API
Report
№ 09

November
2024

API
ASEAN Prosperity Initiative

ASEAN Integration Report 2024

Inclusive Trade: Perspectives on Regulatory Challenges for MSMEs in ASEAN

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Acknowledgements:

We would like to thank Professor Dr Evelyn Devadason for her valuable guidance, as well as Sophia Chang, Mai Kasemsawade, and Ariq Ramadhan for their contributions to the compilation of information and data for this report. Additionally, we extend our gratitude to the participants in our stakeholder consultations for sharing their thoughts and experiences, which have significantly added value to the report.

First published in November 2024

Published by:
IDEAS Policy Research Berhad (IDEAS)
The Lower Penthouse
Wisma Hang Sam, 1, Jalan Hang Lekir 50000 Kuala Lumpur

www.ideas.org.my
Reg №: 1219187-V

Design and layout: Norhayati Murni Misran
Cover downloaded from: https://www.freepik.com

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List of Terms/Abbreviations

AAMRA: ASEAN AEO Mutual Recognition Arrangement

ACC: ASEAN Cosmetics Committee

ACCMSME: ASEAN Coordinating Committee on Micro, Small, and Medium Enterprises

ACCSQ: ASEAN Consultative Committee for Standards and Quality

ACD: ASEAN Cosmetic Directive

AC-SPS: ASEAN Committee on Sanitary and Phytosanitary

ADB: Asian Development Bank

AEC: ASEAN Economic Community

AEO: Authorised Economic Operator

AFBA: ASEAN Food and Beverage Alliance

AFSRB: ASEAN Food Security Reserve Board

AFTA: ASEAN Free Trade Area

AMS: Asean Member State

API: ASEAN Prosperity Initiative

ASEAN: The Association of Southeast Asian Nations

ASPI: ASEAN SME Policy Index

ASWGC: ASEAN Sectoral Working Group on Crops

ASWGL: ASEAN Sectoral Working Group on Livestock

ATF-JCC: ASEAN Trade Facilitation Joint Consultative Committee

ATIGA: ASEAN Trade in Goods Agreement

AWEN: ASEAN Women Entrepreneurs Network

BAP: Business Aggregator Programme

BPJPH: *Badan Penyelenggara Jaminan Produk Halal*

B2B: Business to business

CAGR: Compound Annual Growth Rate

CCA: Coordinating Committee on ATIGA

DEFA: Digital Economy Framework Agreement

ESCAP: Economic and Social Commission for Asia and the Pacific

FDI: Foreign Direct Investment

FTA: Free Trade Area

GDP: Gross Domestic Product

GLC: Government Linked Companies

GMO: Genetically Modified Organism

GVCs: Global Value Chains

IAFSPs: Impact Analysis Framework for SME Development Programmes

IDEAS: Institute For Democracy and Economic Affairs

ILO: International Labour Organization

JAKIM: Department of Islamic Development Malaysia

KUR: *Kredit Usaha Rakyat*

LHLN: Foreign Halal Agency

LPH: Halal Inspection Agencies

LPPOM MUI: Institute for the Assessment of Food, Drugs, and Cosmetics

MAC: Matrix of Actual Cases

MNC: Multinational Corporation

MOC: Memorandum of Cooperation

MOUs: Memorandum of Understanding

MRL: Maximum Residue Limits

MSMEs: Micro, Small, and Medium Enterprise

MUI: Indonesian Ulama Council

NGOs: Non-governmental organisation

NTB: Non-Tariff Barriers

NTM: Non-Tariff Measure

OECD: The Organization for Economic Cooperation and Development

POA: Plan of Action

QR: Quantitative Restrictions

RDTII: Regional Digital Trade Integration Index

RK: *Rumah Kemasan* (Packaging House)

RPB: *Rumah Produksi Bersama* (Factory Sharing)

SCORE: SME Competitiveness Rating for Enhancement

SC-AROO: Sub-Committee on ATIGA Rules of Origin

SHLN: Foreign Halal Certificate

Sihalal: Halal Information System

SMEs: Small-Medium sized enterprises

SMEIPA: SME Integrated Plan of Action

SPA: Strategic Plan of Action

SPS: Sanitary and Phytosanitary

TBT: Technical Barriers to Trade

TOR: Term of Reference

TRAINS: Trade Analysis Information System

TFP: Total Factor Productivity

UN: United Nations

UNCTAD: United Nations Trade and Development

UNDP: United Nations Development Programme

UNESCAP: United Nations Economic and Social Commission for Asia and the Pacific

WTO: World Trade Organization

Foreword

The Association of Southeast Asian Nations (ASEAN) envisions a globally integrated and resilient region by 2025, with growing economic influence. In 2022, the bloc's gross domestic product (GDP) reached $3.6 trillion and is projected to rise to $4.5 trillion by 2030. That same year, it also experienced positive increases in trade, with goods rising by 14.9% and services by 16.4%. However, intra-ASEAN trade remained relatively low, with goods accounting for only 22.3% and services for 13.3%, highlighting significant untapped potential for deeper regional integration.

Micro, small, and medium-sized enterprises (MSMEs) are vital to the region's economy, comprising 97% of businesses and employing 85% of the workforce. Despite this significance, MSMEs in ASEAN contribute to only 18% of total exports – indicating more promotion of cross border trade is needed. To strengthen their contribution to inclusive and equitable growth, greater emphasis must be placed on trade facilitation and market access policies for MSMEs. As governments advocate for sustainable growth measures, it is essential to address the challenges these enterprises face and identify policy blind spots that impede their progress. This approach will help level the playing field for MSMEs in international markets, where trade often favours larger enterprises that can capitalise on its benefits.

As Malaysia prepares for its ASEAN Chairmanship in 2025, it must lead efforts to promote trade facilitation, inclusivity, and sustainability for MSMEs. Accordingly, this ninth edition of the ASEAN Prosperity Initiative report focuses on MSMEs and their potential for internationalisation—an important step towards enhancing their competitiveness and resilience in global value chains. This report examines the challenges MSMEs face in the region, particularly the impact of regulations and trade barriers imposed by non-tariff measures. It aims to inspire ongoing initiatives to enhance cross-border trade for MSMEs, thereby supporting ASEAN's strategic direction beyond 2025.

As the global landscape evolves, we must continue supporting smaller businesses by equipping them with the necessary skills and policies to thrive in an increasingly competitive environment. Only by doing so can we empower MSMEs to play a central role in driving regional growth and fostering deeper economic integration across ASEAN.

Aira Ariana Azhari
Acting Chief Executive Officer

Executive Summary

In view of the importance of micro, small, and medium-sized enterprises (MSMEs) as the backbone of ASEAN economies—contributing significantly to employment and economic growth—this report aims to understand their limited participation in cross-border trade, particularly in the context of trade regulations such as non-tariff measures (NTMs). At first glance, these trade regulations appear to be neutral with respect to the size of firms; NTMs are generally applied uniformly without specifically targeting businesses based on their scale. However, the way NTMs are structured and enforced can act as a barrier to inclusive trade as it places a heavier compliance burden on MSMEs, which lack the resources and capacity to navigate these regulations. Streamlining NTMs is a key focus of the ASEAN Economic Community (AEC) Blueprint 2025, which emphasises the need for deeper regional integration to increase trade and facilitate smoother market access across ASEAN. This report focuses on ASEAN as a whole, with a closer look at Malaysia, Indonesia, and Thailand.

To effectively address these challenges, it is important to consider these key stylised facts when shaping policies to promote trade inclusivity and support MSME internationalisation in ASEAN: firm size in cross-border trade, participation of women-led MSMEs in international markets, and the role of public and private networks. Firstly, firm size significantly influences trade participation due to resource and capacity differences. Larger enterprises dominate exports, while medium-sized enterprises, though not as dominant, still leverage their relatively stronger resources and networks, giving them a higher potential for internationalisation compared to micro and small enterprises. However, tailored support is needed to help medium-sized enterprises fully leverage this potential and expand into global markets. At the same time, micro-enterprises, which often focus on survival due to high export costs, require targeted assistance to scale up and become export-ready. Secondly, women-led MSMEs face additional barriers. Challenges such as 'time poverty' due to disproportionate caregiving responsibilities and cultural biases restrict their growth and ability to engage in export markets—highlighting the need for gender mainstreaming policies in this area. Lastly, leveraging public and private networks is vital for market entry, though the preference for public versus private networks varies depending on the local context, enterprise characteristics, and strategic needs. This variation should be carefully considered when tailoring support at the national level to ensure that MSMEs receive the most effective assistance.

In this context, the regulatory landscape further complicates matters for MSMEs in cross-border trade. While the ASEAN region has made significant strides in reducing tariffs, trade remains costly due to the increasing use of NTMs and non-tariff barriers (NTBs) as alternative policy tools. The average trade cost among ASEAN-4 members (Malaysia, Indonesia, Thailand, and the Philippines) remains high, equivalent to a 76.7% tariff. In particular, the food sector faces intense regulation through sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT), driven by concerns over health, perishability, and rising consumer demand for quality. Looking specifically at Malaysia, Indonesia and Thailand, the regulatory distance among these countries in the food sector is relatively low, suggesting some alignment, however, the real challenges lie in the details of implementation, especially for MSMEs. These businesses often struggle with compliance due to limited resources, making it difficult to navigate complex requirements. Even minor regulatory misalignments can become significant barriers for MSMEs when accessing new markets.

ASEAN has made significant progress in addressing and streamlining NTMs to align standards and enhance transparency. However, progress has been uneven, particularly in sectors with complex regulatory needs like food and agriculture. Streamlining NTMs has proven more challenging than reducing tariffs, partly due to the need for careful balance between national regulations and regional integration. Therefore, there is an urgent need for greater coordination among ASEAN countries to harmonise NTMs and reduce regulatory fragmentation. This would help lower trade costs, especially for MSMEs, allowing them to better integrate into regional value chains and contribute to equitable economic growth across the region.

1.0 INTRODUCTION

1.1 Background and Motivation

The significance and contributions of micro, small, and medium-sized enterprises (MSMEs) in local economies have long been emphasised and well-documented (Etuk et al., 2014; Sana et al., 2020; Amoah et al., 2022). These enterprises are central to, and a major driver of, economic activity and employment opportunities, constituting 90% of business worldwide, employing over 70% of the global workforce, and contributing 50% of the global gross domestic product (GDP) (UN, 2024). In the Association of Southeast Asian Nations (ASEAN)[1], 97% of all businesses are MSMEs, and these enterprises contribute to 85% of the total labour force (OECD, 2022a). However, despite their significant presence, MSMEs participate less in cross-border trade, contributing about 18% to total exports in ASEAN (ASEAN, 2021) and between 10% and 30% of national exports (UNDP, 2023). Given their role in economic diversification and resilience, it is important to understand why MSME internationalisation[2] in ASEAN remains limited and how to move the needle on this front.

Inclusive Trade and Emerging Opportunities for ASEAN MSMEs

Since 2018, geopolitical tensions resulting from the US-China trade technology war have slowly shifted international trade patterns and reconfigured the structure of global supply chains. The COVID-19 pandemic unleashed a new shock, further exacerbated by ongoing geopolitical conflicts between Russia–Ukraine and Israel-Hamas. Precipitated by these events, enterprises are rethinking and reshuffling their global operations by implementing diversification strategies, extending existing supply chains to build

[1] Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Viet Nam

[2] Internationalisation is the process by which a firm expands beyond domestic borders to engage more in global markets. It involves both outward growth and the integration of internal and external trade processes (Welch & Luostarinen, 1988). It also includes adapting business practices for international markets, focusing on expansion, market penetration, and relationship integration (Johanson & Vahlne, 2009, as cited in Foghani, 2023).

redundancies, and adopting other risk mitigation measures. Under the 'China+1' strategy, for instance, many enterprises are turning to Southeast Asia as part of these efforts (Kuang et al., 2023). By 2031, ASEAN exports are projected to rise by 90%, far outpacing the estimated global trade growth of less than 30% (Lim et al., 2023). This presents substantial prospects for ASEAN enterprises, not only in exports but also through increased foreign direct investments (FDIs), enhanced market access, and greater integration into restructured global supply chains (Coxhead, 2022; Li, 2024). It also offers a unique opportunity for MSMEs to strengthen linkages with larger enterprises and integrate more deeply into global supply chains.

While MSMEs may have limited direct participation in global supply chains (López González, 2017), the focus should be on enabling these enterprises to access regional markets through targeted policies that shape inclusive trade, level the playing field, and allow them to benefit from these shifting global trade dynamics. Gender disparity is also evident in trade, with women entrepreneurs engaging less in international trade compared to men (Korinek et al., 2023) further impacting inclusive trade. In recent years, ASEAN member states (AMS) have increasingly intervened with policies aimed at tackling a myriad of challenges—such as access to financing, technology and digitalisation, gender inclusivity, market access, and the green transition—that impede MSME development and growth. However, distortive trade regulations and the associated complexities continue to pose a challenge for MSME internationalisation.

Regulatory Complexity: Roadblocks to MSME Internationalisation

Participation in value chains, whether regional or global, is widely acknowledged as a highly effective strategy for reducing trade costs, boosting competitiveness, and driving export growth in developing countries. Notably, businesses engaged in cross-border trade tend to perform better than those that do not (Lwesya, 2022; OECD, 2023). Despite the potential benefits of market access, very few MSMEs take advantage of these opportunities, as trade barriers disproportionately affect these enterprises, particularly through backward participation (importing).

MSMEs, which already operate on relatively compressed margins, are further impacted by roadblocks such as complex regulation that negatively affect their businesses and reduce their ability to scale up—an important factor for internationalisation. In ASEAN, while tariffs among member countries have been declining due to provisions and initiatives under the ASEAN Trade in Goods Agreement (ATIGA), non-tariff measures (NTMs)[3] have increased from 1,634 in 2000 to 9,494 in 2020 (Naz et al., 2020). NTMs are customarily used as public policy tools to address market failures, with the goal of protecting health and safety protocols and maintaining environmental standards (Peters & Kaushik, 2024). However, these NTMs can have trade-distortive effects, such as increasing the cost of doing business (World Bank, 2012; UNCTAD & World Bank, 2018) and limiting entrepreneurial growth (World Bank, 2021). Compared to tariffs, NTMs are more complex and difficult to disentangle and monitor. In times of uncertainty, countries tend to look inward to shield domestic industries and interests, using NTMs as a policy tool for this purpose.

[3] Non-tariff measures are typically defined as "policy measures other than ordinary customs tariffs that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both" (UNCTAD, 2019). Appendix C details the full classification of NTMs.

At the onset of the COVID-19 pandemic, ASEAN saw an increase in new NTMs, with 31 measures introduced—67.7% of which focused on essential goods—though these were short-term measures that were gradually reversed (Devadason, 2022). However, higher regulatory similarity can lower trade costs by 25%. This is because differing technical regulations between countries increase costs, as producers must adapt their production processes, meet various requirements, and obtain separate certifications for each market (Lee and Prabhakar, 2021). Therefore, there is an impetus to ensure that existing and newly introduced NTMs are fit for purpose. Where feasible, regulatory harmonisation between countries should be pursued to maintain low compliance costs. These challenges are further explored in the following sections.

Although these measures affect all enterprises, the burden of compliance is greater for MSMEs due to their limited capacity and resources. The design of NTMs also plays an important role; how they are enforced can sometimes create procedural barriers for businesses (ITC, 2016). Given the complexity and persistence of these barriers, targeted trade facilitation and regulatory reform—particularly at the ASEAN level—are essential for enabling MSME participation in cross-border trade. Initiatives such as the ASEAN Tariff Finder, the Authorised Economic Operator (AEO) programme, and the Non-Tariff Measures Cost-Effectiveness Toolkit Handbook (NTM Toolkit) provide guidance and simplify these processes for businesses, representing a positive development. However, it is crucial to encourage greater utilisation of these initiatives by businesses and regulators across the region while also addressing the existing barriers.

Motivating Factors for MSME Internationalisation

While there are many push factors associated with internationalisation, significant pull factors should also be considered. The primary motivating factors for MSMEs to internationalise include achieving economies of scale, boosting productivity, and enhancing competitiveness (OECD, 2018a; ERIA, 2019). By accessing global markets, MSMEs can increase production volumes, reduce unit costs, and secure higher profit margins—outcomes often unattainable in domestic markets alone (Wignaraja et al., 2015). For example, Malaysian exporters tend to exhibit higher total factor productivity (TFP), while Indonesian MSMEs actively engage with foreign buyers to increase their sales and productivity (Revindo et al., 2017; World Bank, 2022).

Internationalisation not only enhances cost efficiency but also fosters innovation and improvements in product quality (Wen, Liu, & Zhou, 2023). By engaging with global markets, MSMEs gain exposure to managerial expertise, new knowledge, and technological upgrades, often driven by FDI and collaborations with multinational corporations (MNCs) (OECD, 2019a). These linkages create information networks that facilitate resource reallocation, which is essential for competitive growth (Melitz, 2003).

ASEAN MSMEs often specialise in producing intermediate goods, which are critical inputs for global production chains. For instance, 18% of Thai MSME exports feed into further processing abroad, while Indonesian suppliers generate substantial revenue by sourcing locally for MNCs (OECD, 2019). This specialisation signals the potential for deeper integration into global value chains, presenting significant growth prospects.

Therefore, given the geopolitical dynamics and rapid shifts in global trade patterns, which create a narrowing window of opportunity for ASEAN MSMEs to integrate into regional and global markets, there is a pressing need to support MSME internationalisation in ASEAN. Without collective action to address trade barriers and regulatory complexities, these enterprises risk falling behind their global counterparts and missing out on significant growth potential. Improving MSME participation is important not only for the competitiveness of the ASEAN region but also for fostering inclusive and resilient economic development.

1.2 Scope of the Report

This report serves as a precursor to a broader two-part series exploring the regulatory trade barriers faced by MSMEs in ASEAN and the effectiveness of government interventions aimed at improving market access. The broader study aims to fill existing knowledge gaps regarding the specific impact of these barriers on MSMEs, particularly concerning their internationalisation.

In this report, the analysis primarily focuses on NTMs, especially considering recent developments such as geopolitical shifts and the COVID-19 pandemic, both of which have led to an increase in NTMs. By examining these measures and the associated complexities, the report seeks to understand how complex regulatory requirements disproportionately impact MSMEs. To provide a comprehensive perspective, the study also discusses other challenges faced by MSMEs that may hinder their participation in trade.

While the report offers a broad view of MSME internationalisation in ASEAN, the in-depth research focuses on three target AMS: Malaysia, Indonesia, and Thailand. These countries were selected for their shared classification as upper-middle-income nations—the only three in ASEAN in this category. This shared classification allows for meaningful comparison and contextualisation of policies and reforms, given the complexity and diversity of MSMEs (further explored in the next section). Although these nations are considered advanced in terms of market access and internationalisation (ASPI, 2024), sector-specific and MSME-specific programmes are still necessary to drive MSME growth and bridge existing gaps.

Data from the ESCAP (Economic and Social Commission for Asia and the Pacific) – World Bank International Trade Cost Database suggests that trade costs among the ASEAN-4 countries (Indonesia, Malaysia, the Philippines, and Thailand) are relatively higher than those among major European countries (Germany, France, and the United Kingdom) (UN, 2021). This indicates significant room for further regulatory harmonisation, especially considering these countries' roles as major bilateral trading partners (see Table 1). Since these nations are among the most trade-active in ASEAN and have implemented advanced policies on MSME internationalisation, they can serve as benchmarks for best practices that other AMS can adopt to enhance MSME integration into global markets. This is one of the primary reasons for selecting these countries as the focus of this study, as they offer valuable insights into effective strategies that can be applied region-wide.

Table 1: Selection of Target Review Countries

Countries	Income Status (World Bank)	Top Export Destinations in ASEAN (2022)
Malaysia	Upper-middle-income	Singapore (14.2%), **Thailand (3.95%), Indonesia (3.31%)**
Indonesia	Upper-middle-income	**Malaysia (4.89%)**, Singapore (4.86%), the Philippines (4.25%)
Thailand	Upper-middle-income	Viet Nam (4.28%), **Malaysia (4.06%)**, Singapore (3.53)

Sources: World Bank, 2023; The Observatory of Economic Complexity (OEC), 2024

The report employs an analytical framework that combines primary and secondary data for analysis.

- **Primary data** collection involves stakeholder engagements with 19 policymakers, regulators, and business associations from 12 organisations in selected countries (see Appendix A). The sessions were guided by a series of questions informed by preliminary scoping review findings (see Appendix B).
- **Secondary data** includes firm-level data from the World Bank Enterprise Survey database and the United Nations Conference on Trade and Development (UNCTAD) Trade Analysis Information System (TRAINS) database. It also incorporates national statistics from the Department of Statistics Malaysia, the SME (Small and Medium-Sized Enterprises) Corporation Malaysia, and the Asian Development Bank's Asia Small and Medium-Sized Enterprise Monitor, along with various reports and policy documents.

The report begins with an overview of the MSME landscape, examining key stylised facts such as firm size, women's participation, and the role of networks in shaping internationalisation outcomes. It then presents an analysis of current MSME-related policies across the region, followed by a review of contemporary literature on the ongoing challenges faced by MSMEs. This is followed by an exploration of NTM trends and their impact on MSMEs, posing the question: *How do NTMs uniquely impact MSMEs, and what are the specific challenges they face compared to larger firms?* The analysis continues with a case study of the highly regulated food sector, which accounts for 56.8% of all public NTMs in ASEAN (AFBA, 2018). The high incidence of NTMs in the food sector arises from not only the need for safety and quality measures but also from the essential nature of food as a consumer good. This sector is highly complex for several reasons. Due to the direct impact on public health, food regulations are inherently more rigorous in order to safeguard and protect consumers. The sector is highly differentiated, varying in terms of perishability, processing requirements, and quality standards. The differing levels of perishability, for instance, result in complicated compliance and regulatory hurdles. Moreover, evolving consumer dynamics have increased the demand for higher quality and sustainable food products–increasing the importance for regulatory oversight. However, the complexity and diversity in national regulations also present opportunities for bilateral and regional regulatory harmonisation. By aligning common standards across countries, ASEAN can reduce compliance costs, facilitate smoother trade flows, and enhance food security. The report concludes with a discussion of existing policies and initiatives regarding standards and regulations in ASEAN.

The findings from this report will inform the second part of the study (i.e., ASEAN Integration Report 2025, to be published in 2025), which will focus on developing more nuanced and targeted recommendations to enhance MSME participation in international trade based on firm-level interviews.

1.3 Definition and Classification Dilemma

Due to the highly heterogeneous nature of MSMEs, it is difficult to explicitly define and classify them. The dimensional classification depends on several characteristics, such as development level, income level, and economic structure, all of which are unique to each country. Internationally, the World Bank (as referenced in the Enterprise Surveys) defines firm size based on the number of workers: small (5-19 workers), medium (20-99 workers), and large (≥ 100 workers). However, the Bank acknowledges the lack of a universal definition for MSMEs and relies on country-specific standards in its analysis (World Bank, 2019).

Likewise, across ASEAN, there is no single definition for MSMEs[4]. The latest ASEAN SME Policy Index (2024) recognises this absence of harmonisation, highlighting the need for AMS to take urgent steps towards a region-wide and comprehensive ASEAN definition of MSMEs. Currently, countries in the region employ several different indicators (see Table 2). Despite having similar indicators in some cases, the parameters used by each AMS still differ within each sub-category. This heterogeneity presents a challenge when comparing the state of MSMEs across the region. This was highlighted in a report by the Organisation for Economic Co-operation and Development (OECD) and ASEAN (2021), which found that AMS had difficulties collecting and publishing data on MSMEs, compounded by 'significant differences in definition and calculation across AMS'.

Given these nuances, the comparisons made in this report may not be perfectly comparable across the different countries analysed, but they broadly indicate existing trends for MSMEs. It is also important to note that the official data and statistics published exclude MSMEs in the informal sector. While acknowledging these caveats, we use the term 'MSMEs' in this report to encompass micro-enterprises, small and medium-sized enterprises, small businesses, and entrepreneurs, as these terms are often used interchangeably in the literature.

Table 2: Criteria for Defining MSMEs in AMS

Indicator	Usage
Employment	All AMS have employment indicators except Indonesia, Myanmar (for micro-enterprises), and the Philippines.
Revenue, Income, and Sales Turnover	Used in Brunei, Malaysia, Singapore, Thailand, and Viet Nam
Assets	Used in Cambodia, Indonesia, Lao PDR, Myanmar, and the Philippines
Sector	Breakdown by sector is only available for Lao PDR, Malaysia, Myanmar, Thailand, and Viet Nam.

Source: Authors' compilation from ASEAN, 2024

4. Available at: https://asean.org/wp-content/uploads/2023/11/Definition-of-MSME-in-ASEAN-Member-States.pdf

2. UNDERSTANDING THE LANDSCAPE OF MSMES IN ASEAN

MSMEs significantly contribute to economic growth and employment creation, particularly in vulnerable and rural communities. In ASEAN, they account for 85% of the total labour force, with notably high proportions in Indonesia (96.9%) and Thailand (71%) (see Table 3). Although the percentage is lower in Malaysia, MSMEs still represent nearly half of the labour force. Beyond their substantial role in job creation, MSMEs are more inclined to hire from vulnerable groups, such as youth, the elderly, and lower-skilled employees, compared to larger enterprises (ILO, 2019). Most jobs created by MSMEs are located outside capital cities, with 84.3% in Malaysia and 67.4% in Thailand (ADB, 2023). In Indonesia, where MSMEs are widely distributed across rural areas, they often act as catalysts for developing local talent, particularly among women entrepreneurs (Tambunan, 2008). Thus, MSMEs hold considerable potential for poverty alleviation and reducing disparities by generating essential employment, especially in rural regions where formal job opportunities are limited (Abdul-Azeez et al., 2024). This establishes MSMEs as critical focal points in the economy and key players in promoting broad-based and inclusive growth (OECD, 2022b).

Despite these socio-economic benefits, MSMEs' unidimensional focus on the domestic market and short-term survival often limits their capabilities and potential for growth. As MSMEs predominantly operate in labour-intensive sub-sectors such as retail, wholesale, and manufacturing (ADB, 2023), this domestic focus restricts their investments in the capital-intensive capabilities required for international trade. Furthermore, the quality of jobs created by MSMEs is generally lower than those in larger enterprises, offering reduced earnings, stability, and security (WTO, 2016). This diminishes their ability to attract the skilled workers necessary for export competitiveness. Similarly, women-led MSMEs face unique barriers, such as restricted access to finance and limited trade networks, which impede their ability to scale and participate in cross-border trade.

The following sections will further explore the landscape of MSMEs in ASEAN, particularly highlighting key stylised facts, such as firm size, women's participation, and the role of private networks in shaping cross-border engagement.

Table 3: MSME Landscape in ASEAN (Focus: Malaysia, Thailand, and Indonesia)

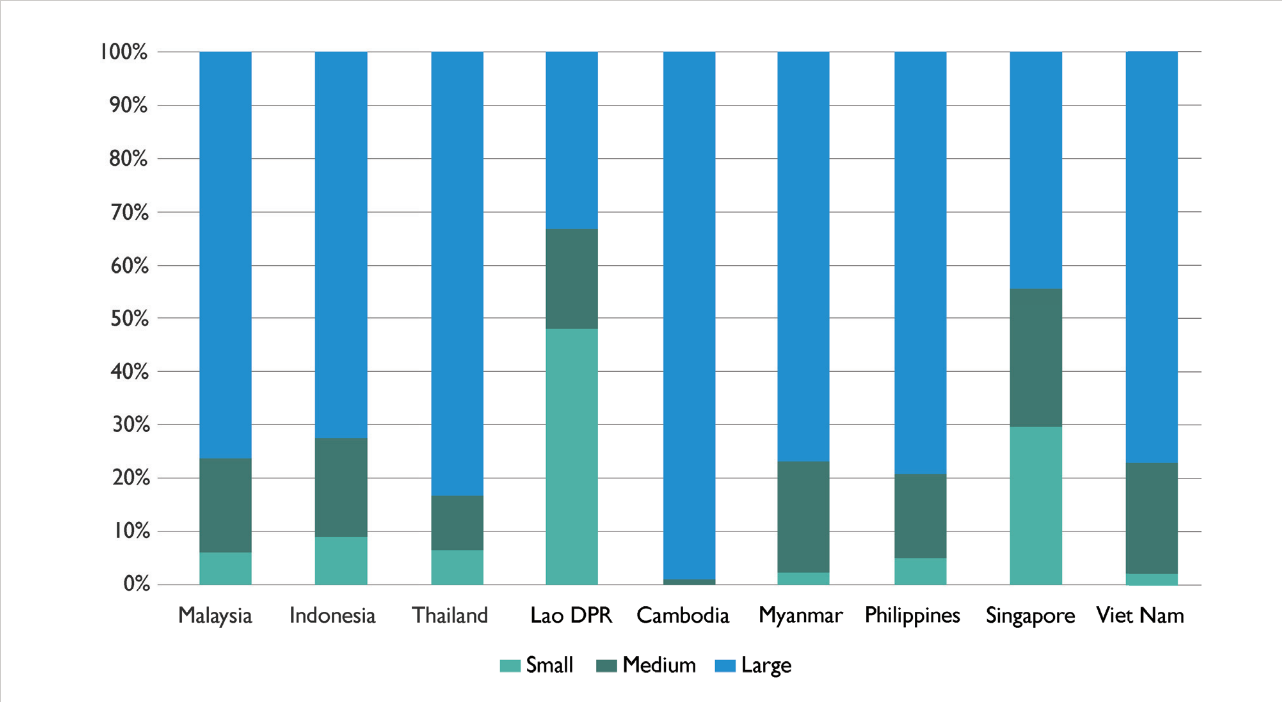
Category	Malaysia	Thailand	Indonesia	ASEAN
Share of establishments	96.6% (2023)	99.5% (2022)	99.99% (2019)	97% (2020)
Employment by MSMEs (of the total labour force)	48.5% (2023)	71% (2022)	96.9% (2019)	85% (n.d.)
MSME contribution to GDP	39.1% (2023)	36% (2022)	60.5% (2019)	45% (n.d.)
MSME export contribution to total exports	12.2% (2023)	10.7% (2022)	15.7% (2019)	18% (n.d)

Sources: OECD, 2019; OECD, 2024b; ADB, 2020; ADB, 2023; ASEAN, 2021; UNDP, 2023; DOSM, 2024

2.1 Firm Size Matters for Cross-Border Trade

Trade participation varies significantly by firm size, with larger enterprises more likely to engage in international trade and global value chains (GVCs). Within ASEAN, large enterprises consistently outperform MSMEs in both exports and imports, while medium-sized enterprises tend to perform better than small enterprises. On average, 10.4% of MSMEs in ASEAN export directly, compared to 31.6% of large firms (see Figure 1). Among MSMEs, medium-sized enterprises export at a rate of 6.5%, while small enterprises export at just 4.0%. Larger firms benefit from greater financial resources, stronger networks, and better compliance capabilities, all of which are crucial for accessing international markets; this advantage is evident in the significant gap between their export rates and those of MSMEs (WTO, 2016; Lopez-Gonzalez & Gourdon, 2019). Lao PDR is the only outlier in this case, with a higher proportion of small enterprises engaged in exports compared to medium and large enterprises. However, it is important to note that among the surveyed ASEAN countries, the sample size for Lao PDR is significantly smaller.

Figure 1: Percentage of Enterprises Directly Exporting at Least 10% of Sales by Firm Size



Source: Authors' calculation based on World Bank Enterprise Surveys for the most recent available years (Available at: https://www.enterprisesurveys.org/en/data)

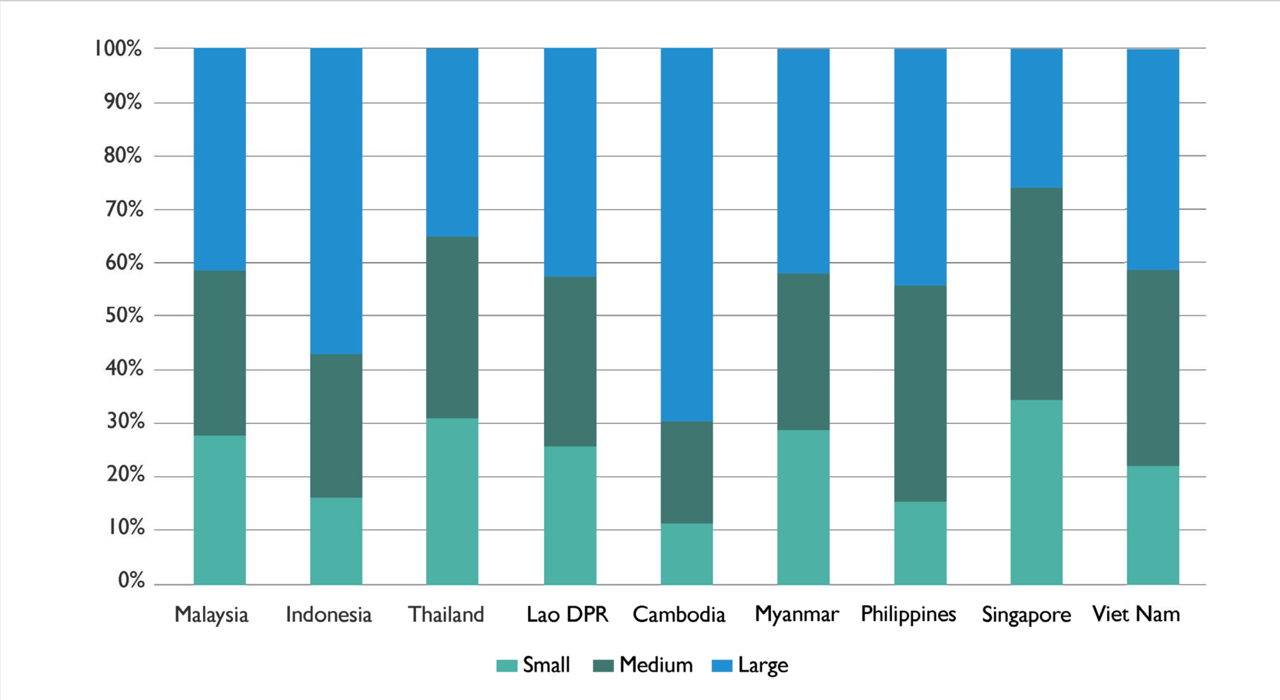
Notes: *Survey year: Malaysia (2019), Indonesia (2023), Thailand (2016), Lao PDR (2018), Cambodia (2023), Myanmar (2016), the Philippines (2023), Singapore (2023), and Viet Nam (2023) *Data unavailable for Brunei;*
MSME definition: *small (5-19 workers), medium (20-99 workers), and large (≥ 100 workers); Direct export: The sale of goods where the immediate recipient is outside the borders of the country*

In terms of imports, MSMEs demonstrate stronger participation in GVCs through backward linkages[5], although their participation is not as strong as that of larger enterprises. According to World Bank data, approximately two-thirds (67.5%) of large enterprises engage in imports, followed by 48.9% of medium-sized enterprises and 38.1% of small enterprises (see Figure 2). Importing raw materials and intermediates presents MSMEs with valuable opportunities for learning and capacity building, enabling them to navigate import-export procedures and establish networks that are crucial for becoming 'successful exporters'. Access to a broader range of higher-quality inputs can enhance the competitiveness of MSME products for export, indicating that importing serves as a strategic entry point into export markets, particularly for medium-sized firms (Lanz et al., 2018; National Board of Sweden, 2023). Given the current concentration of imports, leveraging these backward linkages can improve the competitiveness of MSMEs, enabling them to participate more actively in GVCs and international trade. In Singapore, however, small enterprises tend to import more than medium-sized enterprises. This discrepancy may be attributed to the prevalence of parallel markets in Singapore, where branded products enter and

5. Enterprises engage in global value chains (GVCs) through two types of linkages with foreign partners. Backward linkages involve importing inputs for the production of intermediate or final goods for domestic use or export, as well as importing final products for distribution. This reflects the 'buyer's' or sourcing side of GVCs. Forward linkages refer to exporting intermediates or final goods, representing the 'seller's' or supply side of GVC participation (WTO, 2016)

are sold without the permission of official distributors. Smaller enterprises often engage in parallel importing, which allows them to remain price-competitive for cost-sensitive consumers while offering desirable products (Seow & Lau, 2022).

Figure 2: Percentage of Enterprises Importing by Firm Size



Notes: *Survey year: Malaysia (2019), Indonesia (2023), Thailand (2016), Lao PDR (2018), Cambodia (2023), Myanmar (2016), the Philippines (2023), Singapore (2023), and Viet Nam (2023) *Data unavailable for Brune*
MSME definition: *small (5-19 workers), medium (20-99 workers), and large (≥ 100 workers); Import: Material inputs and/or supplies of foreign origins*

Findings from our stakeholder engagements highlighted that the ability to absorb costs and scale up operations are critical factors influencing MSMEs' export potential. Medium-sized enterprises are more likely to engage in cross-border trade due to their more established presence, better access to financing, and stronger human resource capacity—factors that significantly enhance export success. In contrast, the majority of micro-enterprises—accounting for 99.6% of MSMEs in Indonesia, 85.6% in Thailand, and 69.7% in Malaysia (see Table 4)—tend to prioritise day-to-day survival over growth. This highlights a systemic issue: their inability to absorb the high fixed costs associated with exporting, such as certification requirements and trade expenses. Unlike larger firms, which can distribute these costs over higher sales volumes, micro-enterprises often struggle with economies of scale, making international markets less accessible (USITC, 2019). Despite numerous government initiatives aimed at capacity building and training, smaller businesses, particularly those with single ownership, often find participation challenging due to limited staffing. Attending training typically requires temporarily shutting down operations and forgoing profits, which is particularly difficult for micro-enterprises focused on sustaining daily operations (IDEAS Stakeholder Engagements, 2024).

Table 4: Breakdown of MSMEs in Malaysia, Thailand, and Indonesia by Size

Country	Total SMEs	Micro	Small	Medium
Malaysia (2023)	1,101,725 enterprises	69.7% (767,421 enterprises)	28.5% (314,465 enterprises)	1.8% (19,839 enterprises)
Thailand (2022)	3,187,378 enterprises	85.6% (2,727,186 enterprises)	13.1% (416,628 enterprises)	1.4% (43,564 enterprises)
Indonesia (2019)	64,194,056 enterprises	99.63% (63,955,369 enterprises)	0.3% (193,959 enterprises)	0.07% (44,728 enterprises)

Sources: Authors' collation from SMECorp, 2024, OECD, 2022c, and OECD, 2022d

The disparity in trade participation by firm size underlines a broader challenge for ASEAN MSMEs: the need for tailored support for medium-sized enterprises to engage in trade and for smaller firms to 'graduate' into export-ready enterprises. This is particularly significant given that medium-sized enterprises constitute a much smaller proportion of MSMEs in the three focus countries (Malaysia: 1.8%; Indonesia: 0.07%; and Thailand: 1.4%). Recognising the potential of MSMEs as key conduits for testing and implementing new technologies, China introduced strategic government policies to identify promising and internationally competitive MSMEs known as 'Specialised SMEs' or 'Little Giants'. Selected firms receive certification and a range of comprehensive targeted support systems (Brown et al., 2023). Similarly, policy initiatives like the SME Competitiveness Rating for Enhancement (SCORE) in Malaysia represent steps in the right direction by providing a tool to assess export readiness and offer targeted support (see Box Article 1).

Box Article 1: SME Competitiveness Rating for Enhancement (SCORE) as a Tool for Targeted Business Support

SCORE is a diagnostic tool used to assess and enhance the competitiveness of MSMEs based on their performance and capabilities. It evaluates enterprises in several key areas: (1) financial strength, (2) business performance, (3) human resources, (4) technology acquisition and adoption, (5) and certification and market presence. The tool provides a rating from zero stars (basic automation processes) to five stars (high level of automation and export experience). As of October 2023, 73,576 MSMEs have been rated, with most achieving two stars (47.0%) and three stars (29.0%), while only 0.3% attained a five-star rating between 2007 and 2022.

Process and Cost

The application for SCORE is a multilayered process. First, enterprises are required to obtain MSME Status Certification to confirm that they meet the MSME definition criteria. This is followed by the submission of a SCORE application, along with business registration documents and audited accounts via the MyBPI portal. A fee of RM600 is required as part of the application. The application is then reviewed by SMECorp, and auditors conduct a site visit to assess strengths and areas for improvement. SMECorp offers a comprehensive guide on the SCORE application process, including instructions on how businesses can self-evaluate their ratings through a simulation.

Purpose of rating

The SCORE tool benefits both industry players and policymakers by providing valuable data and opportunities.

- **MSMEs:** Gain sector-specific assistance, ranging from financial aid to collaboration opportunities with larger companies, government-linked companies (GLCs) and distribution channels.

- **Policymakers:** Benefit from baseline data on MSMEs and sector competitiveness, which aids in further research and policy formulation.

Given that MSMEs, especially micro and small enterprises, face challenges in internationalisation, it is important to identify the specific support needed according to the development stage of each enterprise. For MSMEs with lower scores, 'hand-holding' initiatives will be more suitable, while those that achieve a five-star rating and are export-ready will be linked to relevant government agencies for specific export-oriented initiatives.

Since its implementation in 2006, the SME Integrated Plan of Action (SMEIPA) has aimed to monitor the development programmes for MSMEs carried out by SMECorp. To achieve this goal, each initiative and the associated government agency undergoes evaluation to ensure their efficacy. The Impact Analysis Framework for SME Development Programmes (IAFSPS) employs an outcome-based approach, assessing the growth, productivity, and efficiency of the MSMEs enrolled in a programme. As part of this outcome-based approach, the SCORE tool is used to evaluate MSME competitiveness, allowing for tailored intervention programmes at the enterprise level. This framework ensures that all SMECorp initiatives meet their targets and deliver measurable results while fostering a feedback-driven ecosystem. The use of SCORE would create a linkage between the companies identified as programme recipients and their subsequent development outcomes.

However, for smaller enterprises the cost and complexity of the application process could present challenges. In 2023, MSMEs benefited from a RM100 voucher for their status application fees, but this year, no waivers or vouchers are available for the SCORE and MSME status application processes, potentially deterring small enterprises with limited resources. Additionally, while efforts to streamline the application process are ongoing—such as the introduction of My eSCORE, an online self-assessment tool that reduces processing time by seven days—continuous refinement is needed to further simplify procedures and improve user adoption.

Sources: Authors' compilation from various sources (MTIB, 2024; SCORE 2.0 User Guide, 2024; SMECorp, 2023; The Star, 2023; Business Today, 2023; Dzulkalnine et al., 2023; SMECorp Annual Report, 2022; SME Corporation Malaysia, 2015)

2.2 Women's Participation in Cross-Border Trade Is Negligible

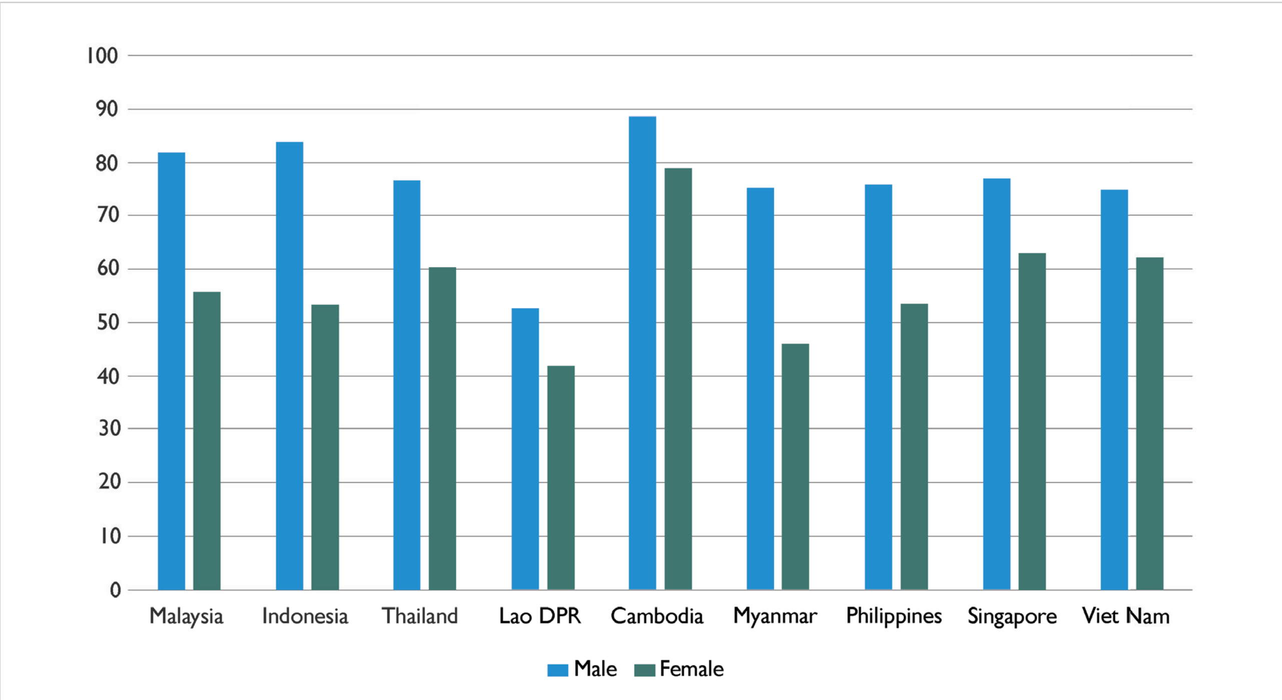
Global trade has played an important role in advancing gender equality, as trade liberalisation is linked to expanded economic activities, improved education and skills development, and increased gender parity. A positive correlation exists between a country's trade openness, as measured by its trade-to-GDP ratio, and progress in gender equality and women's legal rights (World Bank & WTO, 2020). Studies in entrepreneurship have shown that the gender gap tends to narrow as the level of development decreases (Nicolás & Rubio, 2016). However, female labour force participation in ASEAN remains significantly lower than that of men (see Figure 3), indicating broader structural barriers that limit women's economic engagement. This imbalance is also evident in international trade participation, where male-owned enterprises significantly outnumber female-owned ones (see Figure 4).

Although trade liberalisation has generally supported women's participation in entrepreneurship, women-led MSMEs often face unique challenges in international trade. Social and cultural norms are significant factors, as the burden of care disproportionately falls on women compared to men; they are traditionally considered the 'primary caretakers' in domestic households (Carranza et al., 2018). This unequal distribution of responsibilities leads to what is often termed 'time poverty' (UNESCAP, 2017), limiting the ability of women entrepreneurs to dedicate sufficient time and resources to expand their businesses to an export-ready level.

To address these challenges, several national and regional initiatives combine targeted support for women-led MSMEs to access international markets with broader efforts to encourage entrepreneurship. For instance, Malaysia's Women Exporters Development Programme (WEDP) supports building export capabilities of women-led enterprises through trade facilitation, capacity-building workshops, market intelligence and business matching opportunities. In Thailand, under the leadership of Yingluck Shinawatra, the first female Prime Minister of Thailand, the Thai government established the National Women's Development Fund in 2012. This initiative served primarily as a financial resource to create business opportunities for women and included several sub-projects aimed at enhancing women's digital and entrepreneurship skills (Equal Futures, 2016). Similarly, ASEAN Women Entrepreneurs Network (AWEN) is a regional network of women MSMEs that hosts forums and business matching programmes to help women-owned businesses expand their business networks, access financial institutions, and develop leadership skills (ASEAN, 2022). In Indonesia and Thailand, the FairBiz initiative is a collaboration between the United Nations Development Programme (UNDP), the United Kingdom Government, and the ASEAN Economic Reform Programme that has helped women-led MSMEs develop policies to strengthen ethical responsibility standards, utilise e-procurement platforms, and increase access to the public sector market as suppliers (D'Anzeo, 2023). However, despite these varied initiatives, the unequal burden of care may render these programmes inaccessible to women interested in entrepreneurship. This is corroborated by findings from stakeholder engagements which indicate that balancing familial responsibilities is a primary impediment for women-led MSMEs to scale up for exports.

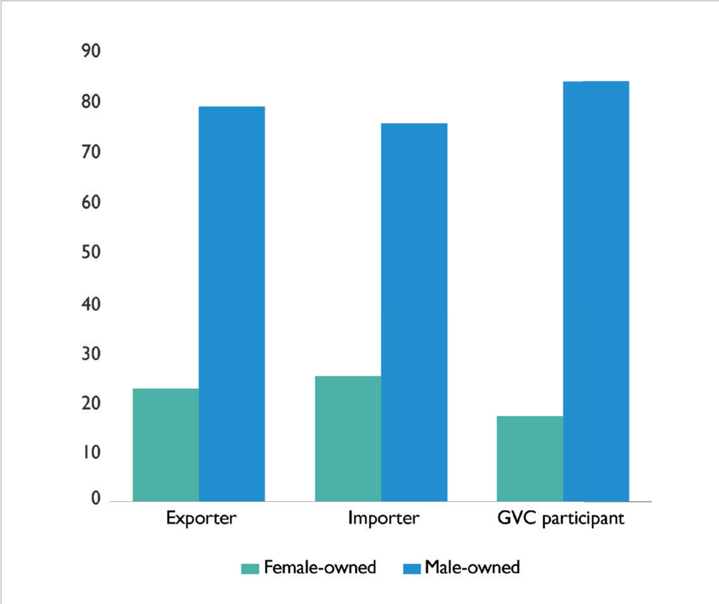
These cultural biases and norms also contribute to reduced access to financing. Property rights often reflect social biases that view men as household heads with primary control over family property. Although women theoretically have equal rights to non-land assets in many countries, they frequently possess less decision-making power regarding spending, employment, and family matters (ASEAN, 2016). This underscores the importance of gender mainstreaming in policies aimed at enhancing women's participation in trade and entrepreneurship.

Figure 3: Labour Force Participation Rates (%) by Gender



Source: The ASEAN Secretariat, 2023
***Notes:** Data for all AMS in 2022, except for Cambodia in 2019*

Figure 4: Percentage of MSMEs Engaged in International Trade by Gender of Ownership



Source: Authors' calculation based on World Bank Enterprise Surveys for the most recent available years (Available at: https://www.enterprisesurveys.org/en/data)

Notes: *Survey year: Malaysia (2019), Indonesia (2023), Thailand (2016), Lao PDR (2018), Cambodia (2023), Myanmar (2016), the Philippines (2023), Singapore (2023), and Viet Nam (2023) *Data unavailable for Brunei;*

MSME definition: *small (5-19 workers), medium (20-99 workers), and large (≥ 100 workers); Female-owned: Enterprises where female equity ownership exceeds 50% (and vice versa for male-owned); GVC participant: An entity that acts as both exporter and importer*

2.3 The Importance of Public vis-à-vis Private Networks in Connecting MSMEs to International Markets

In internationalisation theory, networks are recognised as an essential mechanism for easing the process of entering foreign markets (Johanson and Vahlne, 1990). These networks may take the form of private networks, such as peers, business-to-business (B2B) linkages and business associations, or public networks, through government or institutional support structures. As Abonyi (2015) suggests, engagement with these networks can be as important as the enterprise's size in determining success in new markets. These networks provide MSMEs with valuable insights into foreign market scope and demand, regulatory ecosystems, and infrastructure availability, making internationalisation a less risky venture.

While public or government networks offer broad-based support and infrastructure, private networks often provide more specialised guidance and connections, which can be essential for enterprises targeting specific market segments. Unlike government-funded intermediaries, which are often limited by fiscal constraints and political shifts, profit-oriented enterprises can serve as sustainable, efficient intermediaries in the long term to support internationalisation of MSMEs (Nakwa et.al, 2012). However, identifying, building, and maintaining these networks—typically between smaller enterprises and larger, more established firms—can be challenging and costly for MSMEs due to imbalances in power dynamics, as well as the significant investment of time and resources required (OECD, 2019b).

The institutional support or public networks provided depend on several factors such as the characteristics of enterprises in the country, the local context, and the overall economic strategic focus. For instance, in Indonesia, government-led aggregator and factory sharing programmes actively support MSMEs by providing the necessary infrastructure and tools for operational needs, while facilitating connections to local markets (see Box Article 2). Meanwhile, Malaysia's public initiatives emphasise stronger focus on business matching and trade shows, which underlying strategy encourages private-sector-led market linkages, allowing businesses to explore foreign markets, identify suppliers, and tailor offerings to meet diverse market needs. In Thailand, the Cluster policy which includes the "super cluster" strategy and targeted clusters are aimed at bridging public and private networks, particularly to drive internationalisation (Kowalski, 2022). These innovation-driven policies foster the creation of knowledge linkages which not only facilitates skill enhancement and the upgrading of production capabilities but also opens avenues for path upgrading and importation, allowing MSMEs to transition into higher-value activities (OECD, 2021a). Specifically, targeted clusters such as the Thailand Food Valley supports MSMEs in the food sector by improving their export potential and competitiveness.

A study by Tham and Tambunan (2018) found that Indonesian MSMEs tend to depend more on government networks, while Malaysian MSMEs lean toward private sector networks. However, this preference varies depending on characteristics of the enterprise, the size and the presence. Identifying the strengths and gaps within these networks could help create more comprehensive support for MSMEs across the ASEAN region.

Box Article 2:
Role of Government Networks in Addressing MSME Packaging and Production Challenges in Indonesia

Background

In Indonesia, the large number of micro-entrepreneurs amplifies the challenges of meeting regulatory requirements like labelling, packaging, and processing standards, due to equipment costs, technology gaps, and limited resources. In addition, these enterprises struggle to meet market demands because they lack the resources to effectively market their products and compete in the market. IDEAS stakeholder engagements in Jakarta identified issues such as low business formalisation, high compliance costs, and logistics barriers, which disproportionately affect Indonesia's MSMEs. In response, the Indonesian government has introduced three initiatives: *Rumah Produksi Bersama* (RPB) or Factory Sharing, *Rumah Kemasan* (RK) or Packaging Houses, and the Business Aggregator Programme. These initiatives collectively seek to reduce production costs, improve product quality, and enhance MSME product positioning in both domestic and international markets.

Rumah Produksi Bersama (RPB) and Rumah Kemasan (RK)

RPB and RK are initiatives with the primary objective of providing MSMEs, particularly micro-enterprises, with shared resources such as equipment and services to improve both production quality and product competitiveness. RPBs offer modern factory spaces where MSMEs can pool resources to produce high-quality products without bearing the full financial burden of acquiring machinery and facilities. Meanwhile, RKs provide free packaging services, focusing on improving product presentation, meeting labelling standards, and offering training and technical assistance on design—all aimed at strengthening MSMEs' market positioning.

The RPB model has expanded to various provinces, including East Kalimantan (ginger and essential oils), North Sulawesi (coconut products), and East Nusa Tenggara (beef production). By centralising production, RPBs help to circumvent challenges commonly faced in industries like rattan, such as dependence on materials from distant regions, which typically increases costs and distribution times. Coordinated production at a single hub also mitigates issues like illegal smuggling, as operations become more controlled and aligned with export regulations.

Business Aggregator Programme (BAP)

BAP serves as a support system for MSMEs seeking to internationalise by reducing the burden of regulatory compliance costs. In practice, the programme improves the efficiency of trading systems. Aggregators manage the certification and licensing processes, which can be cumbersome for small businesses. They also act as intermediaries in securing export permits—tasks that, while not technically difficult, can be burdensome for individual MSMEs. Products from regions like Gorontalo, which have lower international export values, are transported to Makassar for export, leveraging aggregator infrastructure to efficiently reach global markets. By aggregating small producers, the programme improves market access and visibility within formal financial systems, enabling MSMEs to achieve the scale necessary to supply larger markets. Partnerships with larger companies further assist MSMEs in integrating into supply chains, effectively closing the gap between small and large enterprises.

Challenges and limitations

- While aggregators simplify the export process, they may limit MSMEs' opportunities for direct engagement with international markets, thereby restricting their potential for long-term learning and skill development. To ensure both efficiency and sustainability, these programmes should incorporate elements of knowledge transfer, enabling MSMEs to gain hands-on export experience and gradually reduce their dependency on intermediaries.

- Negative perceptions of middlemen remain a barrier to these programmes. In Indonesia, some farmers hold negative views of *Pengepul* (primary buyers collecting products), *Tengkulak* (intermediaries buying directly from farmers), and *Bandar* (transaction financiers), as these middlemen often profit by lowering prices, forcing farmers to offload their products below market value. BAP aims to address these issues by establishing more trustworthy intermediaries through e-commerce and digital adoption, thereby enhancing transparency in transactions. However, it is crucial to closely monitor costs and inflation, especially at the subnational level, to ensure that these programmes remain efficient and fair for MSMEs.

As these initiatives are still in the relatively early stages of implementation, their uptake and long-term impact require further study. Similar private initiatives, encouraged by the government, can also contribute to the sustainability of these programmes. Involving private networks can provide a direct business perspective, facilitating a better understanding of current needs and requirements, which can lead to a more effective programme aligned with market realities.

Sources: Authors' compilation from various sources (Revindo, Indrawati, & Massie, 2019; Italian Business Association in Indonesia, 2023; Media Indonesia, 2024; OECD, 2018b; Bandung Bisnis, 2021; The Jakarta Post, 2022; Saefuloh, 2021; KNEKS, 2022; IDEAS Stakeholder Engagement, 2024)

2.4 Current Overarching Policies and Initiatives Related to MSMEs in ASEAN

Given the significance of these enterprises, MSME development has become a priority in ASEAN, as evidenced by various regional policies and initiatives. These policies are coordinated and overseen by the ASEAN Coordinating Committee on Micro, Small, and Medium Enterprises (ACCMSME) and the ASEAN MSME Advisory Board. The third pillar, 'Equitable Economic Development', of the ASEAN Economic Community Blueprint 2025 emphasises the importance of MSMEs in reducing development disparities within the region. This focus led to the ASEAN Strategic Action Plan for SME Development 2016-2025, which outlines five strategic goals, including enhancing market access and internationalisation to better integrate MSMEs into regional value chains. A mid-term review published in 2021 found that 'more than 80% of the 62 planned action lines in the Action Plan [were] completed or being implemented' (ASEAN, 2021). Notably, while the action lines have been satisfactorily implemented, there is currently no mechanism to track whether these individual programmes are achieving the desired outcomes for MSMEs.

At the policy level, the ASEAN SME Policy Index (ASPI) was introduced in 2018 as a benchmarking tool to evaluate MSME policies across AMS. A significant challenge in monitoring the progress and effectiveness of government interventions is the lack of comprehensive data. The ASPI provides a foundation for building robust monitoring structures to ensure that MSME programmes and initiatives in the region are evidence-based.

The latest ASPI report (2024) categorises policy recommendations based on the stages of MSME development: early, mid-stage, and advanced. Indonesia, Thailand, and Malaysia are ranked as advanced in terms of access to markets and internationalisation; however, the ASPI recommends further improvements to bridge existing gaps, specifically in trade and customs facilitation efforts targeted at MSMEs. This includes adopting digitisation and sustainable practices to enhance MSME participation in GVCs.

ASEAN has made significant strides in trade and customs facilitation by introducing initiatives aimed at addressing challenges faced by MSMEs. For instance, free trade agreements (FTAs) among ASEAN countries have often experienced low utilisation rates, typically below 50%, primarily due to difficulties businesses encounter accessing information and navigating complex procedures. In response, ASEAN launched the upgraded ASEAN Tariff Finder to improve accessibility and provide clearer information about FTAs, making it easier for businesses, especially MSMEs, to navigate these agreements and fully benefit from them (ASEAN, 2023).

Another key initiative to improve trade facilitation is the Authorised Economic Operator (AEO) programme, implemented by several ASEAN countries since 2007. Recently, Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, and Thailand began implementing the first ASEAN AEO Mutual Recognition Arrangement (AAMRA). Under this mutual agreement, AEOs will benefit from reciprocal trade facilitation measures (ASEAN, 2024). Stakeholder engagements (2024) further emphasised the importance of broader adoption of AAMRA for full regional integration and enhanced supply chain security. The AEO programme aims to simplify and streamline customs procedures by granting certification to enterprises that meet the required standards. These certifications are intended to reduce customs logistical backlogs, resulting in faster customs clearance with fewer interventions. However, the application processes for these certifications can be taxing, requiring a significant investment of time and resources, which can be especially challenging for MSMEs. Additionally, the certification requirements are often designed for larger firms and do not specifically cater to MSMEs, discouraging their participation (APEC, 2021). These types of programmes could significantly improve MSME participation in trade if the processes are made easier and tailored to the needs of MSMEs.

The ongoing ASEAN Digital Economy Framework Agreement (DEFA) aims to address various aspects of digital trade, including cybersecurity, data protection, and digital talent movement. The rise of e-commerce presents a significant opportunity to simplify customs procedures for low-value shipments, potentially making cross-border trade more accessible for MSMEs. Between 2019 and 2022, e-commerce usage[6] grew significantly in Malaysia (34.1%), Thailand (41.8%), and Indonesia (17.3%) (ESCAP, 2024a). However, gaps remain in regional digital trade integration for these three countries. According to the Regional Digital Trade Integration Index (RDTII) for 2023 (ESCAP, 2024b), the highest compliance costs for digital trade in Malaysia, Indonesia, and Thailand primarily stem from FDI regulations, although they also vary in other areas: Malaysia faces high costs in content access and has complex rules regarding non-technical NTMs; Indonesia encounters challenges in public procurement and online sales and transactions; and Thailand grapples with telecom regulations, competition issues, and domestic data protection and privacy. For instance, Thailand requires the appointment of a 'Data Protection Officer' under the Personal Data Protection Act (2019), while Malaysia imposes stringent regulations on the importation of information and communications technology (ICT) products. These regulatory requirements place a significant compliance burden on businesses, especially MSMEs. Findings from stakeholder engagements suggest that harmonising regional standards and adopting World Trade Organisation (WTO) e-commerce guidelines could further streamline customs procedures and improve coordination between e-commerce operators and customs authorities. This would particularly benefit logistics, low-value shipments, and e-commerce transactions. To ensure effectiveness, the upcoming DEFA agreement should specifically target these challenges to enable smoother cross-border trade and greater digital integration for MSMEs across ASEAN.

6. Refers to the number of users accessing and engaging with e-commerce marketplaces.

Recognising the importance of capacity building and training—especially in the context of increasing digital adoption—ASEAN has launched several programmes to enhance MSME capabilities. These include ASEAN Access, which facilitates international trade, and the ASEAN SME Academy, which offers online training and resources. In 2022, ASEAN Access introduced MATCH, a feature that supports live networking and business matching, fostering partnerships and opportunities for approximately 1,500 business leaders. In 2023, ASEAN Access launched LEARN, an online course platform for SMEs covering topics such as imports, exports, and e-commerce. However, as of April 2024, the ASEAN SME Academy entered a hiatus as part of a 'strategic transition process in light of the shift away from remote learning towards in-person activities'. To ensure the effectiveness of these programmes, it is essential to maintain continuity, provide regular updates, and implement improvements to keep pace with evolving trends and help MSMEs build the resilience needed to compete in international markets.

3. A BRIEF REVIEW: BROAD CHALLENGES FOR MSMES TO ACCESS REGIONAL AND INTERNATIONAL MARKETS

This section provides a brief overview of the internal and external barriers that MSMEs face when attempting to access regional and international markets. Understanding these broader challenges helps contextualise the focus on NTMs in this report, as many of the barriers discussed here also limit MSMEs' ability to comply with regulatory measures. Broadly, these challenges can be categorised into structural, support mechanisms, and business environment (see Table 5). These barriers often interlink and are mutually reinforcing.

Literature and stakeholder data indicate that financial constraints are among the most critical barriers for MSMEs in ASEAN, leading to significant negative consequences. These constraints not only severely limit MSMEs' ability to invest in technology, infrastructure, and human capital, but also reduce their capacity to comply with regulations and procedures—key elements for trade participation. This situation is particularly true for micro-enterprises and young start-ups, which often lack collateral, have weak credit histories, and maintain poor financial record-keeping, rendering them high-risk borrowers unable to secure loans (Abonyi, 2015; Razak, Abdullah, & Ersoy, 2018; Bai & Harith, 2023; OECD, 2023).

ASEAN countries have implemented various supportive initiatives to improve MSME access to financing. However, stakeholders in Malaysia have pointed out a cyclical funding challenge that MSMEs face when pursuing larger, capital-intensive investments. Reimbursement grant assistance, for example, requires upfront expenditure that many MSMEs lack the capital to cover, creating a 'self-reinforcing constraint'. This challenge is further exacerbated by a policy shift away from long-term grants, even though certain development activities, like certification, demand sustained capital over extended periods.

These financial constraints also limit technological adoption, which is an important factor for competitiveness in today's digital economy. In ASEAN, only 34% of MSMEs use basic digital tools for marketing, while just 10% have integrated advanced technologies such as analytics or automation (UNDP, 2023). This gap in digital uptake is further compounded by uneven digital infrastructure across the region, with internet penetration ranging from Bruneï's 119.7% to Myanmar's 51.9% (Rohman et al., 2024). This disparity restricts MSMEs' access to digital and e-commerce markets, thereby affecting their growth potential.

Adding to this challenge, many MSMEs lack skilled employees with expertise in export processes, market analysis, international marketing, and digital literacy—all essential for internationalisation. This knowledge gap limits their networking abilities and understanding of potential markets, as well as their capacity to adapt to cultural differences and regulatory requirements (Costa & Castro, 2021). Limited financial resources further hinder MSMEs' ability to attract or retain skilled workers, as they often struggle to offer competitive wages and benefits (IDEAS Stakeholder Engagements, 2024). The subsequent skills gap not only affects operational efficiency but also impairs networking capabilities.

Finally, the external business environment poses challenges such as competition, supply chain constraints, and inconsistent demand, all of which limit MSME growth in foreign markets. The increasing focus on sustainability adds further pressure, as transitioning to green practices requires significant investment and expertise (Fen et al., 2020). The regulatory environment surrounding sustainability coupled with local culture and language barriers, thus complicates compliance and market adaptation for MSMEs.

The complexities of external regulatory requirements in the form of NTMs will be explored in detail in the next section.

Table 5: Summary of Major Barriers to MSME Internationalisation in ASEAN

Type	Structural	Support mechanisms	Business environment
Internal	Financial barriers	Lack of business networks/ networking capabilities	Lack of innovation
	Skills gap in human resource capabilities	Informational barriers	
	Inadequate digital infrastructure and digital competencies		
External	Regulatory and procedural barriers (non-tariff measures)	Insufficient or ineffective government support programs	Local culture and language barriers
	Digital infrastructure (country-level)		

Source: Authors' compilation from various sources

4. NON-TARIFF MEASURES (NTMS) AND TRENDS

4.1 Overview: NTMs in ASEAN

Although the Asia-Pacific region has reduced trade costs through tariff cuts, cross-border trade still remains challenging for smaller businesses due to high overall costs. According to data from the ESCAP-World Bank database, the overall average cost of trading goods among the ASEAN-4 countries (Indonesia, Malaysia, the Philippines and Thailand) still remains high at 76.7% tariff equivalent (ADB, 2021). Agricultural trade, in particular, is still burdened by elevated costs, largely due to the perishability of goods and stringent regulations (ESCAP, 2011).

There is a growing trend of using NTMs and non-tariff barriers (NTBs)[7] as alternative trade policy tools to tariffs, which has led to higher trade costs and greater complexity in monitoring (ESCAP, 2023). NTMs are defined as policy measures other than tariffs that can have an economic effect on international trade in goods by influencing quantities traded, prices, or both (UNCTAD, 2019). These measures can be applied to both imports and exports and are significant in international trade due to their impact on information, compliance, and procedural costs. The International Classification of NTMs, developed by international organisations such as UNCTAD, OECD, and WTO, categorises NTMs into 16 chapters, further divided into technical, non-technical, and export-related measures (see Appendix C).

NTMs, despite being legitimate, can distort trade by increasing compliance costs. However, their impact on trade is ambiguous because these regulations address information asymmetries. Often technical in nature, these measures help reduce information asymmetries through labelling requirements or by restricting the import of hazardous substances (CRS, 2024). Therefore, if the benefits of reduced information costs outweigh the regulatory and procedural costs, NTMs can have a positive influence on trade.

7. NTBs are a subset of NTMs, specifically referring to discriminatory measures implemented by governments to give preference to domestic suppliers over foreign ones, such as quotas and price controls. (UNCTAD, 2012).

According to the UNCTAD TRAINS database, agricultural products (e.g., agri-food, leather, wood, paper, and textiles) are the most regulated goods globally (WTO, 2012). This heightened regulation largely stems from public health and safety concerns, as stringent measures are needed to ensure consumers receive high-quality products that comply with each country's regulations (Hernandez, 2019). The most common NTMs are technical measures, particularly technical barriers to trade (TBT) and sanitary and phytosanitary (SPS) measures (Peters & Kaushik, 2024). These measures can have positive effects by assuring product quality and safety, thereby enhancing consumer confidence.

As noted in the background, while tariffs within ASEAN have been on a declining trend, the number of NTMs has risen sharply, increasing from 1,634 in 2000 to 9,494 in 2020 (Naz et al., 2020). Thailand, Viet Nam, and Indonesia report the highest number of NTMs (Lopez-Gonzalez & Gourdon, 2019). These regional trends reflect global patterns; in 2018, approximately 65% of NTMs applied by AMS were TBT and SPS measures. Additionally, non-automatic import licensing, quotas, prohibitions, and other quantity-control measures accounted for 8.6% of NTMs. Consistent with global trends, the product lines most affected by these NTMs were animal, vegetable, and food products, with 80% of imports and exports impacted (ERIA, 2019). There is also prevalence of import-related NTMs in less developed countries, where they may be used to protect domestic markets. For example, in 2018, over 80% of import lines in Cambodia, Lao PDR, and Myanmar were regulated. In contrast, more developed economies such as Singapore, Malaysia, and Brunei typically apply NTMs to more general trade-intensive products (ERIA, 2019). NTMs can negatively impact trade by increasing costs to product standards and adding expenses due to inspections and delays, potentially impeding the propensity of enterprises to export and import (CRS, 2024). Since tariffs currently contribute just 2%-3% of total trade costs, addressing policy-related non-tariff barriers (NTBs) is essential for achieving substantial reductions in trade costs (Duval & Utoktham, 2016).

However, the number of NTMs imposed or incidences of NTMs does not necessarily reflect the strictness of trade restrictions or suggest a rise in protectionism. A single product may be subject to multiple NTMs of the same type across different countries, and a single NTM can sometimes be more restrictive than several broadly defined measures. Therefore, the quantity of NTMs should be interpreted with caution, considering their specific context, impact (ERIA, 2019), and effects on price and quantity (Disdier & Fugazza, 2019).

However, while NTMs can serve as legitimate tools to achieve various policy goals, if they are poorly designed and implemented, they can inadvertently increase trade cost and reduce competitiveness by causing delays and duplication of processes for businesses. The underlying obstacles often lie within compliance procedures. Procedural obstacles can be broken down into several categories: regulation-related administrative burdens, lack of information or transparency, discriminatory behaviour by officials, time constraints or delays, informal or unusually high payments, and a lack of sector-specific facilities like testing and storage (ITC, 2015). Insufficient recognition or accreditation can further complicate compliance. In the Asia-Pacific region, 73% of exporters find NTMs burdensome, primarily due to procedural obstacles rather than the complexity of the regulations themselves (ITC, 2023).

For example, a survey in Indonesia finds that product registration procedures frequently encounter regulatory delays, resulting in unpredictable waiting times that can block new products from entering the market, either temporarily or permanently (EACB, 2019). Such procedural inefficiencies highlight that, while regulatory reforms could address these obstacles, they do not necessarily reduce the overall number of NTMs. Evidence from Asia shows that poorly executed NTMs can act as hidden trade barriers.

Devadason (2018) highlights potential "hidden" protectionism within ASEAN, particularly regarding nutritional labelling for prepackaged food and maximum residue limits (MRLs) for agricultural products. The study shows that compliance with ASEAN nutritional labelling regulations—such as nutrition claims, nutrient reference values (NRV), nutrition information panels (NIP), and tolerance levels—often involves complexities that exceed those set by the Codex Alimentarius guidelines, creating additional barriers for businesses.

This situation is particularly detrimental to smaller businesses, such as MSMEs, which are disproportionately burdened by these compounded regulations and costs. The OECD's 2023 economic survey of Malaysia found that burdensome red tape limits MSMEs' ability to scale up and compete with larger, more established enterprises on a level playing field. The survey also revealed that compliance costs for licences and permits represent 2.3% of Malaysia's GDP, disproportionately affecting smaller enterprises and limiting their ability to enter and participate in the formal economy (OECD, 2024a).

At the country level, Malaysia has experienced an upward trend in NTMs, with a 5% increase recorded between 2015 and 2018. As of 2018, Malaysia had a total of 920 NTMs, many of which are technical measures, including TBT and SPS measures. The main product lines affected by both import and export NTMs include vegetables, animal products, wood, and food items, with licensing permits and food safety standards being the most common types of measures. Approximately 99% of agricultural goods imported into Malaysia are subject to NTMs, while only about a quarter of manufacturing goods and natural resources face such measures. These patterns are consistent with global and regional trends (ERIA, 2019).

From 2015 to 2018, Indonesia recorded a notable 27% increase in NTMs, with 60% of its imports being affected by these regulations and codes. The most commonly applied measure was labelling under TBT (B31: Labelling requirements). Similar to Malaysia, Indonesia's imports and exports of animal and vegetable products were the most affected, with nearly 100% of these product lines impacted by SPS measures. Interestingly, Indonesia's exports are much less affected by NTMs than its imports, with only 50% of exports subject to these measures. The most significant export-related measures are licensing or permit regulations, which account for 25% of total export NTMs. Such measures could pose challenges for Indonesian businesses seeking to export their products abroad (ERIA, 2019).

In 2018, Thailand held the largest share of NTMs in the ASEAN region, accounting for one-third of all measures with a total of 3,295. The country also experienced an increase in NTMs between 2015 and 2018, with an approximate growth rate of 8.42%. A significant majority (86%) of these measures were import-related, suggesting that the Thai government prioritises regulating imports over exports. Most of these measures are technical in nature. Consistent with trends observed in other ASEAN countries, nearly 100% of Thailand's vegetable and animal imports are subject to NTMs, with a similar pattern observed for export products (ERIA, 2019).

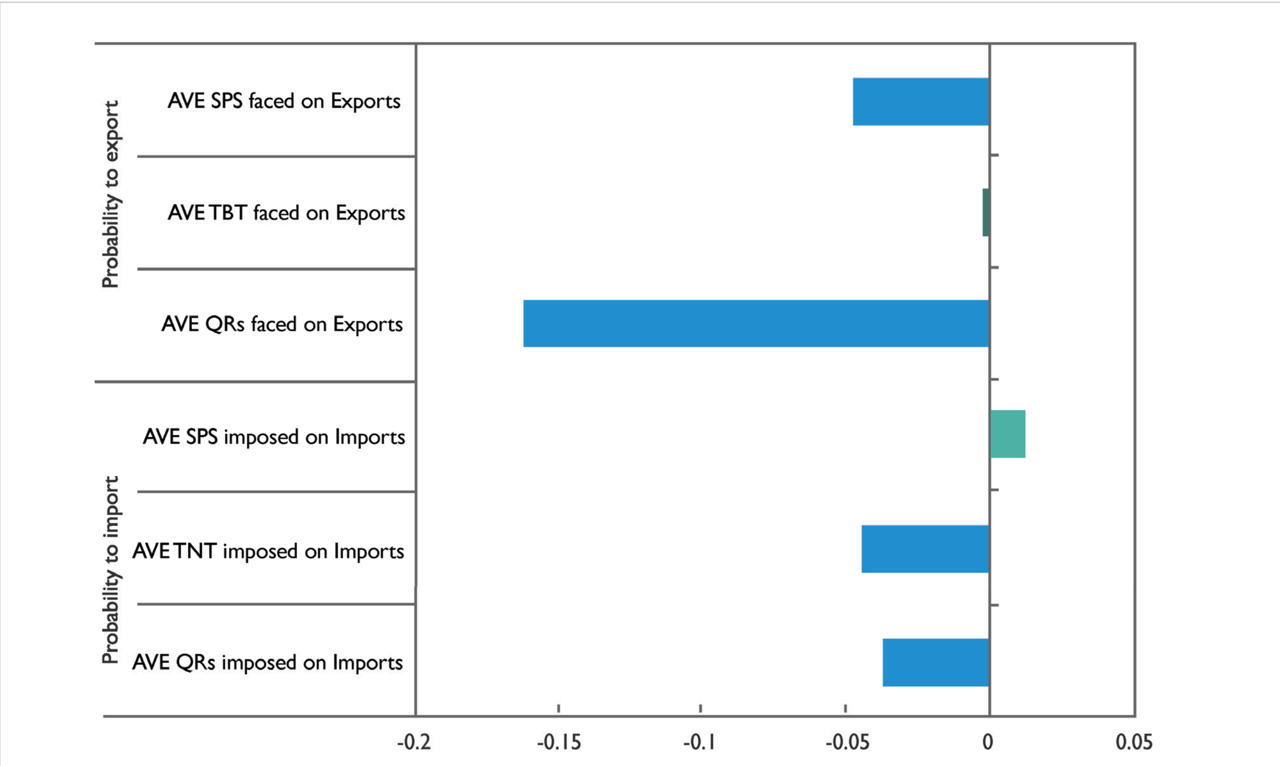
While the rise of NTMs across ASEAN countries reflects global trends, their growing prevalence presents both opportunities and challenges for the region's economic integration. Although NTMs play integral roles in protecting public safety and environmental standards, they can inadvertently increase trade costs and create barriers, particularly for MSMEs. Therefore, it is vital to reassess how these measures affect small businesses to ensure that prosperity within ASEAN is distributed equitably among all economic actors. As ASEAN strives for deeper economic integration and regional prosperity, balancing the regulatory objectives of NTMs with the need to facilitate trade will be crucial (EU-ABC, 2019).

4.2 Effects of NTMs on MSMEs

While NTMs are designed to regulate trade and protect public safety, their effects vary across different types of businesses, particularly impacting MSMEs, which constitute a significant portion of the ASEAN economy. MSMEs tend to import less than larger enterprises, often due to limitations in sourcing foreign inputs (Lopez-Gonzalez & Gourdon, 2019). Although quantifying the specific obstacles NTMs pose to MSMEs compared to larger enterprises is challenging, evidence suggests that MSMEs are more adversely affected due to their limited capacity and resources, such as financial capital, expertise, and labour (AANZFTA, 2017).

Moreover, MSMEs often operate in different sectors than larger companies, leading to significant variations in the nature and impact of NTMs, which frequently place a greater burden on MSMEs. The effects of NTMs on MSMEs depend not only on the type of NTM but also on whether they are import- or export-related (see Figure 5). For instance, MSMEs often cite quantitative restrictions (QRs) as a major barrier to exports, while TBTs and QRs present significant challenges for imports (Lopez-Gonzalez and Gourdon, 2019). Interestingly, NTMs imposed by a business's home country can encourage MSME participation in GVCs more than for larger enterprises, whereas NTMs imposed by the destination country tend to have an overall negative impact (Lopez-Gonzalez & Gourdon, 2019).

Figure 5: Impact of Ad-Valorem Equivalents[8] of NTMs on the Probability of ASEAN MSMEs to Trade



Source: Lopez-Gonzalez et al., 2019

8. The ad-valorem equivalent (AVE) of an NTM refers to the level of tariff that would have an equivalent impact on trade as the existing NTMs. In essence, AVEs quantify the extra costs imposed on imports due to the presence of NTMs, reflecting how these measures affect trade similarly to tariffs.

A major challenge facing ASEAN MSMEs is the regulatory heterogeneity among member countries. Regulatory heterogeneity refers to the differences in regulatory frameworks (i.e., NTMs) applied by different countries, highlighting the degree of dissimilarity in NTM structures between trading partners (Lombini, 2021). This divergence is particularly problematic when it comes to conformity assessment procedures[9], which increases the complexity of technical measures that businesses must comply with. Conformity assessment costs are one of the three major costs incurred by exporters due to regulatory heterogeneity, alongside specification costs and information costs (WTO, 2016). Divergence in conformity measures, such as halal certification standards, can impose significant burdens and lead to duplication in the certification process for exporters (see Box Article 3). The negative effects of this heterogeneity include disproportionately increasing costs for small businesses that struggle with complex and bureaucratic trade requirements. In addition, strategies to manage NTMs often favour medium to large enterprises that have the expertise and resources necessary to ensure compliance (AANZFTA, 2017).

This challenge is particularly evident in Thailand, where a 2016 survey on NTMs revealed that agricultural MSME exporters are disproportionately affected by conformity assessment regulations, indicating that MSMEs often lack the resources needed to comply with these technical requirements. In contrast, large exporters of manufactured goods find rules of origin and certificates of origin to be particularly burdensome. Overall, MSMEs are significantly more vulnerable to conformity assessment measures than larger companies; 35% of the burdensome NTM cases reported by MSMEs involved conformity assessments, compared to 19% for large companies (ITC, 2016).

The issue is compounded by opaque and cumbersome processes that many MSMEs find difficult to navigate, often forcing them to rely on external agents or consultants to meet regulatory requirements (Abdull Manaf & Ahamat, 2022). In contrast, larger corporations typically have in-house departments dedicated to understanding and managing customs regulations. As a result, these arbitrary and confusing processes often discourage MSMEs, with some choosing to opt out of trading within the ASEAN market altogether.

Moreover, the heterogeneity of requirements from destination countries makes it difficult for MSMEs to diversify their markets, since accommodating various specifications incurs increased costs for labelling machinery and results in less efficient production lines compared to larger enterprises. With limited financial resources and expertise to invest in various machinery, MSMEs knowingly opt to limit their market expansion and cater to only a few markets (Abdull Manaf & Ahamat, 2022).

It is evident that NTMs pose significant challenges to MSMEs' participation in trade-related activities, challenges that are exacerbated by regulatory divergence. Despite ASEAN's efforts to enhance trade integration, these measures remain a major barrier. In Indonesia, for example, the ASEAN market accounts for 23% of its export revenue but also contributes to 18.5% of its reported NTM cases (ITC, 2016). This highlights that, despite regional initiatives, NTMs continue to impact trade within ASEAN, placing much of the burden on already constrained MSMEs. To achieve equitable and inclusive economic

9. Conformity assessment procedures refer to the A8 measures under the SPS chapter of NTM classifications. These include processes such as registration, certification, sampling, testing, inspection, and traceability, which are often required to demonstrate that products meet specific technical standards before entering a foreign market.

growth, it is crucial for AMS governments to reassess the implementation and management of NTMs, ensuring that these measures support rather than hinder the participation of all businesses, especially MSMEs, in the regional market.

Box Article 3:
Halal Certification and Policy Coordination in Indonesia

The complexity of obtaining halal certifications can pose a significant burden or act as a barrier to entry for small businesses in cross-border trade. The lack of unified global or ASEAN certification standards results in varied certification systems and processes, leading to duplicated costs for exporters targeting different markets.

In Indonesia, halal certification has been made compulsory for selected goods and services, with implementation scheduled to begin in October 2024; however, non-halal products are still permitted with clear and distinct labelling. The process for obtaining halal certification in Indonesia is rigorous, involving a detailed pre-certification phase that includes extensive documentation, multiple levels of review by the Halal Product Assurance Agency (BPJPH), Halal Inspection Agencies (LPH), and the Indonesian Ulama Council (MUI), followed by strict post-certification labelling requirements and compliance for both local and imported products. Efforts to reduce the technical and procedural burden for businesses include bilateral Memorandum of Cooperation (MoCs), such as the recent agreement between Malaysia and Indonesia to mutually recognise each other's halal certifications. As a result of this agreement, the Department of Islamic Development Malaysia (JAKIM) is recognised as a Foreign Halal Agency (LHLN), enabling its inspections and certifications to be accepted in Indonesia. However, stakeholder engagements revealed that businesses continue to face challenges in getting their halal-certified products accepted in Indonesia. Despite the Memorandum of Cooperation (MoC), additional barriers—such as costs related to compliance, logistics for certification processes, labelling requirements, and securing local representatives for halal registration—remain significant hurdles, particularly for MSMEs.

The halal certification process in Indonesia involves two key entities: MUI and BPJPH under the Ministry of Religious Affairs. While BPJPH is responsible for managing regulatory and administrative aspects, MUI determines the halal status of products. However, in some provinces, like West Sumatra, the Institute for the Assessment of Food, Drugs, and Cosmetics (LPPOM MUI) often operates independently, disregarding the role of the local halal task force while continuing to assert itself as the sole legal body authorised to issue halal certifications. This inconsistency could undermine the potential of bilateral agreements to facilitate MSME exports. There is a need for targeted interventions—not only to address financial constraints but also to reduce procedural barriers for micro-enterprises. The Indonesian government is working to simplify the halal certification process and enhance transparency through digitalisation, introducing the Foreign Halal Certificate (SHLN) Registration on the Halal Information System (Sihalal). This new digital platform enables businesses to easily register halal certificates issued by recognised

Foreign Halal Certification Agencies (LHLN) with mutual recognition agreements. This digital initiative aims to streamline registration, reduce processing time, and improve transparency for foreign halal-certified products entering Indonesia.

Sources: Authors' compilation from various sources (BPJPH, 2023; Abidin Eko Putra et al., 2024; ASEAN Briefing, 2024, KPMG, 2024)

4.3 Case Study: NTMs[10] and Regulatory Distance in the Food Sector

The food sector is highly regulated in the three focus countries, with more intensive use of SPS and TBT measures, reflecting each country's emphasis on safety and product quality. In Malaysia and Thailand, a significant proportion of total NTMs are from the food sector, accounting for 81.3% and 56.03%, respectively (AFBA, 2018). Indonesia has a comparatively lower number and share of NTMs in the food sector (AFBA, 2018). This difference may be attributed to Malaysia's comprehensive Food Act 1983, which aligns closely with Codex Alimentarius standards. While Thailand has adopted certain Codex standards, it has also developed its own regulations in specific sectors. Notably, Thailand's nutrition labelling guidelines have been influenced by U.S. standards, leading to some divergence from Codex recommendations (USDA, 2022). However, a higher number of NTMs does not necessarily indicate greater stringency; rather, it may reflect a more comprehensive or stricter regulatory framework. (UNCTAD, 2020). This distinction is important, as some NTMs are more restrictive than others, meaning that a smaller number of NTMs can sometimes impose greater constraints.

Harmonisation of regulations between countries is essential to facilitate the smooth flow of trade and reduce the cost and complexity of compliance. To assess the regulatory homogeneity of NTM policies in these three countries, a regulatory distance is calculated. The Regulatory Distance Index (*rd*) (Cadot et al., 2015) is an indicator that measures the similarity in NTM policies between two countries. It does not assess the level of stringency or complexity of the NTMs but rather identifies the potential for harmonisation.

If country *i* applies the same NTM measure to the same HS product as country *j*, the two countries are considered to have similar regulatory standards, and the *rd* = 0. Conversely, if the policies differ, *rd* = 1. The formula below calculates the regulatory distance between countries *i* and *j* (RD_{ij}):

$$rd_{ij} = \frac{1}{N} \sum_k \sum_l |n_{ilk} - n_{jlk}|.$$

Where: N is the total number of unique combinations of product codes and NTMs; n_{ik} is a dummy variable indicating whether country *i* applies NTM *l* to product *k*; and n_{jk} is a dummy variable indicating whether country *j* applies NTM *l* to product *k*.

Source: Cadot et al., 2015

[10] This study focuses on public (mandatory) regulations and does not cover private standards or voluntary regulations within the food sector.

Several key points can be derived from the *rd* between the three country pairs (see Table 6). For the three country pairs analysed, the *rd* ranges from 0.1441 to 0.1725 for the food sector. The greatest divergence is observed between Indonesia and Thailand, followed by Malaysia and Indonesia and Malaysia and Thailand. This moderate *rd* suggests that, while some level of regulatory harmonisation has been achieved, there is still potential for further integration between these countries in the sector. However, it's important to note that while *rd* values are relatively low, they may not capture the full complexity of NTMs and their actual implementation. The critical nuances lie in the specifics, as *rd* does not necessarily reveal the practical application of NTMs. For instance, the ongoing debate surrounding labelling, particularly for technical barriers to trade (TBT) like nutrition labelling (B31), highlights these complexities. In some countries, front-of-pack nutrition labelling has already become mandatory for certain product categories, such as in Thailand. This illustrates that despite regulatory similarities, differences in specific requirements can still pose challenges for harmonisation and compliance. The highest *rd* values are found in the following product categories: HS-02 (meat and edible meat offal) for Malaysia and Indonesia, HS-04 (dairy produce, birds' eggs, natural honey, and other edible products of animal origin) for Malaysia and Thailand, and HS-15 (animal, vegetable, or microbial fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes) for Thailand and Indonesia. These divergences are primarily driven by SPS measures, specifically Chapter A (see Tables 7a to 7c).

Broadly, the import-side NTM measures most dissimilar between Malaysia and Indonesia for SPS and TBT measures include tolerance limits (A22 – Restricted use of certain substances in foods, feeds, and their contact materials), conformity assessment related to SPS conditions (A82 – Testing requirements), traceability requirements (A85), quarantine requirements (A86), and labelling, marking, and packaging requirements (B33 – Packaging requirements). For Indonesia and Thailand, the main differences are found in tolerance limits (A22 – Restricted use of certain substances in foods, feeds, and their contact materials), restrictions on imports for SPS reasons (A11 – Prohibitions for sanitary and phytosanitary reasons), quarantine requirements (A86), and labelling, marking, and packaging requirements (B33 – Packaging requirements). For Malaysia and Thailand, the differences primarily lie in restrictions on imports for SPS reasons (A11 – Prohibitions for sanitary and phytosanitary reasons), conformity assessment related to SPS conditions (A81 – Product registration and approval requirements and A82 – Testing requirements), and traceability requirements (A85).

For Malaysia and Indonesia, and Malaysia and Thailand, the most significant differences in export-side NTMs are found in quantitative restrictions on exports, particularly through P33 measures (Licensing, permit, or registration requirements for export). For example, Malaysia regulates the rice and paddy market by licensing wholesalers, retailers, millers, importers, and exporters. Additionally, Malaysia controls the export and import of cocoa planting materials. As a rice-importing nation, Malaysia frequently implements NTMs to regulate rice imports, often using measures such as import licensing or restrictions on private importers, limiting imports to specific monopoly entities (Nguyen et al., 2022). This combination of export-side controls (e.g., licensing) and import restrictions highlights Malaysia's broader regulatory approach to managing sensitive agricultural products. Meanwhile, for Thailand and Indonesia, the main differences are found in P14 measures (Product quality, safety, and performance requirements).

This regulatory dissimilarity can have significant implications for MSMEs. While MSMEs generally prefer trading within the region due to the cost advantages of proximity over global trade, a higher *rd* within the region can offset these benefits. When regulatory requirements vary significantly across countries, compliance costs and administrative burdens increase, which is particularly challenging for MSMEs with limited resources (Suvannaphakdy & Thao, 2020). As a result, regulatory dissimilarity may cause some MSMEs to either avoid regional trade altogether or, in some cases, bypass formal trade channels by opting for informal networks to avoid regulatory hurdles. Therefore, reducing regulatory distance through harmonisation is crucial to enable smoother regional trade, allowing MSMEs to benefit from lower costs and simplified processes. Although these countries are considered advanced in terms of internationalisation and market access, there is still room for deeper integration through regulatory harmonisation in the food sector. To effectively reduce regulatory distance at the regional level, NTMs should be aligned with global standards. Adherence to international benchmarks, such as the Codex Alimentarius, can facilitate smoother trade with global markets. However, harmonising these standards presents challenges, as it requires enhanced technical capacity, stronger institutional frameworks, and collective political commitment.

Table 6: Regulatory Distance in the Food Sector for Country Pairs of Malaysia, Indonesia, and Thailand

Sector	Malaysia-Indonesia	Malaysia-Thailand	Thailand-Indonesia
Food	0.1671	0.1441	0.1725

Notes: *HS Codes for the food sector are listed in Appendix D; The computation above is based on all NTMs for all partners, averaged across all HS 6-digit products from the UNCTAD TRAINS Database (Available at: https://trainsonline.unctad.org/bulkDataDownload)*

Table 7a: Regulatory Distance in the Food Sector for Country Pair of Malaysia and Indonesia by NTM Chapter and HS 2-Digits

HS 2-Digit	A	B	C	E	F	G-O	P
02	0.10680	0.01231	0.01086	0.01358	0.00597	0.00003	0.03720
03	0.05572	0.04191	0.01231	0.00635	0.00616	0.00000	0.05602
04	0.09424	0.03330	0.01110	0.01561	0.00922	0.00038	0.03743
07	0.06623	0.01825	0.00289	0.00777	0.00750	0.00006	0.04166
08	0.06807	0.01085	0.00454	0.00909	0.00872	0.00000	0.04322
09	0.06806	0.01785	0.00351	0.00749	0.00717	0.00000	0.04128
10	0.07637	0.01094	0.00163	0.00931	0.01071	0.00023	0.04796
11	0.05675	0.01638	0.00669	0.00669	0.00023	0.00000	0.03691
12	0.05336	0.01873	0.00128	0.00808	0.01142	0.00034	0.04785
13	0.06140	0.03697	0.00689	0.01128	0.00815	0.00084	0.03885
15	0.06125	0.03164	0.00683	0.01076	0.00532	0.00000	0.03872
16	0.08666	0.06122	0.01227	0.01257	0.01093	0.00000	0.04565
17	0.05857	0.04375	0.00325	0.01916	0.00904	0.00060	0.01627

HS 2-Digit	A	B	C	E	F	G-O	P
18	0.05606	0.04577	0.00629	0.01030	0.01487	0.00000	0.02574
19	0.06330	0.06561	0.01187	0.01253	0.01220	0.00000	0.01550
20	0.07094	0.05038	0.00827	0.01679	0.01229	0.00008	0.01412
21	0.06803	0.05584	0.00944	0.01376	0.01140	0.00013	0.02831
22	0.05960	0.05703	0.00713	0.01796	0.01711	0.00143	0.01568

Notes: *HS Codes for the food sector are listed in Appendix D; NTM Chapters are listed in Appendix C; The computation above is based on all NTMs for all partners, averaged across all HS 6-digit products from the UNCTAD TRAINS Database (Available at: https://trainsonline.unctad.org/bulkDataDownload)*

Table 7b: Regulatory Distance in the Food Sector for Country Pair of Malaysia and Thailand by NTM Chapter and HS 2-Digits

HS 2-Digit	A	B	C	E	F	G-O	P
02	0.06815	0.01457	0.00136	0.01539	0.00597	0.00000	0.03901
03	0.05576	0.02016	0.00339	0.01853	0.00622	0.00000	0.04250
04	0.08089	0.00527	0.00169	0.01938	0.01016	0.00000	0.03311
07	0.05801	0.00804	0.00280	0.01898	0.01175	0.00003	0.04635
08	0.06983	0.00148	0.00139	0.01864	0.01169	0.00000	0.04090
09	0.06120	0.00383	0.00271	0.01291	0.01227	0.00000	0.05084
10	0.03981	0.01094	0.00279	0.01537	0.01700	0.00000	0.05751
11	0.05652	0.00577	0.00161	0.01292	0.01246	0.00000	0.05052
12	0.06016	0.01462	0.00398	0.02245	0.01372	0.00000	0.05195
13	0.05514	0.02444	0.00439	0.01566	0.01316	0.00000	0.06203
15	0.05897	0.01645	0.00139	0.01329	0.01050	0.00000	0.04100
16	0.06346	0.01182	0.00135	0.02021	0.01078	0.00000	0.03083
17	0.07231	0.00325	0.00108	0.01663	0.01229	0.00000	0.03579
18	0.06465	0.01030	0.00572	0.01602	0.00915	0.00000	0.03547
19	0.06858	0.00659	0.00099	0.01253	0.01253	0.00000	0.02803
20	0.06413	0.00402	0.00219	0.01290	0.01460	0.00000	0.02920
21	0.06410	0.00551	0.00157	0.01337	0.01298	0.00000	0.03460

HS 2-Digit	A	B	C	E	F	G-O	P
22	0.06444	0.01540	0.00684	0.01825	0.01711	0.00000	0.02110

Notes: *HS Codes for the food sector are listed in Appendix D; NTM Chapters are listed in Appendix C; The computation above is based on all NTMs for all partners, averaged across all HS 6-digit products from the UNCTAD TRAINS Database as of November 2024 (https://trainsonline.unctad.org/bulkDataDownload)*

Table 7c: Regulatory Distance in the Food Sector for Country Pair of Thailand and Indonesia by NTM Chapter and HS 2-Digits

HS 2-Digit	A	B	C	E	F	G-O	P
02	0.08064	0.00932	0.01168	0.01014	0.01195	0.00003	0.03584
03	0.06041	0.04540	0.00892	0.01257	0.01225	0.00000	0.01899
04	0.08258	0.02953	0.01242	0.01806	0.01147	0.00038	0.04195
07	0.05575	0.01238	0.00425	0.01392	0.01238	0.00009	0.04283
08	0.06334	0.00937	0.00519	0.01549	0.01354	0.00000	0.04572
09	0.05339	0.01594	0.00526	0.00797	0.01275	0.00000	0.04495
10	0.07381	0.01350	0.00349	0.01164	0.00722	0.00023	0.04820
11	0.07220	0.02030	0.00554	0.00715	0.01223	0.00000	0.04913
12	0.06709	0.02360	0.00500	0.01693	0.01026	0.00034	0.04926
13	0.07393	0.03759	0.00376	0.00940	0.01003	0.00084	0.04825
15	0.08378	0.03467	0.00595	0.01164	0.01076	0.00000	0.04404
16	0.07349	0.05927	0.01362	0.01392	0.01242	0.00000	0.03517
17	0.06797	0.04483	0.00434	0.02278	0.01121	0.00060	0.03037
18	0.05664	0.04348	0.00515	0.01144	0.01144	0.00000	0.01773
19	0.06396	0.06297	0.01286	0.01253	0.01286	0.00000	0.01385
20	0.06376	0.05123	0.01046	0.01679	0.01448	0.00008	0.01777
21	0.07471	0.05663	0.01022	0.01376	0.01180	0.00013	0.02989
22	0.05788	0.05703	0.01283	0.01397	0.02167	0.00143	0.02196

Notes: *HS Codes for the food sector are listed in Appendix D; NTM Chapters are listed in Appendix C; The computation above is based on all NTMs for all partners, averaged across all HS 6-digit products from the UNCTAD TRAINS Database as of November 2024 (Available at: https://trainsonline.unctad.org/bulkDataDownload)*

4.4 ASEAN Policies Related to NTMs and Trade Facilitation

ASEAN has implemented several initiatives to reduce NTMs and improve trade facilitation. As part of the ASEAN Framework (Amendment) Agreement for the Integration of Priority Sectors, measures were introduced to enhance data transparency and create a framework for identifying and assessing NTMs and NTBs. Key committees and working groups, such as the ASEAN Consultative Committee for Standards and Quality (ACCSQ) and the ASEAN Committee on Sanitary and Phytosanitary (AC-SPS) are tasked with overseeing and implementing NTM reduction initiatives. The AEC Blueprint 2025 emphasises accelerating efforts towards the full elimination of NTBs, a priority that was also highlighted in previous blueprints, signalling ASEAN's ongoing commitment to deeper economic integration. Additionally, product-specific initiatives such as the ASEAN Working Group on Halal Food (AWGHF) support knowledge exchange and policy development related to Halal certification and regional food standards. Table 8 summarises the major committees and coordinating bodies related to trade facilitation and NTMs, along with the latest updates.

However, streamlining NTMs and enacting regulatory reforms has progressed more slowly than tariff liberalisation (Devadason, 2022), partly due to the complex nature of NTMs. For instance, in the food sector, streamlining NTMs and removing NTBs (particularly those related to health and safety standards) requires a careful analysis of benefits and risks, necessitating considerable resources in terms of time, funding, and technical expertise (Suvannaphakdy & Thao, 2020). While ASEAN has made considerable progress in certain areas, such as aligning regional standards through the ACCSQ and improving food safety protocols via the AC-SPS, the overall progress on streamlining NTMs has been uneven. The most notable advancements have been seen in sectors where regulatory alignment is relatively more feasible, such as standards for electronics, rubber-based products, and pharmaceuticals (EACB, 2019).

Despite these advancements, ASEAN's broader efforts to streamline NTMs have been slow, especially in sectors with more complex regulatory requirements. ASEAN has established the Coordinating Committee on the Implementation of the ATIGA (CCA), tasked with monitoring its progress, including the elimination of NTMs and NTBs. ASEAN's efforts to eliminate NTBs have seen slow progress, with commitments in the AEC Blueprint 2025 remaining unfulfilled and ambition levels lowered since the 2015 Blueprint. This is largely due to contradictions between ASEAN's commitment to national sovereignty and the need for regional regulation, compounded by the committee's reliance on a consensus-based decision-making process that prioritises national interests and non-binding agreements, further slowing progress (EU-ASEAN Business Council, 2020; EACB, 2019)

Table 8: Non-exhaustive List of Major Committees and Coordinating Bodies in ASEAN Related to Trade and NTMs

Committees/Coordinating Bodies	Focus	Latest Updates
TRADE & NTM-RELATED		
ASEAN Consultative Committee for Standards and Quality (ACCSQ)	Addresses the removal of TBTs in line with the goals of the ASEAN Free Trade Area (AFTA)	June 2024 - Convened to discuss the draft of the End Term Review (ETR) of the ASEAN Standards and Conformance Strategic Plan 2016-2025
ASEAN Trade Facilitation Joint Consultative Committee (ATF-JCC)	Improves trade facilitation initiatives and consolidates commitments on trade facilitation (i.e., the ASEAN Trade Facilitation Framework (ATFF) and the ASEAN Trade Facilitation Strategic Action Plan (ATF-SAP)	January 2024 - Discussed the ASEAN Work Plan, efforts to streamline NTMs, the resolution of outstanding cases under the Matrix of Actual Cases (MAC), the Term of Reference (TOR) for the Independent Non-Tariff Measure (NTM) Panel, and the Project on NTMs and Essential Goods Supported by Donors
ASEAN Committee on Sanitary and Phytosanitary (AC-SPS)	Ensures the effective implementation of the provisions in Chapter 8 (Sanitary and Phytosanitary Measures) of the ATIGA	October 2023 - An agreement was made to further deepen cooperation in the implementation of SPS measures during the ASEAN-China Ministerial Meeting on SPS Cooperation
Coordinating Committee on the Implementation of the ATIGA (CCA)	Assists the AFTA Council in ensuring the effective implementation of the ATIGA	April 2024 - Adopted the Trade in Goods Annual Priorities and the CCA Work Programme for 2024; discussed outstanding issues regarding Viet Nam's transposed Technical Regulations and Standards (TRS)
ASEAN Sanitary and Phytosanitary Contact Points (ASCP)	Coordinates harmonisation efforts on SPS measures across relevant working groups	August 2024: 12th Meeting of ASEAN SPS Contact Points
ASEAN Directors-General of Customs (ASEAN DGs of Customs)	Provides customs policy guidance and direction to ASEAN's working bodies	June 2023 – The 32nd Meeting recognised the achievements of various customs working bodies in implementing the Strategic Plans of Customs Development (SPCDs) 2021 - 2025
ASEAN Task Force on Codex (ATFC)	Harmonises and strengthens ASEAN's position at international food safety standard-setting forums, namely the Codex Alimentarius Commission and its relevant bodies	1. September 2023 - Codex Workshop in Singapore discussed the importance of Codex to Singapore and provided insights into effective participation in the Codex standard-setting process

Committees/Coordinating Bodies	Focus	Latest Updates
		2. September 2023 - The 22nd Meeting - The meeting focused on discussing key Codex issues, including proposed draft maximum residue limits (MRLs), revisions to the General Standard for the Labelling of Prepackaged Foods, provisions for allergen labelling, and guidelines on new food sources and production systems.
PRODUCT-RELATED		
ASEAN Sectoral Working Group on Livestock (ASWGL)	Develops and implements relevant activities in the livestock sector	July 2020 – Adopted the ASEAN Strategic Plan of Action for Cooperation on Livestock (2021-2025)
ASEAN Sectoral Working Group on Crops (ASWGC)	Develops policies and provides support to promote the crops sector in the region, including enhancing trade through facilitation mechanisms	October 2020 – Adoption of the Strategic Plan of Action (SPA) for ASEAN Cooperation on Crops (2021-2025), focusing on improving both the quality and quantity of crops
ASEAN Working Group on Halal Food (AWGHF)	Facilitates the exchange of knowledge and information on Halal certification, accreditation, research and development (R&D), and development of national policies and regulations; develops regional standards for Halal food	2021 – Developed the Plan of Action (POA) for ASEAN Cooperation in Halal Food (2021-2025)
ASEAN Food Security Reserve Board (AFSRB)	Coordinates periodic exchanges of information on national food policies (e.g., consumption, storage programmes); periodically evaluates food prospects in ASEAN (e.g., production, consumption, trade, prices)	June 2023 – The 43rd Meeting discussed production, consumption, trade, and food reserves for primary crops like rice, sugar, maize, and soybean
ASEAN Sectoral Working Group on Fisheries (ASWGFi)	Develops effective methods for exchanging information among ASEAN Member Countries on fisheries; coordinates the harmonisation of ASEAN fisheries policies; identifies areas of cooperation to promote fisheries development	2021 – Developed the Strategic Plan of Action (SPA) on ASEAN Cooperation on Fisheries (2021-2025), aimed at fostering a competitive, inclusive, resilient, and sustainable fisheries sector

Committees/Coordinating Bodies	Focus	Latest Updates
ASEAN Cosmetics Committee (ACC)	Reviews and monitors the implementation of the ASEAN Cosmetic Directive (ACD), developed to enhance cooperation in ensuring the safety and quality of cosmetic products marketed in ASEAN	2023 –The 38th Meeting: Discussed updates, including the addition of three prohibited ingredients, two restricted ingredients, and revisions to the requirements for colourant carbon black and permitted ingredients

Source: Authors' compilation from various sources

5. CONCLUDING REMARKS

MSMEs present a significant growth opportunity for ASEAN, given their vital role in economic activity and employment. Geopolitical shifts, such as the US-China trade tensions and the COVID-19 pandemic, have accelerated supply chain restructuring, creating new export and investment opportunities for ASEAN enterprises. However, MSMEs' participation in cross-border trade remains limited due to persistent trade barriers, highlighting the need to understand their specific, micro-level impacts on MSMEs. This paper examines the broad challenges MSMEs face, including structural obstacles, support mechanisms, and the overall business environment. Financial constraints are especially pressing, as they limit MSMEs' ability to invest in critical areas like technology, infrastructure, and skilled labour, all of which are necessary for trade compliance and maintaining competitiveness.

While these barriers are substantial, the analysis highlights the complexity of NTMs and the urgent need for regulatory convergence in ASEAN, especially for MSMEs, which often bear a disproportionate compliance burden. Regulatory harmonisation, particularly in the food sector, and the streamlining of NTMs are key strategies for improving MSME competitiveness and increasing access to regional and global markets. Addressing gaps in regulatory alignment is essential to fostering greater MSME participation in regional trade.

This paper serves as a foundation for further research on the specific impacts of NTMs on MSMEs. A follow-up study, the *ASEAN Integration Report 2025*, will delve deeper into these micro-level effects and offer more targeted policy recommendations.

APPENDIX:

Appendix A: List of Stakeholders Engaged (IDEAS Stakeholder Engagements, 2024)

No	Organisation	Department	Location
1	SMECorp	Economics and Policy Department	Malaysia
2	Women Leadership Foundation	*	Malaysia
3	Small and Medium Enterprises Association (SAMENTA)	*	Malaysia
4	Malaysia External Trade Development Corporation (MATRADE)	MSME Unit and International Collaboration Unit	Malaysia
5	Malaysian Technology Development Corporation (MTDC)	Advisory and Consultancy Department	Malaysia
6	TalentCorp	Group Research, Development & Policy Department	Malaysia
7	National Association Of Women Entrepreneurs Of Malaysia (NAWEM)	*	Malaysia
8	ASEAN Secretariat	Trade Facilitation Division	Indonesia
9	The Coordinating Ministry of Economic Affairs (CMEA)	Micro, Small and Medium Enterprise Department	Indonesia
10	The Ministry of Cooperatives and Small and Medium Enterprises (KEMENKOP UKM)	Department of Marketing and Partnership of SME Department	Indonesia
11	Center for Policy Studies Indonesia (CIPS)	Research Team	Indonesia
12	MATRADE	Market Development Department	Indonesia

Note: To ensure anonymity, specific departments or divisions are indicated with an asterisk (*) where identifying individual stakeholders may be possible.

Appendix B: Guiding Questions for Stakeholder Engagement

Areas	Question
Structural, Support Structures Mechanisms and Business Environment	• What are the main barriers and challenges faced by MSMEs in internationalisation?
Regulatory and Trade Facilitation	• Do non-tariff barriers (NTBs) significantly impact MSMEs engaging in international trade? Do these continue to be a major challenge for MSMEs in ASEAN seeking market access? What are the main regulatory bottlenecks facing MSMEs in the region? • What are sectors that are significantly impacted? • What are the current opportunities for regulatory reform to streamline NTMs and reduce the regulatory burden in ASEAN? • Which trade facilitation reforms have successfully addressed regulatory challenges?
Future/ Emerging trends	• What current opportunities exist for Malaysian MSMEs in global and regional trade? • What emerging challenges might MSMEs face in digital trade and implementing sustainability or green practices?
Gender	• What unique challenges do women-owned MSMEs face during internationalisation, and in which sectors? • What current opportunities exist for Malaysian female-owned MSMEs in global and regional trade? • How have gender mainstreaming policies in ASEAN improved women-owned business participation in trade?
Capacity Building	• How has capacity building programmes and initiatives supported regional MSMEs, and are there success stories or opportunities for further capacity-building initiatives?
Others	• How has progress been made in harmonising MSME data across ASEAN, considering the varying classifications, and what challenges remain in achieving greater alignment and reducing data gaps?

Appendix C: Classification of NTMs

Chapter		Description
A	Sanitary and phytosanitary measures (SPS)	Outlines measures ensuring **food safety** and p**reventing the dissemination** of diseases
B	Technical barriers to trade (TBT)	Measures relating to **technical specifications, quality** requirements and production methods (i.e., labelling and packaging)
C	Pre-shipment inspection and other formalities	Classifies measures related to **pre-shipment inspections** and other customs formalities
D	Contingent trade-protective measures	Measures implemented to **counteract adverse effects** of imports in the market of the importing country (i.e., anti-dumping, countervailing, safeguard measures)
E	Non-automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions not including sanitary and phytosanitary measures or measures relating to technical barriers to trade	"Hard" measures traditionally used in trade policy - **licensing, quotas** and other **quantity-control** measures
F	Price-control measures, including additional taxes and charges	"Hard" measures traditionally used in trade policy - **Price-control measures** to control or affect the prices of imported goods
G	Finance measures	Measures **restricting payments of imports** (i.e., regulating access and cost of foreign exchange)
H	Measures affecting competition	Granting **exclusive or special preferences** to a limited group of economic operators. Mainly monopolistic measures
I	Trade-related investment measures	**Restricting investment** (i.e., requesting investment be related to export)
J	Distribution restrictions	Restrictive measures related to the **internal distribution** of imported products (i.e., restriction on distribution channels, restrictions on sale of goods)
K	Restrictions on post-sales services	**Restrictions on post-sales services** (i.e., provision of accessory services)
L	Subsidies and other forms of support	Measures related to **subsidies** that affect trade
M	Government procurement restrictions	**Restricts bidders** in trying to sell their products to a foreign govt
N	Intellectual property	Related to **IP** and rights
O	Rules of origin	**Restrict the origin of products** or its inputs

Chapter		Description
P	Export-related measures	Measures applied to its **exports** (i.e., export taxes, export quotas, export prohibitions)
*Note: Chapters A to C are technical import NTMs; Chapters D to O are non-technical import NTMs; Chapter P is an export NTM		

Source: UNCTAD (https://unctad.org/topic/trade-analysis/non-tariff-measures/NTMs-classification)

Appendix D: Food HS Codes at 2-Digit Level

HS Code	Description
02	Meat and edible meat offal
03	Fish and crustaceans, molluscs and other aquatic invertebrates
04	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included
07	Edible vegetables and certain roots and tubers
08	Edible fruit and nuts; peel of citrus fruit or melons
09	Coffee, tea, maté and spices
10	Cereals
11	Products of the milling industry; malt; starches; inulin; wheat gluten
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder
13	Lac; gums, resins and other vegetable saps and extracts
15	Animal, vegetable or microbial fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
16	Preparations of meat, of fish, of crustaceans, molluscs or other aquatic invertebrates, or of insects
17	Sugars and sugar confectionery
18	Cocoa and cocoa preparations
19	Preparations of cereals, flour, starch or milk; pastrycooks' products
20	Preparations of vegetables, fruit, nuts or other parts of plants
21	Miscellaneous edible preparations
22	Beverages, spirits and vinegar

Source: World Customs Organisation based on HS Nomenclature 2022 edition
(Available at: https://www.wcoomd.org/en.aspx)

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Notes

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"To build a better Malaysia for all"

Our mission at IDEAS is to improve the level of understanding and acceptance of public policies based on the principles of rule of law, limited government, competitive markets and free individuals. Our work is independent of vested interests and partisan influences. We have also expanded our work into new areas focussing on our three overarching missions – advancing a competitive economy, ensuring trust in institutions and promoting an inclusive Malaysia. We act as an intellectual centre creating space for cross partisan principles-centric and results-oriented dialogue.

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