

Impact of Product-related Environmental Regulations (PRERs) on Policies in Asia

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Introduction

With globalization, product regulations and standards introduced in an importing country could hamper trade if exporting firms do not take adaptive measures. To assist firms to continue exporting to regulated markets, some exporting countries sometimes introduce similar yet slightly modified regulations and standards. Setting different regulations and standards for individual countries provides a partial solution but could create additional barriers to global trade and increase firms' adaptation costs, especially in regions where many intermediate goods are traded. How to coordinate such countries' efforts is becoming one of the policy challenges in Asia.

An increase of PRERs around the world

The aim of PRERs is protecting consumers' health and safety, as well as the environment, by requiring that products placed in markets meet certain requirements. Increasing concerns about health and the environment have led to an increase in the number and variety of PRERs in the European Union (EU) and in the other countries, including Asian countries, since the 2000s (see Table 1). An example of PRERs framework is the EU Restriction on Hazardous Substances (RoHS) directive implemented in 2006, which restricts the use of hazardous materials, such as lead and mercury, in

electrical and electronic equipment with the aim of reducing pollution at the end of the product life cycle.

Significant impacts of the RoHS directive on Asian countries

One of the important characteristics of the EU RoHS directive is that both domestically produced and imported products fall within the scope of the regulation. The impact of the regulation goes beyond the jurisdiction of the EU and affects firms operating in other countries, including in Asia, where major manufacturing activities have agglomerated (See Policy Brief No. 8, 9). As many Asian countries depend on exports as a driver of growth, the Asian governments consider maintaining firms' access to the EU markets to be critical. Thus, some Asian countries, including Japan, South Korea, Thailand and Vietnam, have taken actions to support firms in complying with the EU RoHS directive.

PRERs spreading across Asia

As a part of this support, some Asian governments, such as those of Japan and Thailand, have introduced their own versions of RoHS-like standards. By doing so, they hope to harmonize product specifications domestically to avoid multiple standards springing up in their own country, increase RoHS-compliant supplies, and guide firms on acceptable practices (Nudjarin et al., 2013)¹. There are two motivations

Table 1: Examples of RoHS-like regulations in Asia

Implementation date	Country/Region	Name
Jul-06	EU	RoHS Directive
Jul-06	Japan	JIS C0950 (J-Moss)
Mar-07	China	Administrative Measure on the Control of Pollution Caused by Electronic Information Products
Jan-08	South Korea	Act for Resource Recycling of Electrical and Electronic Equipment and Vehicles
Feb-09	Thailand	MorOorKor. 2368-2008
Dec-12	Vietnam	Circular No.30/2011/TT-BCT

behind the introduction of such regulations domestically. One is to maintain access to regulated markets by exposing export-oriented firms to similar regulations domestically. The other is to set a higher level of protection on health and the environment so as to avoid non-compliant products flowing into their countries. China and South Korea have introduced regulations to this effect.

Policy issues and future direction

When looking at the progress of globalization, production activities are rarely completed in a single country. Rather, parts and components are produced in different countries, depending on comparative advantage, before being assembled into a final product. Asian countries have individually tried to enhance their firms' competitiveness in the EU market by assisting in firms' adaptation to EU regulations. However, such actions by individual countries are not the best solution because the compliance of final products requires adaptation by other firms in the supply chains, and these firms may be located in other countries. Contrary to their original

intentions, requirements set by different countries could introduce unnecessary complexity for firms to produce export products. This complexity will be quite disadvantageous for small and medium enterprises that lack the capacity to learn the complex requirements of export markets. More coordinated policy efforts among countries are necessary. Governments now need to take into consideration the global production network of firms beyond their jurisdictions to set optimal policies.

The purpose of PRERs is to provide environmentally friendly and safe products to consumers, not to create trade barriers. Because of the diversity of Asian countries in terms of their stages of development, the capacity of governments and firms, and their needs, policy coordination within the region is essential, but this is not an easy task. The question of how to pursue coordination efforts in order to help firms in an efficient and equitable manner needs to be examined in the international arena.

1. <http://www.ide.go.jp/English/Publish/Download/Dp/383.html>

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