that average utilisation rates for exports is rarely above 25%, averaging at 22%. These rates are even lower for imports. Another survey by JETRO (2003) found that in 2002,

the rate was only 4% for Malaysia and 11% for Thailand. Manchin and Pelkmans–Balaoing (2007) cite estimates based on firm interviews conducted for the ASEAN Secretariat that showed an AFTA tariff preference utilisation rate of about 5% of total trade. ISEAS (2010) reports AFTA tariff preference utilisation rates of around 15–17% for the Philippines and 20% for Viet Nam. The average utilisation rate for ASEAN was 23% in 2008. To put this in comparative perspective, utilisation rates of below 50% are considered low in European preferential trading agreements (see, for instance, Augier *et al.*, 2005).

Table 2: Utilisation Rates of Japanese Affiliates

	Exporter			Importer		
	Use	Intend to Use	No Intention to Use	Use	Intend to Use	No Intention to Use
ASEAN	22%	28%	50%	18%	27%	55%
Indonesia	26%	35%	39%	24%	37%	39%
Malaysia	25%	21%	53%	16%	18%	66%
Philippines	15%	23%	61%	10%	20%	70%
Singapore	35%	22%	44%	NA	NA	NA
Thailand	22%	34%	44%	21%	33%	46%
Viet Nam	9%	28%	62%	14%	28%	59%

Note: NA= Not available.

Source: Hayakawa et al. (2009)

Why are rates of utilisation of preferences so low in ASEAN? There are factors on both the cost and benefit side of the equation that account for these low rates in ASEAN. On the cost side, often complex rules of origin (ROO) and limited information and lack of firm-level skills to comply with requirements discourage the use of ATIGA. On the benefit side, the low and often non-existent margin of preference limits the value of using the FTA for trade. The most compelling reason for low utilisation rates is because of irrelevancy – there are hardly any preferences to utilise. When such is the case, improving information flows, simplifying rules-of-origin or other similar measures will be misplaced as they will not improve utilisation rates.

Most previous studies on the welfare effects of FTAs have assumed that utilisation is complete, or 100%.⁵ This is a serious limitation given the evidence summarised above. Exceptions in the East Asian context are Petri *et al.* (2011) and Menon (2014). These studies find that actual utilisation rates significantly diminish the benefits from preferential liberalisation but in a non-linear way. For instance, when a utilisation rate of 25% is applied, the results suggest that the welfare impacts are less than 25% of the impacts when full utilisation is assumed (Menon, 2014).

Reciprocity is an important motivation for pursuing FTAs over unilateral actions such as multilateralisation of preferences. Proponents of FTAs argue that unilateral multilateralism reduces the bargaining power of countries looking to gain greater access to traditional and new markets through the exchange of concessions. To isolate the impact of reciprocity, Menon (2014) compares the welfare impacts of pure preferential liberalisation with a scenario where preferences are multilateralised. The findings suggest that preferential liberalisation delivers greater welfare benefits through reciprocity over multilateralisation of preferences only when utilisation rates are high or complete. That is, with 25% utilisation, multilateralisation of preferences (without reciprocity) still delivers greater benefits to members compared to preferential liberalisation with reciprocity.

Furthermore, the potential for trade deflection combined with possible retaliatory actions may further reduce benefits to members and to the world as a whole. Multilateralisation of preferences is not subject to either trade deflection or retaliation. In general, when members extend their preferential reductions to non-members on a non-discriminatory basis, welfare is enhanced because of three primary effects: (i) the extent of the liberalisation is greater, (ii) the broader liberalisation undoes the welfare-reducing trade diversion resulting from the preferential liberalisation, and (iii) the productivity of scarce resources within each member country is allocated more efficiently across its industries.

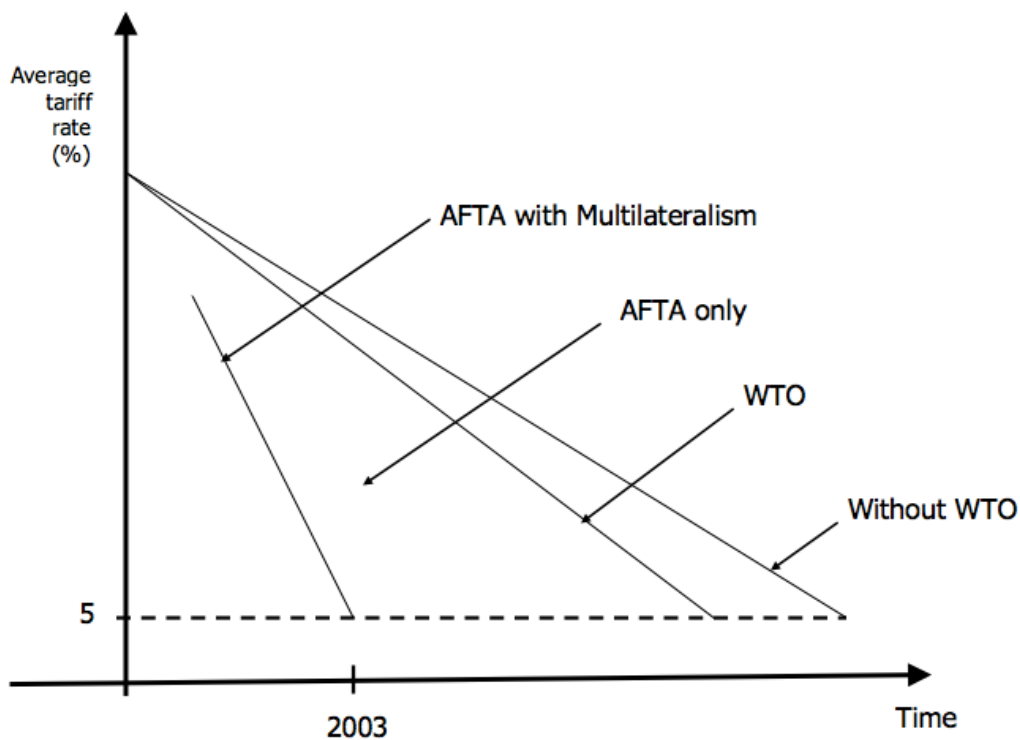
As a further plus, due to the ambitious and rapid preferential tariff reduction, AFTA has accelerated the pace of multilateral trade liberalisation in the original ASEAN member countries. Instead of jeopardising multilateralism, it has hastened the speed at which these countries move towards their goal of free and open trade. In this way, AFTA's greatest achievement may have less to do with what it is required or mandated to do but rather what

⁵ See Ando (2009) for a summary of these studies.

more it has done, above and beyond, through the long-standing commitment of its members to open regionalism.

To illustrate, Figure 3 compares (in stylised form) trade liberalisation outcomes under various scenarios involving WTO or unilateral liberalisation with a preferential approach through a regional trade agreement – in this case, AFTA. WTO negotiations and outcomes or unilateral actions reduce the amount of time required for countries to move towards their goal of free and open trade (defined here as 0-5% average tariff rates). How does a preferential trade agreement like AFTA affect this objective?

Figure 3: WTO and AFTA Liberalisation: Different Scenarios



Source: Menon (2008)

If AFTA is implemented on a purely minimalist basis or without any multilateralisation of tariff preferences, then the time taken to arrive at the aforementioned goal is unchanged. Nevertheless, while average tariff rates do fall more rapidly, particularly up to AFTA's 2003 deadline for 0-5% internal tariff rates, this gain could be offset by the trade diversion that it would also induce. If, however, members choose to fully multilateralise their preferences for

all tariff lines soon after AFTA's commencement, then the deadline for free and open trade is moved forward to coincide with AFTA's deadline of 2003 (Menon 2007).

As noted earlier, preferences for the vast majority of tariff lines have been fully multilateralised. If the remaining few tariff lines are dealt with in the same way relatively soon, then the deadline will fall somewhere between 2003 and the WTO-based deadline. If it comes to fruition, AFTA would have served as a building block that enables countries to pursue multilateral goals at a faster pace.

Emulation of the approach taken by the original members would be in the interest of the Mekong economies. Indeed, they will need to emulate this approach if they are not to be left behind and if they are to succeed in deepening regional integration. Regionalism through ASEAN membership could then provide the GMS economies with an opportunity to pursue multilateralism aggressively and thus allow regionalism through AFTA to be a building block rather than stumbling block toward free and open trade. However, whether the worldwide proliferation of regional trade agreements will eventually integrate rather than fragment the world economy remains a separate and open question.

Multilateralisation has minimised trade diversion and may account for the stubbornly low intra-ASEAN trade shares. That being the case, low intra-regional shares may be a sign of success rather than failure as far as producing welfare enhancing outcomes are concerned. Most of the intra-ASEAN trade is supply-chain related trade in parts and components which mostly travel duty-free because of zero tariffs provided by the Information Technology Agreement for electronic parts and components, Special Economic Zone privileges or duty drawback schemes (Menon, 2017). ASEAN's ambitious tariff reduction and trade facilitation programs have supported value-chain driven trade, as has multilateralisation, as final markets for the finished goods are predominantly outside the region.

If multilateralisation has subdued intra-regional trade, it has promoted rapid growth in overall trade, raising ASEAN to be the fourth largest exporting region in the world – next only to the European Union, North America, and China (Hill and Menon, 2012; 2015). Although ASEAN accounts for just 3.3 percent of world GDP, it produces more than 7 percent of world exports. Indeed, according to the McKinsey Global Institute's 2016 Connectedness Index, four ASEAN member countries rank among the world's 50 most connected nations: Singapore (ranked first), Malaysia (20th), Thailand (22nd), and Viet Nam (37th). Indonesia and the Philippines are not

too far behind, ranking 51st and 54th, respectively (MGI 2016).⁶ ASEAN member countries fared even better in DHL's 2016 Global Connectedness Index, with five member countries ranking among the top 50: Singapore (2nd), Malaysia (19th), Thailand (22nd), Viet Nam (36th) and Cambodia (44th).⁷

After all, it is how much trade that takes place, and on what terms, that matters for welfare and not who you trade with. Trade preferences are designed to affect who you trade with through trade diversion which is welfare-reducing. ASEAN has largely avoided this outcome by multilateralising its trade preferences and removing most or all of the margin of preference.

If the share of intra-ASEAN trade is to increase in the future, it should be driven by factors other than trade preferences. When intra- or extra-ASEAN trade increases as a result of factors such as comparative cost advantage, product differentiation or scale economies, then this growth is welfare-enhancing. There is also great potential to increase trade in services by reducing barriers, that remain the second highest in the world, in a non-discriminatory manner. Any increase in intra-ASEAN trade resulting from these factors would be welfare-enhancing.

For all of services, and increasingly for goods as well, non-tariff barriers (NTBs) are the problem today. For goods, achievements in tariff liberalisation have been offset by the rise in non-tariff impediments to trade which increased from 1,634 to 5,975 between 2000 and 2015 (Ing, 2016). The data points to a clear negative correlation between the fall in tariff rates and the increase in non-tariff barriers (NTBs) (Table 3). Whether or not NTBs have been rising because tariffs have been falling – due to an attempt to restore protection – is unclear. Irrespective of whether the link between the two is causal or coincidental, this poses a challenge for ASEAN program of trade liberalisation. Not only are NTBs likely to be more restrictive, providing more protection to domestic producers, but they are also opaque and more difficult to dismantle. In addition, NTBs are a moving target as they can evolve to take on new forms as soon as they are targeted or dismantled. It is likely that, for many sectors, the loss in protection resulting from reductions in tariffs have been more than compensated for by the increase in NTBs.

⁶ The MGI Connected Index measures countries' integration into the global economy based on their inflows and outflows of goods, services, finance, people and data and communication.

⁷ The DHL Global Connectedness Index captures cross-border flows of trade, capital, information and people.

Table 3: ASEAN NTM Measures and Tariffs

Country	Total (Number)	SPS (%)	TBT (%)	Export related measures (%)	Others (%)
Brunei	516	31	56	9	4
Cambodia	243	15	50	29	7
Indonesia	638	20	51	12	18
Lao PDR	301	13	30	27	30
Malaysia	713	36	47	10	7
Myanmar	172	44	24	20	12
Philippines	854	27	42	17	13
Singapore	529	24	59	9	7
Thailand	1630	48	34	8	9
Viet Nam	379	37	37	17	8
ASEAN Total	5975	29	43	16	12

Notes: SPS = Sanitary and Phytosanitary Standards; TBT = Technical Barriers to Trade

Source: Ing (2016).

4. Assessing FDI Performance

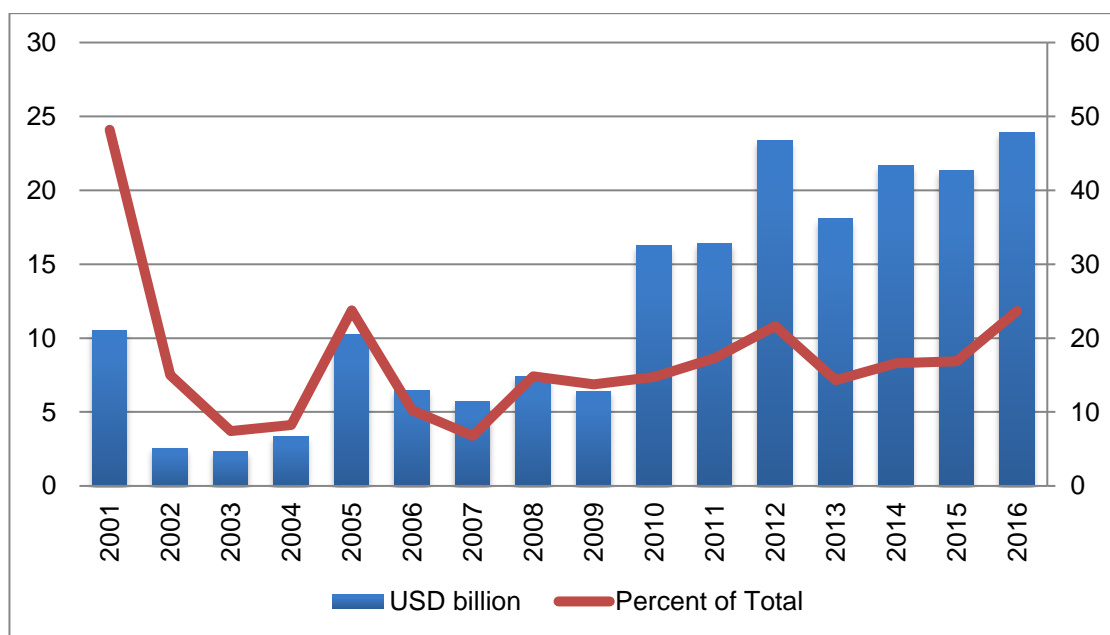
As with trade, less than a quarter of foreign direct investment (FDI) flowing to ASEAN countries originate from within the region (Figure 4). ASEAN had flirted with the idea of providing preferential treatment to investors from member countries in the original design of the ASEAN Investment Area. However, it quickly abandoned the idea, reaffirming its commitment to a non-discriminatory and open foreign investment climate and mirroring the national regimes in member countries.

Total inflows of FDI flourished as a result, even if flows from each other remained relatively unchanged. Again, as with trade, it is not where the FDI comes from that matters but how much and what form it takes. The massive structural transformations that we have observed in the original ASEAN member countries – and continue to observe in the newer members – would

probably have been compromised if ASEAN had not retained an open and non-discriminatory investment climate.

In the financial sphere, other purported measures of inter-dependence such as intra-regional equity and bond holdings also suggest shallow integration (Table 4). Intra-regional equity or bond holdings are less than 10% while three-quarters of bond holdings emanate from outside the Asia-Pacific region.

Figure 4: Intra-ASEAN Flows of FDI, USD billion and percentage shares, 2001-16.



Source: ADB ARIC Integration Indicators Database. <https://aric.adb.org>

Table 4. ASEAN's Intra-regional Trade, FDI, Equity and Bond Holdings (%), 2016

	Trade (%)	FDI (%)	Equity Holdings (%)	Bond Holdings (%)
Within Subregions				
ASEAN	22.8	23.7	7.4	7.9
ASEAN+3 (including HKG)	47.0	57.8	16.3	9.9
Central Asia	7.0	2.9	0.0	0.0
East Asia	36.9	53.5	11.5	6.7
South Asia	5.8	0.6	0.3	2.2
With the Rest of Asia and the Pacific				
ASEAN	45.2	42.5	32.2	17.1
ASEAN+3 (including HKG)	10.8	5.2	3.2	5.8
Central Asia	24.1	11.4	11.7	15.0
East Asia	18.9	8.2	3.2	7.3
South Asia	33.2	36.6	21.1	9.6
With the Rest of the World				
ASEAN	32.1	33.9	60.4	75.0
ASEAN+3 (including HKG)	42.2	37.0	80.5	84.3
Central Asia	68.9	85.7	88.2	85.0
East Asia	44.1	38.3	85.3	86.0
South Asia	61.0	62.8	78.6	88.2

Source: ADB ARIC Integration Indicators Database. <https://aric.adb.org>

5. Conclusion

As a regionalism project, ASEAN is different. Compared to Europe, it is outward- rather than inward-looking, more market than government driven, and institution light rather than heavy. These differences reflect the very different motivations, ambitions and objectives of the two regional programs.

ASEAN's success lies in its almost unique achievement of being able to use regionalism to promote globalisation. Therefore, the metrics used to assess regionalism should reflect these broader objectives – even if they operate indirectly.

In the economic sphere, widely used indicators such as changes in the share of intra-regional trade and investment not only fail to capture the real story but may point in the wrong direction. Instead of focusing on the failure to strengthen regional economic ties, attention should be paid to the strengthening of extra-regional links. The fact that the regional program may have been implemented in a manner that minimises trade and investment diversion is another sign of success. The lesson from the ASEAN experience is that it is overall trade and investment, rather than where it originates from, that should matter. Therefore, measures of total trade and investment – that include intra and extra regional flows – should be used in place of a subset that captures only intra-regional flows in assessing performance of the regional initiative.

When the metrics used in the assessment accurately reflect the broader objectives being pursued, then what appears as failure can turn into success. This is the case for ASEAN where traditional indicators of regionalism would deem it a failure. The fact that it is not a failure is confirmed by empirical analyses that compare welfare impacts of different approaches to implementing ASEAN's program of liberalisation. The welfare gains from multilateralisation of preferences are greater than from pure preferential liberalisation when actual (low) utilisation rates are considered. In the end, it is welfare results that matter in ranking outcomes and non-discriminatory approaches such as multilateralisation come out unambiguously ahead.

While the multilateralisation approach has worked well with reducing tariffs, the benefits have been offset by a concomitant rise in NTBs. Whether or not the NTBs have risen to replace the protection lost from lower tariffs remains unclear. Whatever the reason, the rise in NTBs poses a serious challenge for ASEAN's liberalisation effort because NTBs are more difficult to identify, track and dismantle. Nevertheless, this does not imply the need for a change in approach. Unlike tariffs, it is either difficult or costly to exchange concessions in NTBs in a preferential manner, given the public goods nature of a lot of these types of reforms and the

consequent ease of free riding. Therefore, whether it is tariffs or NTBs, the multilateralisation approach remains the best way forward.

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