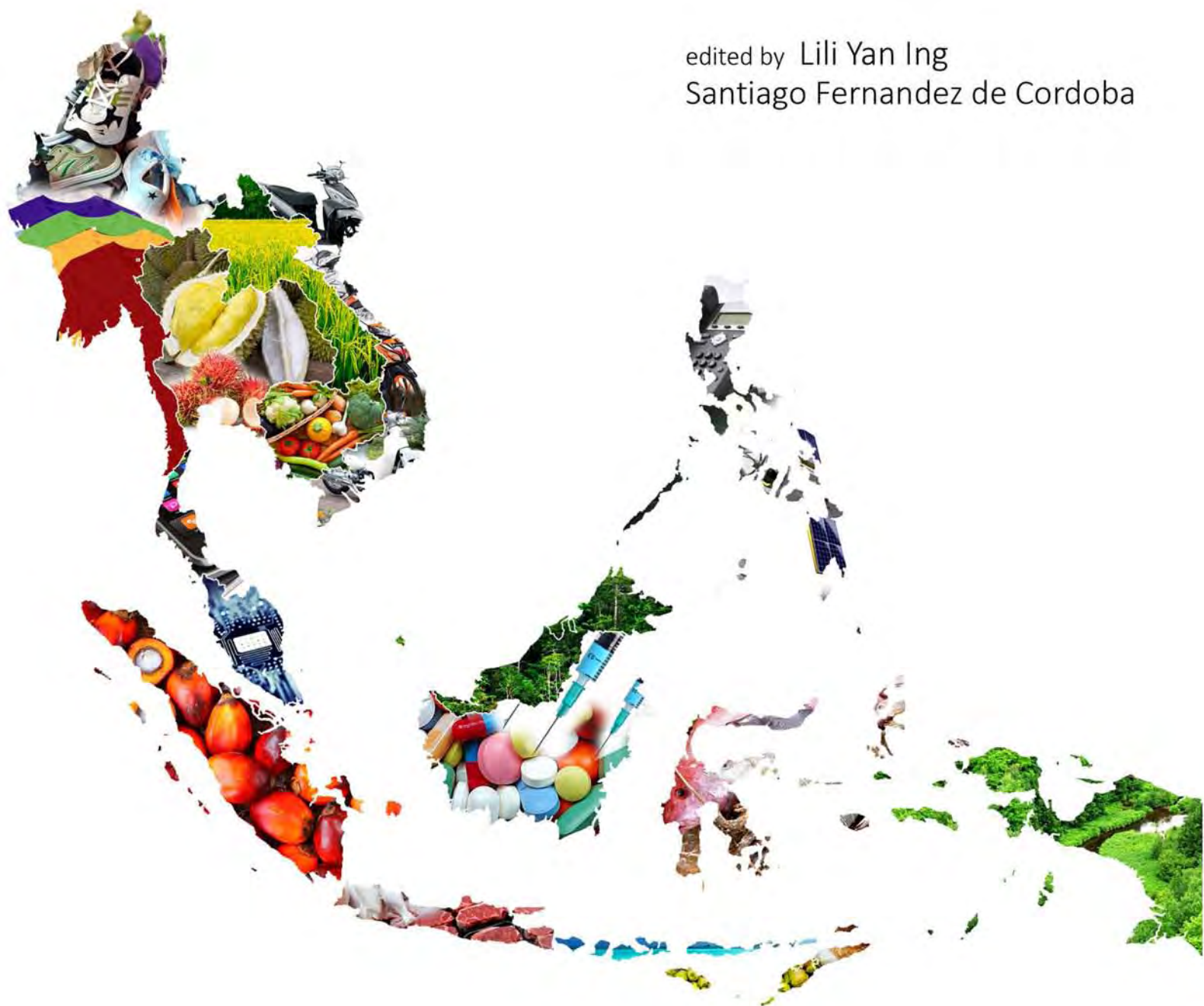# Non-Tariff Measures in ASEAN

edited by Lili Yan Ing
Santiago Fernandez de Cordoba

ERIA

Economic Research Institute
for ASEAN and East Asia

**UNITED NATIONS
UNCTAD**

United Nations Conference
on Trade and Development

Non-Tariff Measures in ASEAN

edited by

Lili Yan Ing

and

Santiago Fernandez de Cordoba

Cover Art by Artmosphere

Foreword [ERIA]

Over the years, multilateral trade negotiations have helped to substantially reduce tariff rates. While tariffs have been reduced, the number of non-tariff measures (NTMs) is increasing and is often blamed to be a source of the lack of integration in ASEAN. Yet, in spite of their growing number, we generally have little understanding and information, and thus there is an urgent need to develop a better understanding and transparency of existing NTMs.

The Economic Research Institute for ASEAN and East Asia (ERIA), in collaboration with the United Nations Conference for Trade and Development (UNCTAD), and ASEAN national teams consisting of economists and government officials of ASEAN countries collected and classified NTMs in the 10 ASEAN countries (Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam) based on the latest Multi Agency Support Team February 2012 classification. They worked on all regulations and official documents, including international conventions adopted by countries which had been in effect by January 2015.

The project is led by Lili Yan Ing (ERIA) and Santiago Fernandez de Cordoba (UNCTAD). The report editing team consists of Rizqy Anandhika and Ruth Elisabeth. The core team consists of Michelle Ayu Chinta Kristy, Chi Le Ngo, Maxim Gubarev, Fabien Dumesnil, and Denise Penello-Rial. The project is advanced through the supervision and comments from Shujiro Urata (ERIA), Olivier Cadot (Lausanne University), Ralf Peters (UNCTAD), Ponciano Intal, Jr. (ERIA), and Guillermo Valles Galmes (UNCTAD). The successful work would not have been possible without the invaluable work of national teams composed of the economists and government officials of ASEAN countries.

The project consists of two phases: NTM data collection (the data were released in January 2016) and country report (April 2016) and data analyses on how NTMs will affect trade in the region (January 2017). The project aims to (i) collect, validate, and store NTM data from official sources; (ii) improve the general understanding of these measures and their impact on world trade; and (iii) provide insights on NTMs in ASEAN countries.

The project also significantly benefited from the supervision and support of ASEAN government officials, particularly Sta. Rebecca Fatimah (MITI Malaysia), Sulaimah Mahmood (MTI Singapore), Donna Gultom (MOT Indonesia), Phuong Van Hoang (MIT

Vietnam), and Mark Ng (MTI Singapore). Along the way of conducting the project, the initial work and preliminary findings were well endorsed and accepted at the ASEAN's Senior Economic Officials Meeting in August 2015 in Kuala Lumpur, at the ASEAN's High Level Task Force in January 2016 in Vientiane and East Asian Senior Economic Officials Meeting in April 2016 in Kuala Lumpur.

This initiative is only the beginning of the journey of ASEAN to improve the transparency of NTMs. ERIA and UNCTAD will work hand in hand with ASEAN member states in improving NTM transparency and overall trade environment.

Professor Hidetoshi Nishimura

President of ERIA

Jakarta, April 2016

Foreword [UNCTAD]

The ability to gain market access opportunities and to benefit from them, increasingly depends on compliance with non-tariff measures (NTMs), such as sanitary and phytosanitary measures and technical regulations. Although many NTMs have primarily non-trade objectives, such as the protection of public health or the environment, they may affect trade and represent a major challenge for exporters, importers and policymakers. It is therefore important to understand the use of NTMs and their implications for the formulation and implementation of effective development strategies.

Comprehensive, systematic and reliable information about NTMs is unfortunately scarce to obtain. The collection of NTM data is a highly resource-intensive task and requires specific, technical knowledge. In this context, the International Classification of NTMs was developed by several international organizations, the Multi-Agency Support Team1, in 2006. The collection, classification and analysis of NTMs as well as the coordination of the global effort to enhance the transparency of NTMs have been a regular activity of UNCTAD. We are aiming to collect data on NTMs covering at least 90 per cent of world trade by the end of 2016.

ASEAN member countries have resolved to work on the elimination of non-tariff barriers. The need to create a standardized, high quality, and comprehensive NTMs dataset of the region called for close cooperation between the Economic Research Institute for ASEAN and East Asia (ERIA) and UNCTAD.

Since December 2014, ERIA and UNCTAD have collaborated to create a comprehensive NTMs database of all ASEAN countries. The database presents official regulations that are currently imposed affecting imported and exported products. Regulations are classified according to types of measures, affected products at the tariff line level and partner countries. This enables easy and well-structured access to the information. It also allows for case-specific and more systemized analysis and research as well as effective support to policymakers for their efforts in regional and global economic integration.

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[1] MAST Group is composed of: Food and Agriculture Organization of the United Nations, International Monetary Fund, International Trade Centre, Organization for Economic Cooperation and Development, United Nations Conference on Trade and Development, United Nations Industrial Development Organization, World Bank and World Trade Organization.

I am delighted to welcome the publication of this book, which highlights the accomplishments of this cooperation. It will be an asset for government officials, researchers and representatives of the private sector aiming to strengthen their understanding of NTMs, and policy makers involved in the design or negotiation of policies related to NTMs, even beyond the ASEAN region.

Guillermo Valles Galmes

Director

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in Goods and Services, and Commodities

United Nations Conference on Trade and Development

Acknowledgements

Regional Leaders well endorsed and accepted the initial work and preliminary findings at the ASEAN's Senior Economic Officials Meeting (SEOM) in August 2015 in Kuala Lumpur, ASEAN's High Level Task Force in January 2016 in Vientianne, and lately at the East Asian SEOM in KL in April 2016.

We would also like to thank the editorial team—Maria Priscila del Rosario, Ainslie Smith, Fadriani Trianingsih, and Chrestella Budyanto—for putting these country reports nicely, and our angel, Elisa Ayu, who provided valuable administration support for this project.

We would also like to extend our gratitude to all ASEAN Member States and government officials who significantly contributed to the success of this project and worked together with us to support governments and the business community to have more transparent NTMs, to have a better understanding of NTMs, to design better NTMs, to implement NTMs better, and to move forward for better trade and investment policy and regulations.

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Contents

Executive Summary

Tariffs on regional trade are generally low as they have been progressively liberalised first under the auspices of the General Agreement on Tariffs and Trade/World Trade Organization (GATT/WTO) and, subsequently, in the context of regional and bilateral preferential trade agreements. ASEAN member countries have made significant progress in the lowering of intra-regional tariffs. The fact that tariff liberalisation alone has generally been proven insufficient in providing genuine regional economic integration for many developing countries has drawn further attention to non-tariff measures (NTMs), of which the WTO disciplines are comparatively weak. The use of NTMs, especially complex technical, sanitary and phytosanitary measures, has increased significantly.

As the average tariff rates of ASEAN countries decreased from 8.9 percent in 2000 to 4.5 percent in 2015, the number of NTMs had increased from 1,634 measures to 5,975 measures over the same period. The increase of NTMs was notable not only in ASEAN but also around the world, particularly, between 2008 and 2011. The total number of NTMs in the 10 ASEAN countries was 5,975 measures in 2015 of which 33.2 percent of total measures were in the form of SPS, 43.1 percent were TBT, 12.8 percent were export measures, and the rest of 10.9 percent were in the form of various measures.

A country with a relatively higher number of measures does not mean it is relatively more protectionist than others. Even if a country has a relatively higher number of percentage of affected products to total products, it does not necessarily mean it will have relatively lower trade than the others.

Does this mean that all NTMs are benign?   Not really. Many regulations are poorly designed, failing to protect the public while unnecessarily complicating business. For instance, many countries have complicated rules for pharmaceutical imports that nevertheless fail to prevent widespread traffic of counterfeits. There are several reasons for this. First, the governments know little about incentives and even less about how to design market-based regulations, confusing effective with cumbersome.

Second, regulations are often enforced in punitive ways, reflecting the anti-business culture of many administrations. Third, NTMs typically span the competencies of several ministries, with no coordination mechanisms to make the necessary trade-offs.

A simple proposal in place is NTM streamlining to the national level by implementing 'dynamic disciplines' that review trade and investment policy and regulations regularly. This could be started by establishing a National Economic Council (NEC) consisting of divisions on Trade Facilitation, Non-Tariff Measures, National Single Window, Investment and Trade Agreement/Economic Cooperation. Regional disciplines on transparency are the key, and NTM mutual recognition and harmonisation are the answers.

CHAPTER 5

Indonesia's Non-tariff Measures: An Overview[10]

Ernawati Munadi

Wijaya Kusuma University, Surabaya, Indonesia

1. Background

The reduction in tariff rates as a result of multilateral trade negotiations has encouraged the use of non-tariff measures (NTMs) to control the flow of international trade, including in Indonesia. In some countries, mostly in developed countries, the increasing number of reasons for using NTMs reflects the move away from a focus on the production side of the equation towards the defence of consumer and societal interests (WTO, 2012).

In spite of their growing importance in regulating trade, the exact impact of NTMs on trade flows is not well understood, and the paucity of data on NTMs is possibly the major constraint to undertaking a qualitative analysis of their impact (UNCTAD, 2013). Unlike tariffs, information on NTMs is not merely numbers; the relevant information is often hidden in legal and regulatory documents. Therefore, collecting data on NTMs is a matter of collecting information hidden in those regulations.

The difficulty of collecting data on NTMs is also due to the fact that these documents are generally not centralised but often reside in different regulatory agencies. For example, Indonesia's LARTAS database reveals that 13 different government agencies are tasked to issue regulations on import permits. Although the Ministry of Trade (MoT) is responsible for issuing most of these, it accounted for only 58 percent on average of the total NTMs issued between 2009 and 2014.[11] Meanwhile, other agencies, such as Quarantine and the Badan Pengawas Obat dan Makanan (BPOM or the National Drug and Food Control Agency), were responsible on average for 18 percent and 17 percent of

[11] On average, the total number of NTMs in the 10-digit Harmonized System (HS) code is 9,289.

NTMs, respectively. Together, the MoT, the BPOM, and Quarantine cover 93 percent of total Indonesian import NTMs. Other ministries are also active in issuing NTMs, such as the Ministry of Health and Ministry of Agriculture but in limited numbers. There is an urgent need to develop a better understanding and transparency of existing NTMs.

Nicita and Gourdon (2013) mentioned that efforts to collect NTM data started in the late 1990s when the United Nations Conference on Trade and Development (UNCTAD) started to collect and categorise NTM data, and this is available in the Trade Analysis Information System (TRAINS) database accessible via the World Integrated Trade Solution (WITS). However, the data have not been regularly updated in the last 10 years. The new effort on NTM data collection has started through a joint collaboration between UNCTAD and the World Bank. As of 2011, this joint effort has produced an updated classification on NTMs as well as detailed new data for about 30 countries. However, this effort is still far from the ideal data coverage required to undertake a comparable qualitative analysis on the impact of NTMs among the regions.

The Association of Southeast Asian Nations (ASEAN) member states have initiated collecting data on NTMs, but due to technical problems, the data is not constantly updated. The latest NTM data available from the ASEAN secretariat were those reported by members in 2009. Moreover, these data are not in line with UNCTAD's new NTM database classification, instead they are classified based on the old system. The purpose of this chapter is to identify and collect NTMs in Indonesia, by drawing information from official sources and using the UNCTAD's NTM classification and methodology guidelines.

This chapter reports the result of NTM data collection for Indonesia as part of the ERIA–UNCTAD data collection on ASEAN NTMs using the MAST classification. It focuses mainly on important findings on the data compilation of Indonesia's NTMs. Section 2 discusses the government agencies issuing NTM-related regulations, followed by a discussion on Indonesian tariff lines and tariff lines covered by NTMs in Section 3. Sections 4 and 5 discuss the type of NTMs imposed by the government – the Indonesian multiple NTMs. Section 6 presents policy recommendations.

Table 5.1 presents the comprehensiveness of Indonesian NTM data collection. Comprehensiveness has become critical when collecting NTM data. Comprehensiveness should cover not only the coded NTMs, but also most importantly the comprehensiveness of NTM-related regulations. This is due to the fact that NTM measures are sometimes hidden in the legal and regulatory NTM-related documents. Therefore, it is important to ensure that 100 percent of the legal and regulatory NTM-related documents are collected.

For Indonesia, NTM information has been collected from 199 NTM-related regulations. The regulations are compiled from 14 different government agencies with the total of 638 coded NTMs. As presented in Table 5.1, those 638 coded NTMs have affected 5,712 Harmonized System (HS) lines at national tariff lines. This number is equivalent to 57percent of the total Indonesian tariff lines.

Table 5.1: Comprehensiveness of Indonesian Non-tariff Measures

Number	Comprehensiveness	Number
1	Total NTM-related regulations	199
2	Total NTM reported to the WTO	–
3	Total number of coded NTMs	638
4	Total affected products (HS lines, national tariff lines)	
	a. Total number of affected products	5,712
	b. Share of the number of affected products to the number of total products (%)	57.05%
5	Total issuing institutions	14

Source: Authors' calculation based on the newly constructed 2015 NTM database ASEAN-ERIA-UNCTAD raw data.

2. Government agencies issuing NTMs

A total of 199 NTM-related regulations were identified with 638 coded NTMs. These 199 regulations are distributed among 14 different agencies[12] involved in issuing NTMs (Table 5.2). This implies that the Indonesian legal framework on NTMs is decentralised and, therefore, compiling all the NTM-related regulations is a challenge. Of these 14 government agencies, the Ministry of Trade is responsible for issuing the most, almost 40 percent,[13] of the total 199 NTM-related regulations. Meanwhile, the Ministry

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[12]Table 5.1 presents 17 regulatory agencies instead of 14 agencies because it includes (1) the WTO source (item 17), (2) the Ministry of Industry and Trade (item 5), which is basically the MoT before it was merged with the Ministry of Industry before 2005, and (3) the MoT and Ministry of Marine and Fishery (MoMF), which represents a regulation issued jointly by the MoT and MoMF (item 11).
[13]This consists of 34.1 percent by the MoT and 5.5 percent by the Ministry of Industry and Trade.

of Industry is responsible for 30.1 percent of NTM-related regulations. Other ministries are also active, such as the Ministry of Agriculture at 9 percent, and the Ministry of Energy and Mineral Resources at 3.5 percent.

Table 5.2: NTM-related Regulations by Regulatory Agency

Number	Regulatory Agency	Number of Identified Regulations	%
1	Ministry of Trade	68	34.17
2	Ministry of Industry	60	30.15
3	Ministry of Agriculture	18	9.05
4	Ministry of Marine and Fisheries	14	7.04
5	Ministry of Industry and Trade	11	5.53
6	Ministry of Energy and Mineral Resources	7	3.52
7	Ministry of Finance	6	3.02
8	Ministry of Health	4	2.01
9	National Agency of Drug and Food Control	2	1.01
10	State Secretariat	2	1.01
11	Ministry of Trade and Ministry of Marine and Fisheries	1	0.50
12	Ministry of Environment and Forestry	1	0.50
13	The Indonesian National Police	1	0.50
14	Ministry of Communication and Information	1	0.50
15	Ministry of Environment	1	0.50
16	Ministry of Transportation	1	0.50
17	World Trade Organization (the information is provided by the WTO)*	1	0.50
	Total	199	100.00

Note: *) Data on measures of Antidumping, counter failing duties and safeguards are provided by the WTO. The WTO does not issue any regulations.

Sources: Authors' calculation based on the newly constructed 2015 NTM database ASEAN-ERIA-UNCTAD raw data.

Table 5.3: Number of Non-tariff Measures by Issuing Institution

Number	Issuing Institution	Number of NTMs	Total Number of NTMs (%)
1	Ministry of Trade	186	29.2
2	Ministry of Industry	139	21.8
3	Ministry of Agriculture	92	14.4
4	Ministry of Marine and Fisheries	70	11.0
5	World Trade Organization (the information is provided by the WTO)*	44	6.9
6	Ministry of Industry and Trade	30	4.7
8	Ministry of Energy and Mineral Resources	17	2.7
9	Ministry of Health	23	3.6
10	National Agency of Drug and Food Control	10	1.6
11	Others	27	4.2
	TOTAL	638	100

Note: *) Data on measures of Antidumping, counter failing duties and safeguards are provided by the WTO. The WTO does not issue any regulations.
Source: Author's calculations.

On the number of NTMs, Table 5.3 shows that the Ministry of Trade is responsible for the most, at 29.2 percent, since the ministry has the responsibility to protect consumers and implement trade safeguards, and thus is tasked to manage import licences and trade regulations to carry out these objectives. The Ministry of Industry ranks second, covering almost 22 percent of total NTMs. The Ministry of Agriculture is third, covering 14.4 percent of the total 638 NTMs.

3. Tariff lines covered by non-tariff measures

Table 5.4 presents tariff lines subject to NTMs by product groups. Table 5.4 reveals that 6,466 tariff lines are affected by NTMs in Indonesia. This implies that of the total 10,013 national tariff lines in Indonesia, 57 percent are affected by NTMs. This is similar to Cadot et al. (2015) who found that the incidence of NTMs is widespread around the world. Except in Argentina, Latin American countries are moderate users of NTMs, and so are Cambodia and Indonesia – two ASEAN countries. In contrast, a number of African countries are heavy users of NTMs, on par with the European Union.

According to the Indonesian tariff line database, machinery and mechanical appliances, textiles and clothing, and chemicals are product groups with many tariff lines. Of the product groups where tariff lines are covered by NTMs, animal and animal products have the most, followed by foodstuffs, and textile and textile products. Almost 100 percent of tariff lines in animal and animal products is subject to NTMs. Foodstuffs and textiles products are another product group with the most NTMs. Out of 453 tariff lines, 99 percent of foodstuffs products are covered by NTMs, while 99 percent of tariff lines textiles products, out of 1167 tariff lines, is subject to NTMs.

However, important items are noted in Table 5.4. The number of tariff lines covered by NTMs is not the total NTMs because several tariff lines have more than one NTM. Summing up the number of NTMs across products, the data reveal a total of 36,609 NTMs in Indonesia. Textile and textile products contribute the most at 18 percent, followed by Machinery products at 14 percent, and Chemical and Allied industry at 12 percent.

Table 5.4: Number of Tariff Lines subject to Multiple NTMs, by Product Group

HS Code	Product Group	1 NTM	2 NTMs	3 NTMs or more
01-05	Animal & Animal Products	11	9	551
06-15	Vegetable Products	74	12	449
16-24	Foodstuffs	47	2	399
25-27	Mineral Products	46	34	110
28-38	Chemicals & Allied Industries	46	200	510
39-40	Plastics/Rubbers	22	15	101
41-43	Raw Hides, Skins, Leather, & Furs	37	25	28
44-49	Wood & Wood Products	19	17	348
50-63	Textiles	2	194	958
64-67	Footwear/Headgear	1	6	33
68-71	Stone/Glass	72	20	70
72-83	Metals	17	15	370
84-85	Machinery/Electrical	98	286	491
86-89	Transportation	118	84	268
90-99	Miscellaneous	40	49	162
	Total	650	968	4,848

Source: Authors' calculation based on the newly constructed 2015 NTM database ASEAN-ERIA-UNCTAD raw data

Table 5.5: Percentage of Tariff Lines subject to Multiple NTMs, by Product Group

HS Code	Product Group	1 NTM	2 NTMs	3 NTMs or more
01-05	Animal & Animal Products	0%	0%	9%
06-15	Vegetable Products	1%	0%	7%
16-24	Foodstuffs	1%	0%	6%
25-27	Mineral Products	1%	1%	2%
28-38	Chemicals & Allied Industries	1%	3%	8%
39-40	Plastics/Rubbers	0%	0%	2%
41-43	Raw Hides, Skins, Leather, & Furs	1%	0%	0%
44-49	Wood & Wood Products	0%	0%	5%
50-63	Textiles	0%	3%	15%
64-67	Footwear/Headgear	0%	0%	1%
68-71	Stone/Glass	1%	0%	1%
72-83	Metals	0%	0%	6%
84-85	Machinery/Electrical	2%	4%	8%
86-89	Transportation	2%	1%	4%
90-99	Miscellaneous	1%	1%	3%
	Total	10%	15%	75%

Source: Authors' calculation based on the newly constructed 2015 NTM database ASEAN-ERIA-UNCTAD raw data

4. Types of non-tariff measures imposed by Indonesia

Table 5.6 presents the type of NTMs imposed in Indonesia. The table presents 638 occurrences of NTMs in Indonesia. Of this number, import NTMs account for 88.4 percent, while export NTMs cover 11.6 percent of the total identified NTMs. Indonesia's import NTMs are mostly on technical measures, mainly referring to technical regulations and procedures for assessing conformity with technical regulations and standards, including measures covered by the Sanitary and Phytosanitary (SPS) Measures Agreement (A), technical barriers to trade (TBT) (B), and pre-shipment inspection and other formalities (C). Technical measures contribute to almost 89 percent of import NTMs, or 79 percent of total NTMs, leaving only 11 percent for non-technical measures.

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Table 5.6: Types of Non-tariff Measures Imposed by Indonesia

Code	NTM by Type	Number of Coded NTMs	NTMs (%)
A	Sanitary and phytosanitary (SPS) measures	125	19.59
B	Technical barriers to trade (TBT)	323	50.63
C	Pre-shipment inspection and other formalities	55	8.62
D	Contingent trade protective measures	44	6.90
E	Non-automatic licensing, quotas, prohibitions, and quantity control measures other than SPS or TBT reasons	8	1.25
F	Price control measures, including additional taxes and charges	5	0.78
G	Finance measures	0	–
H	Measures affecting competition	3	0.47
I	Trade-related investment measures	0	–
J	Distribution restrictions	1	0.16
K	Restriction on post-sales services	0	–
L	Subsidies (excluding export subsidies under P7)	0	–
M	Government procurement restrictions	0	–
N	Intellectual property	0	–
O	Rules of origin	0	–
P	Export-related measures	74	11.60
	Total coded NTMs	638	100.00

Source: Authors' calculation based on the newly constructed 2015 NTM database ASEAN-ERIA-UNCTAD raw data

As presented in Table 5.6, TBT is the most widely used NTM in Indonesia, accounting for 50.6 percent of NTMs, followed by SPS measures at 19.6 percent, and pre-shipment inspection at 8.6 percent. Among the non-technical measures implemented in the Indonesian NTM database are non-automatic licensing, quotas, prohibitions, and quantity control measures–other than SPS or TBT reasons (E); price control measures, including additional taxes and charges (F); measures affecting competition (H); and distribution restrictions (J).

Table 5.6 also suggest that at the national tariff lines, currently the most widely used NTM for products is technical measures. There are 19,612 products subject to TBT (37.8 percent), surpassing the number of products whose imports require importers with SPS (36.4 percent). The third most widely used import NTMs is pre-shipment inspection (C), which covers 5,203 products.

Indonesia's NTMs data compilation also reveals that 66 types of NTMs have been imposed in Indonesia. Out of these types, the most commonly used in Indonesia is the authorisation requirement for TBT reasons. There are 4,737 tariff lines subject to authorisation requirement for TBT reasons, which cover 12.94 percent of total NTMs. The second most common is traceability information requirements, with a total of 3,671 tariff lines subject to this measure, accounting for 10.03 percent of total NTMs. The third most used NTM is registration requirements for importer for TBT reason, and the fourth is pre-shipment inspection. There are 2,367 tariff lines (or 6.47 percent of total NTMs) and 2,366 tariff lines (or 4.47 percent of total NTMs) subjected to this measure. Other measures that are commonly used in Indonesia are export registration, which accounts for 2,181 tariff lines (5.96 percent); labelling requirements for TBT reasons for 2,062 tariff lines (5.63 percent); labelling requirements for SPS reasons for 1,630 tariff lines (4.45 percent);and 1,533 tariff lines requiring measures to pass through specified port of customs (4.19 percent).

5. Multiple non-tariff measures

Another interesting note on NTMs imposed by Indonesia is that the imposition is characterised by the simultaneous application of many measures (multiple NTMs) to the same product, as shown in Figures 5.1 and 5.2. This can translate into complicated compliance verification processes for traders. Figure 5.1 shows the multiple NTMs on total NTMs (total affected products). From Figure 5.1, the results show that 92 percent of Indonesia's products are subject to multiple NTMs, while only 6.12 percent of Indonesia's tariff lines are subject to two NTMs, and 1.81 percent to one NTM.

Figure 5.1: Indonesian Tariff Lines subject to Multiple NTMs, by Products (%)
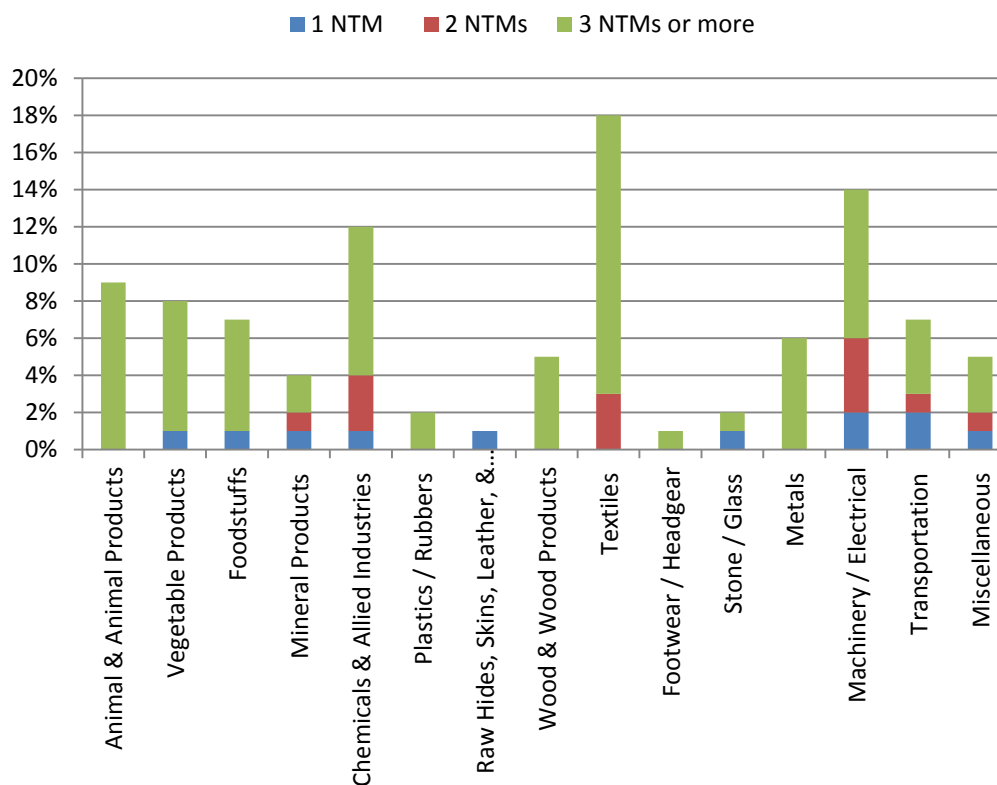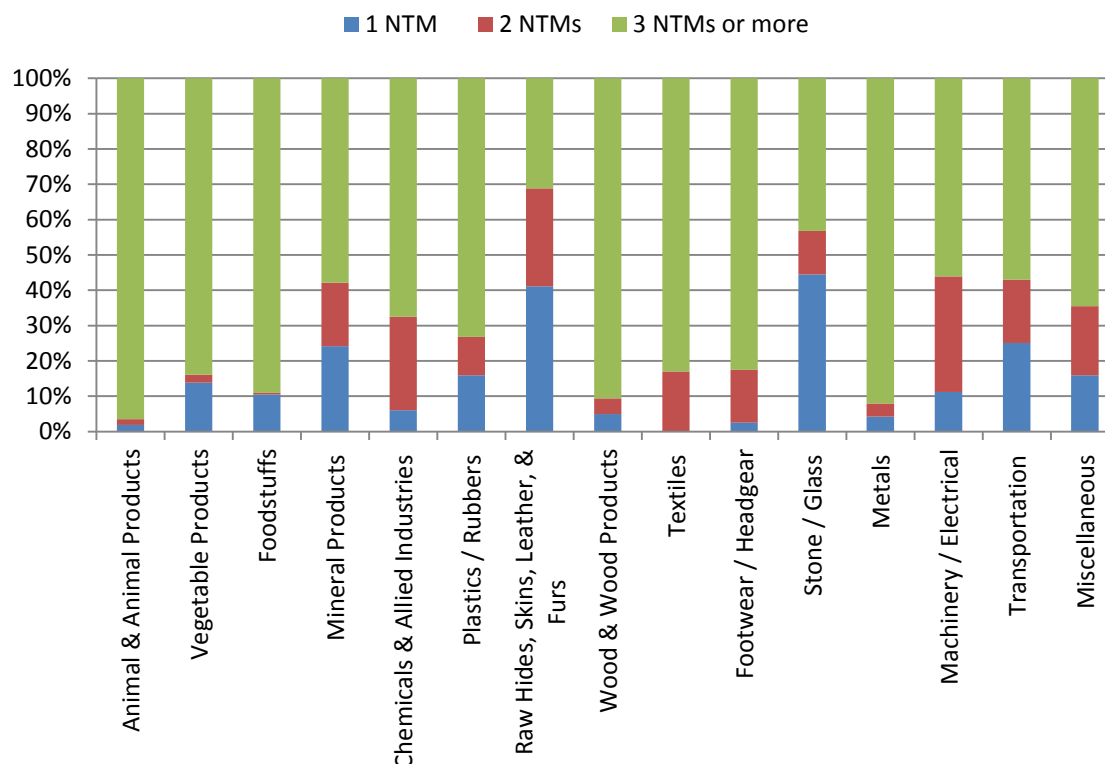

Source: Authors' calculation based on the newly constructed 2015 NTM database ASEAN-ERIA-UNCTAD raw data

Based on Figure 5.2, most of Indonesia's product groups have total NTMs exceeding their total number of tariff lines. This indicates that some products within that group are subject to more than one NTM, compared to the number of tariff lines in each product. Vegetable products and textile and textile products have the highest NTM per tariff lines.

The number of tariff lines covered by NTMs is 6,466 – and this is not the total number of because several tariff lines have more than one NTM. Summing up all NTMs across the 10-digit Harmonized System (HS) level, data reveal that the total number of NTMs is 36,609. Some of those NTMs might have legitimate reasons. Some NTMs are policy measures on security or public health, such as transport of firearms or explosives, and trade in dangerous chemicals and radioactive materials. A number of NTMs are to ban the trade of certain items, such as opium and narcotic drugs.

Figure 5.2: Indonesian Tariff Lines subject to Multiple NTMs, by Products

Source: Authors' calculation based on the newly constructed 2015 NTM database ASEAN-ERIA-UNCTAD raw data

Figure 5.2 shows that most product groups have three NTMs or more.[14] Of animal and animal products, 96.5 percent are subject to three or more NTMs, while 92 percent of metal products, and 90 percent of wood and wood products are both subject to three or more NTMs.

6. Recommendations

From the previous analysis, findings reveal that cases of multiple NTMs are common in Indonesia, where almost 92 percent of products are subject to three or more NTMs, with some of these coming from a single regulatory agency, while others come from multiple regulatory agencies. The following are some policy recommendations for Indonesia:

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[14] As presented in Figure 5.1, the total products that are subject to three or more NTMs are 92 percent.

Undertake a regular review of existing policies and regulations to identify policies and regulations that are impacting negatively on customers, and which are not achieving the government's objectives.

Improve the coordination with other government agencies when issuing trade regulations.

Set up a regulatory and/or oversight body with strong analytical capabilities on NTMs. This body must be competent and capable of designing better NTMs, and in conducting a deeper analysis on the impact of this complex regime, which could cause significant costs and delays for Indonesian businesses and consumers. According to the World Bank (2008), best practice suggests that a regulatory and/or oversight body should not be located in a line ministry as other ministries could resent being put under that authority. Instead, the regulatory and/or oversight body should be placed either under the Prime Minister's or the President's authority, or be set up as an independent body.

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