

PRESS STATEMENT: EU-ASEAN BUSINESS COUNCIL LAUNCHES NEW ASEAN TRADE FACILITATION PAPER: CALLS FOR FASTER ACTION ON AEC OBJECTIVES

- **The EU-ASEAN Business Council today launched their latest publication ‘Trade Facilitation and its role in growing economies and helping SMEs’. The paper focuses on the contribution that easing constraints on trade and investment can make to boosting economies within ASEAN.**
- **The EU-ABC encourages faster movement on achieving ASEAN’s objectives linked to the ASEAN Economic Community, particularly on the removal of trade distorting non-tariff barriers.**
- **EU-ABC also calls for ASEAN Member States to adopt a proposal advocated by ASEAN and international business groups to facilitate faster and simplified customs clearances for low value shipments which would help MSMEs and boost e-commerce in ASEAN.**

5 April 2019 – In line with ASEAN’s 2019 theme of “Advancing Partnership for Sustainability”, the EU-ASEAN Business Council (EU-ABC) today launched their latest publication “Trade Facilitation and its role in growing economies and helping SMEs”. The report focuses on the progress made in ASEAN in facilitating more trade and investment within ASEAN, and how the region needs to move faster on issues such as removal of non-tariff barriers to trade, and simplifying customs procedures, if it is to achieve its aims of lower of the cost of trade transaction and doubling intra-ASEAN trade.

Commenting on the EU-ABC’s recommendations set out in the paper, Mr Donald Kanak, Chairman of the EU-ABC, said:

“The EU-ABC is dedicated to helping ASEAN realise a safer, healthier and more prosperous future. Helping the region grow and develop its economies, and particular making life easier for MSMEs to trade within ASEAN by simplifying customs procedures. That will ensure that a more prosperous and equitable future for the populations of ASEAN and foster greater innovation.

“ASEAN still has a long way to go on trade facilitation. Whilst we appreciate the great progress on removing tariffs for intra-ASEAN trade in goods, it is an undeniable fact that non-tariff measures have grown significantly to the point where there are now more than 6,000 of them across the region. Many of these are trade distorting, and make trade either more expensive or too difficult to undertake, thus increasing costs for consumers, and reducing innovation.”

Executive Director of the EU-ASEAN Business Council, Chris Humphrey, added: “ASEAN is at risk of failing to fulfil its potential, unless faster and more proactive action is taken on its own economic integration programme. 2019 marks ten years since the ASEAN Trade in Goods Agreement (ATIGA) was signed but yet some elements of that Agreement have still not been implemented. ASEAN is still a long way from being the single market and production base that the AEC envisaged. Unfortunately, this means that intra-ASEAN trade remains low, and extremely unlikely to hit the goal of doubling intra-ASEAN trade by 2025 set when the Philippines was in the Chair of ASEAN in 2017.”

END.

1. EU-ASEAN Trade and Investment Relationship

The commercial, trade and investment relationship between the European Union and ASEAN is strong and growing. The EU is the largest economy in the world and is ASEAN's largest source of foreign direct investment. The EU is also ASEAN's second largest trading partner, after China.

2. About the EU-ASEAN Business Council

The EU-ASEAN Business Council (EU-ABC) is the sole voice for European business within the ASEAN region. It is recognised by the European Commission, and by the ASEAN Secretariat as an Entity associated with ASEAN under Annex 2 of the ASEAN Charter. Independent of both bodies, the Council has been established to help promote the interests of European businesses operating within ASEAN and to advocate for changes in policies and regulations which would help promote trade and investment between Europe and the ASEAN region. As such, the Council works on a sectorial and cross-industry basis to help improve the investment and trading conditions for European Businesses in the ASEAN region through influencing policy and decision makers throughout the region and in the EU, as well as acting as a platform for the exchange of information and ideas amongst its members and regional players within the ASEAN region.

The EU-ABC's membership consists of large European Multi-National Corporations and the eight European Chambers of Commerce from around South East Asia. As such, the EU-ABC represents a diverse range of European industries cutting across almost every commercial sphere from car manufacturing through to financial services and including FMCG and high-end electronics and communications. Our members all have a vested interest in enhancing trade, commerce and investment between Europe and ASEAN.

3. Extract from the Executive Summary from the Trade Facilitation Paper:

"ASEAN is a region of huge potential and opportunity. The political leadership of the region is right to point out the high GDP growth rates (predicted to be at or over 5% annually for the next few years on average¹); the young, increasingly tech-savvy population; the high rates of urbanisation; the diversity of Southeast Asia; and, the increasing numbers of middle-class people with more disposable income, all of which point to a bright future for the region. But that huge potential and opportunity are at risk of being wasted unless the region collectively begins to move faster on facilitating more trade within ASEAN and fully implementing the provisions of the AEC Blueprints.

The ASEAN Trade In Goods Agreement (ATIGA) is not fully implemented despite 2019 marking 10 years since it was signed. The ASEAN Economic Community (AEC), which was announced as in place in December 2015, exists in name only: in our 2018 ASEAN-EU Business Sentiment Survey, only 12% of the companies polled said that the AEC had achieved its central and main aim of establishing a "single market and production base" in the region². **Large swathes of both the 2015 AEC Blueprint and the 2025 AEC Blueprint remain unrealised.**

Areas such a simplifying customs procedures to ease the movement of goods and lower the cost of trade, removing Non-tariff barriers to trade, and opening up markets still need to be tackled and progressed. And yet, action on these seems to be high-bound by seemingly endless discussions at various ASEAN working groups, or through various studies, rather than concrete and tangible action.

It is true that intra-ASEAN tariffs have been all but eliminated or zero-rated. However, as tariffs have been reduced, the number of Non-tariff measures, and therefore most likely Non-tariff barriers, that the ASEAN Member States have enacted has increased. Non-tariff barriers restrict competition and innovation, increase prices to consumers whilst limiting choice, and keep the cost of trade higher than it should be.

¹ P.20, Table 1, Economic Outlook for Southeast Asia, China & India 2018 - OECD

² See: https://docs.wixstatic.com/ugd/63371b_a8124d48d53747039e143e04d187d2d1.pdf

Improving trade facilitation, and therefore boosting the amount of trade, helps with both economic and social development; alleviating poverty; increasing government revenues (which in turn allows for more spending on healthcare, education, infrastructure etc.); and, boosting employment. And yet, ASEAN's track record at improving trade facilitation *within* the region is patchy at best.

The governments of the region are focusing more and more on the digital economy. That is not wrong. It is the future and there is undoubtedly a need to embrace it, prepare for it, and ensure that the infrastructure, regulatory regimes and education systems are in place to allow ASEAN to gain the full benefit of the digital economy.

But before a new house can be erected, it is essential to make sure the foundations are sound and strong, and in the case of ASEAN that means getting the fundamentals of intra-ASEAN trade facilitation right. This paper provides an update of our previous trade facilitation position papers produced in April 2016, May 2017 and March 2018. Many of our recommendations remain unfulfilled. **Unless there is immediate action to move on many of the recommendations in this paper, it is unlikely that ASEAN will achieve either its trade-related targets of reducing the cost of trade transaction by 10% by 2020, or doubling intra-ASEAN trade by 2025³.**

This paper has been prepared with a view to assist ASEAN and its Member States in achieving some of the key aims and objectives set out in the AEC Blueprint 2025, i.e. "to facilitate the seamless movement of goods..."⁴ and the commitment that "ASEAN will continue to reduce or eliminate border and behind-the-border regulatory barriers that impede trade, so as to achieve competitive, efficient and seamless movements of goods within the region"⁵. **More action on these fronts is undoubtedly needed if the benefits of the AEC are to be felt across the region, particularly for MSMEs."**

³ These targets were set during the Philippines Chairmanship of ASEAN in November 2017.

⁴ See Section II.A, paragraph 7 of the AEC Blueprint 2025.

⁵ See Section II.A.1, paragraph 9 of the AEC Blueprint 2025.