



Trade Facilitation & its role in growing economies and helping SMEs: Whither ASEAN?

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Executive Summary

**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**

AEC Blueprint 2025

This paper focusses mainly on customs procedures and trade facilitation practices across ASEAN. These are viewed, by many companies across the region, not just the members of the EU-ABC, as being overly complex, burdensome, and sometimes inconsistent in terms of application.

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 as 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.

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.

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

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

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.**

The EU-ABC represents a diverse range of EU companies in many different sectors from automotive, pharmaceuticals, consumer goods, ICT, logistics etc. Many of these companies have been in the ASEAN region for many years, some for over a century growing with ASEAN’s economies and employing thousands of people. The EU-ABC’s members are therefore committed to the ASEAN region and would like to see improved business climates and more urgency towards its trade integration and facilitation efforts. A seamless ASEAN internal market would further attract EU Foreign Direct Investments, which are currently the highest of any origin in ASEAN.

In the following tables we have colour coded our recommendations: Red means there has been no progress; Yellow some progress; Green - our concerns have been met fully and therefore the recommendations will be removed in future iterations of this paper.

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.

Recommendations

<u>Issue</u>	<u>Recommendation</u>	<u>Position as presented in our March 2018 Paper</u>	<u>Progress Since March 2018</u>
Simplification of Certificates of Origin (CoO)	To stimulate intra-ASEAN trade for MSMEs, increase the threshold for waiver of Certificates of Origin below a certain threshold - from USD 200 to a higher level.	<p>Despite a proposal submitted to the Co-ordinating Committee on Customs from the Joint Business Councils (JBC), aimed at simplifying procedures for low value shipments designed specifically to assist MSMEs in ASEAN, there again has been no discernible progress on this issue. The CCC, at its October 2017 meeting, rejected the JBC proposal outright. The JBC accepted that its proposal was far from perfect, but it did represent a good starting point for further discussion.</p> <p><i>It is the EU-ABC's recommendation that the ASEAN Trade Facilitation-Joint Consultative Committee takes up the JBC proposal and instigate a working group to examine and develop it further.</i></p> <p><i>The EU-ABC continues to recommend that the need for a CoO be waived for goods below a certain threshold with the current USD200 threshold to be raised to a mutually agreed level across ASEAN. Abuse of Self-certification can be minimised by post-clearance audits by customs authorities.</i></p> <p>We note that CPTPP includes provision for self-certification amongst the 11 members of that agreement, including Singapore, Malaysia, Brunei and Vietnam.</p>	<p>We note and welcome the continuing discussions on the ASEAN Low Value Shipment Programme (ALVSP) at the ATF-JCC and the CCC, and also the possible establishment of a working group discussion to be chaired by the ASEAN Secretariat which will look at ways to take this initiative forward. The EU-ABC will play a full and constructive role in those discussions together with other Joint Business Councils.</p> <p>The EU-ABC continues to recommend that the need for a CoO be waived for goods below a certain threshold with the current USD200 threshold to be raised to a mutually agreed level across ASEAN.</p> <p>Abuse of Self-certification can be minimised by post-clearance audits by customs authorities. We suggest that discussion of this issue be undertaken during the next review of ATIGA.</p>
	To increase intra-ASEAN trade and the utilisation of ATIGA, align the two ATIGA self-certification pilots to enable certified traders to issue their own Certificates of Origin valid in all ASEAN Member States.	The EU-ABC welcomes the significant progress that has been made on merging the two self-certification pilot schemes and urges ASEAN Member States to move to implement the single scheme as soon as possible.	The EU-ABC welcomes the establishment of a single self-certification programme for COOs and looks forward to it being expanded further. We look forward to the single programme being fully

Issue	Recommendation	Position as presented in our March 2018 Paper	Progress Since March 2018
			implemented in the near future.
ASEAN Harmonised Tariff Nomenclature (AHTN)	We recommend that all ASEAN Member States implement the AHTN as the sole and prevailing tariff nomenclature across ASEAN.	Latest indications from ASEAN are this is now in the process of being fully implemented. Again, this is welcomed by the EU-ABC.	This recommendation has now been fulfilled.
Tracking and transparency of customs declarations	For those ASEAN Member States that already possess an automated customs clearance environment, we recommend that import declarations are made retrievable for traders. This would enable visibility and certainty of the entire customs clearance and import process.	Issue is still outstanding. <i>The EU-ABC recommends that Customs authorities continue to work on solutions that would increase transparency and availability of information.</i>	Issue remains outstanding. <i>The EU-ABC recommends that Customs authorities continue to work on solutions that would increase transparency and availability of information.</i>
ASEAN transit transport agreements	Develop a proposal that advances the full ratification by all Member States of the ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT) and the ASEAN Framework Agreement on the Facilitation of Inter-State Transport (AFAFIST), including all related Protocols; Develop a proposal that requires ASEAN Member States to provide a timeline for preparation and finalisation of national legislation that operationalises Protocol 7 of AFAFGIT as well as the ASEAN Customs Transit System (ACTS).	We understand that the remaining protocols of both AFAFGIT and AFAFIST have now been signed by all ASEAN Member States and that ratification of them can be expected in 2018. This is very much welcomed. We further understand that ACTS will become fully operational in 2018 for Singapore, Malaysia and Thailand, and a road map to expand ACTS to the CLMV is being developed. <i>The EU-ABC recommends that ACTS be rolled out to the CMLV as soon as is possible and full implementation for Singapore, Malaysia and Thailand be in place well before the end of 2018.</i>	We understand that not all ASEAN Member States have completed the ratification process for all of the protocols under AFAFGIT and AFAFIST despite indications that they would do so in 2018. Indeed, at the time of writing, only 2 AMS had ratified Protocol 2 of AFAFGIT - a key protocol for ACTS to function. As a result of the roll out of ACTS across the region continues to be delayed. <i>The EU-ABC recommends that ACTS be rolled out to the CMLV as soon as is possible and urges all ASEAN Member State to expedite ratification of all elements of AFAFGIT and AFAFIST.</i>
Facilitation of clearance to support MSMEs through simplified clearance for low value shipments	Implement an ASEAN Low Value Shipment Programme, with the following key objectives: <ul style="list-style-type: none">➢ Deepen ASEAN economic integration through enhanced trade facilitation➢ Reduces the cost of trade processing	The EU-ABC, as part of the Joint Business Councils and under the auspices of the ASEAN Business Advisory Council, has supported a proposal on expedited clearances and simplified customs procedures for low value shipments. That proposal, which has been discussed at the Co-ordinating Committee on	The EU-ABC, as part of the Joint Business Councils and under the auspices of the ASEAN Business Advisory Council, has supported a proposal on expedited clearances and simplified customs procedures for low value shipments. That proposal, which remains under discussion with the CCC and ATF-JCC, is

Issue	Recommendation	Position as presented in our March 2018 Paper	Progress Since March 2018
	<ul style="list-style-type: none"> ➤ Encourages MSMEs to be integrated into the ASEAN market ➤ Facilitates e-commerce ➤ Promotes intra-ASEAN trade ➤ Aligned with World Customs Organisation (WCO) practices <p><i>Key features include:</i></p> <ul style="list-style-type: none"> ➤ Common ASEAN-wide Low Value Dutiable Category ➤ Common threshold (below SDR 1000) ➤ Applies to intra-ASEAN trade ➤ Simplified and faster customs clearance: ➤ Reduced data elements <ul style="list-style-type: none"> ○ Manifest Data ○ Consolidated customs declarations ○ Pre-arrival submission and immediate release ➤ ATIGA duty rates, other domestic taxes and charges to apply ➤ Increase threshold to waive Form D (SDR1000) ➤ Exemption for license requirements (for controlled items) ➤ Periodic or account based tax collection ➤ Simplified procedures for tax refunds (re-exported shipments) 	<p>Customs (CCC) and at the ATF-JCC, was specifically designed to help e-Commerce and MSMEs in ASEAN. Regrettably, the CCC has dismissed the proposal.</p> <p>Whilst we remain open to discuss improvements to the proposal, it did represent a good starting point for looking at measures that would expedite clearances for low value shipments and reduce the cost of shipping and trade transaction costs. We hope that the ATF-JCC will revisit the proposal.</p> <p><i>Recognising that there are some elements of the JBC proposal that are problematic for authorities, and the need to refine the proposal further, the EU-ABC recommends that the ATF-JCC establishes a sub-group to review the JBC proposal and develop a system that achieves the aims of the proposal and meets the concerns of ASEAN Member States. That group should involve directly members of the JBC.</i></p>	<p>specifically designed to help e-Commerce and MSMEs in ASEAN.</p> <p>We note and welcome the continuing discussions on the ASEAN Low Value Shipment Programme (ALVSP) at the ATF-JCC and the CCC.</p> <p>The EU-ABC will play a full and constructive role in those discussions together with other Joint Business Councils.</p>

<u>Issue</u>	<u>Recommendation</u>	<u>Position as presented in our March 2018 Paper</u>	<u>Progress Since March 2018</u>
Private Sector Consultation	<p>ASEAN to set up a dialogue mechanism with the private sector on a sectoral basis (Committee or Sub-Committee level) to more effectively involve the private sector in advancing ASEAN connectivity and trade facilitation issues;</p> <p>ASEAN to consider selected representatives from the private sector to participate in Committee or Sub-Committee meetings related to connectivity and transportation on an observer basis.</p>	<p>The EU-ABC is pleased to participate in the ATF-JCC along with ASEAN BAC and other members of the Joint Business Council. We look forward to the consultation process be extended both in terms of time and quality, with regular and meaningful exchanges of ideas and responses between meetings and well in advance of any meetings.</p> <p>This requires more regular dialogue and more timely responses from the ASEAN Secretariat and ASEAN Member States to proposals and suggestions received. Maintaining an up-to-date and public register of ALL recommendations received with full details of actions taken or reasons for non-action is vital to this process.</p> <p>The EU-ABC requests, again, for involvement with the CPTFWG, the CCBWG, and the Customs Enforcement Working Group.</p>	<p>The EU-ABC welcomes our continued engagement with the ATF-JCC through the JBC mechanism. It is our view that the engagement with the private sector at this forum has improved and continues to improve. We also welcome the increased engagement with the desk officers covering various elements of the AEC at the ASEAN Secretariat.</p> <p>Engagement with the AEM, ASEAN Finance Ministers, and ASEAN Customs Directors Generals is also very valuable and welcomed, as is our participation in the CCC.</p> <p>The EU-ABC requests, again, for involvement with the CPTFWG, the CCBWG, and the Customs Enforcement Working Group.</p> <p>The EU-ABC also recommends that ASEAN establish a clearer and more transparent mechanism to consulting the private sector in all areas.</p> <p>The EU-ABC notes that private sector dialogue on the development of the ASEAN Framework Agreement on e-Commerce was extremely limited and did not involve the Joint Business Councils.</p>

<u>Issue</u>	<u>Recommendation</u>	<u>Position as presented in our March 2018 Paper</u>	<u>Progress Since March 2018</u>
ASEAN Position on Trade Facilitation in RCEP negotiations	<p>Given ASEAN centrality in the on-going negotiations with other parties for the Regional Comprehensive Economic Partnership (RCEP) Agreement, some of the proposals made in this paper can also be taken to the RCEP negotiations to amplify the benefits for ASEAN and other RCEP countries.</p> <p>To avoid further Non-tariff barriers to trade, we recommend RCEP to include dedicated Annex on sectoral basis (for example, Wine and Spirits Annex, and Automotive Annex and a Toys Annex). The inclusion of such annexes is now considered common practice in international trade agreements.</p>	<p>Progress on the RCEP has not been as speedy as many had hoped or expected. We hope that the negotiations can be concluded now in 2018, as long as it is a deep and comprehensive agreement that improves conditions for trade and investment between the countries involved.</p>	<p>We now hope that the negotiations can be concluded now in 2019, as long as it is a deep and comprehensive agreement that improves conditions for trade and investment between the countries involved.</p>
Ratification and Enforcement of the WTO Trade Facilitation Agreement (TFA)	<p>ASEAN Member Countries to ratify the WTO Agreement on Trade Facilitation. As the Agreement is now in force at the WTO, ASEAN Member Countries to ensure its full and complete implementation, based on the commitments submitted to the WTO.</p>	<p>We are pleased to note that all 10 ASEAN Member States have now ratified the WTO-TFA.</p> <p>We continue to urge the ASEAN Members States to establish their Trade Facilitation Committees as soon as possible and to involve the private sectors in them, perhaps through local European Chambers of Commerce in the case of European industry.</p> <p>We understand that under the WTO-TFA there is a requirement for countries to communicate all of their commitments. We continue to urge the ASEAN Member States to make those commitments publicly available to increase understanding for the private sector and note that some ASEAN Member States have more readily filed with the WTO than others.</p>	<p>We continue to urge the ASEAN Members States to establish their Trade Facilitation Committees as soon as possible and to involve the private sectors in them, perhaps through local European Chambers of Commerce in the case of European industry.</p> <p>We understand that under the WTO-TFA, and the AEC Blueprint, there is a requirement for countries to communicate all of their commitments. We continue to urge the ASEAN Member States to make those commitments publicly available to increase understanding for the private sector and note that some ASEAN Member States have more readily filed with the WTO than others.</p>

<u>Issue</u>	<u>Recommendation</u>	<u>Position as presented in our March 2018 Paper</u>	<u>Progress Since March 2018</u>
Automated customs clearance procedures	<p>As a first step towards the implementation of NSWs, and ultimately the ASW, ASEAN Member States should commit to fully automating customs clearance procedures before the end of 2017. This should also imply removal of all duplicate paper procedures;</p> <p>Introduce a 24/7, fully electronic payment system for duties and taxes, which would lower costs for ASEAN's business and cut customs clearance times by one day, before the end of 2017.</p>	<p>We note the good progress that is being made across the region on fully establishing the NSWs and the moves towards the ASW, with several Member States now exchanging Form D data.</p> <p>We urge all ASEAN Member States to have their NSWs fully functional with all relevant agencies on the system by the end 2018.</p> <p>We recommend that all Customs authorities move to fully automated paperless systems and set out clear timelines for doing so, with on line payments for taxes and duties.</p>	<p>We note that five AMS are now swapping Form Ds via the ASEAN Single Window, and that two more should be doing so soon. We urge faster progress to ensure that all 10 AMS are on the system in the very near future.</p> <p>We recommend that all Customs authorities move to fully automated paperless systems and set out clear timelines for doing so, with on line payments for taxes and duties.</p>

<p>Removal of Non-tariff barriers & Harmonisation of Standards⁶</p>		<p>In order to promote trade and reduce any non-tariff measures, the governments across ASEAN should have a strong commitment to implementing and abiding by harmonised standards, or at the very least to put in place binding Mutual Recognition Agreements (MRAs) to avoid country specific requirements and different interpretations.</p> <p>The recognition and deployment of international standards (e.g. UNECE in the Automotive sector or Organisation of Vine and Wine (OIV) for the wine sector) should occur in parallel with both the work of the ACCSQ and the removal of NTBs. Moves in this area would greatly enhance the capability of ASEAN Member States to participate fully in Global Value Chains.</p> <p>We recommend:</p> <ol style="list-style-type: none"> 1) The implementation of the work plan, to a firm timeline, for the removal of the NTBs, and early involvement of Business Councils in the process of identification and prioritisation of NTBs 2) The development of harmonised standards across the region, or binding MRAs, in multiple sectors as a means of tackling the issue of NTBs in ASEAN. This should be done to a firm and clear timeline. 	<p>There continues to be disappointingly slow progress on this key issue. ASEAN still has not tackled NTBs to any noticeable degree.</p> <p>We welcome the publication of the Guidelines on NTMs and in particular the elements of those guidelines that call for greater transparency, private sector dialogue and assessments on the impacts of NTMs. However, we also note that implementation of those guidelines is being delayed whilst the AMS assess their current practices and procedures.</p> <p>In order to promote trade and reduce any non-tariff measures, the governments across ASEAN should have a strong commitment to implementing and abiding by harmonised standards and testing regimes, or at the very least to put in place binding Mutual Recognition Agreements (MRAs) to avoid country specific requirements and different interpretations.</p> <p>The recognition and deployment of international standards (e.g. UNECE in the Automotive sector or Organisation of Vine and Wine (OIV) for the wine sector) should occur in parallel with both the work of the ACCSQ and the removal of NTBs.</p> <p>Moves in this area would greatly enhance the capability of ASEAN Member States to participate fully in Global Value Chains. We fully recognise and welcome the work that the EU's ARISE+ team is doing in the area of harmonised standards in Agri-Food and Healthcare.</p> <p>We continue to recommend:</p> <ol style="list-style-type: none"> 1) The implementation of the work plan, to a firm timeline, for the removal of the NTBs, and early involvement
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<u>Issue</u>	<u>Recommendation</u>	<u>Position as presented in our March 2018 Paper</u>	<u>Progress Since March 2018</u>
			<p>of Business Councils in the process of identification and prioritisation of NTBs.</p> <p>2) The development of harmonised standards across the region, or binding MRAs, in multiple sectors as a means of tackling the issue of NTBs in ASEAN. This should be done to a firm and clear timeline.</p> <p>3) There should be a systematic involvement and consultation with <u>all</u> relevant and interested private sector parties in the work undertaken by the ACCSQ and its various working groups.</p> <p>4) There should be a requirement that new legislation is evaluated and assessed on its necessity, usefulness and impact before it is implemented. This would be in line with the Guidelines on NTMs that ASEAN published in 2018 but has not yet implemented.</p>


⁶ These recommendations first appeared in the EU-ABC's paper to the AEM in March 2017 "The AEC Blueprint 2025: Recommendations for advancing economic prosperity". See www.eu-asean.eu/publications.

<u>Issue</u>	<u>Recommendation</u>	<u>Position as presented in our March 2018 Paper</u>	<u>Progress Since March 2018</u>
Mutual recognition of AEO programmes	<p>All ASEAN Member States to formulate an Authorised Economic Operator (AEO) programme, which is aligned with the WCO SAFE Framework and which includes logistics providers and customs brokers;</p> <p>Drafting of an agreement that pursues intra-ASEAN Mutual Recognition Agreements (MRA) of AEO programmes, including Authorised Transit Trader programme as set out in AFAFGIT Protocol 7.</p>	There has been no discernible progress on this issue. The EU-ABC remains ready to assist in this.	It is our understanding that a working group is being established to look into this issue. This is to be welcomed. The EU-ABC remains ready to assist with this matter.
Pre-arrival and post-clearance audits	Introduction of pre-arrival clearance and post-clearance audits across all ASEAN Member States. By 2017, this could be done for reliable traders, logistics companies and customs brokers, as a way of building capacity and mutual trust.	<p>A number of ASEAN countries continue to restrict the ability to submit declarations prior to shipment arrival. This needs to be addressed.</p> <p>In addition, many ASEAN countries need to boost post clearance audit capabilities and reduce interdictions and inspections at the border.</p>	There has been no discernible progress on this issue.

Issue	Recommendation	Position as presented in our March 2018 Paper	Progress Since March 2018
Advance rulings	<p>Introduction of advance rulings in classification, valuation and determination of rules of origin, including “in principle” issues; utilisation of Advanced Customs Agreement to eliminate the uncertainty in trade transactions and prevent dispute between Customs authorities and traders.</p> <p>Introduction of a clear dispute resolution mechanism for national and region-wide valuation and classification matters.</p>	<p>We note that advance rulings have been introduced for some areas by some of the ASEAN Member States. We continue to urge broader and deeper implementation.</p>	<p>We again note that advance rulings have been introduced for some areas by some of the ASEAN Member States. We continue to urge broader and deeper implementation.</p> <p>We also suggest advanced rulings be applied ASEAN-wide, though note that for the moment that might present some difficulties for some Customs authorities.</p> <p>However, we suggest that rulings related to the application of ATIGA, ASEAN Customs Agreement and other relevant regional Protocols could be recorded in SODs/ Reports of the concerned meetings (CPTF, CCC, TWG, CCA, SCAROO, ACCSQ, etc.) and that such decisions be extracted and uploaded on the ASEAN Secretariat and/or relevant business councils’ websites. As such, the private sector and relevant stakeholders may refer to and follow such decisions made for similar cases.</p> <p>Something similar is being done for rulings on Rules of Origin as can be seen at the following link: https://www.asean.org/wp-content/uploads/images/archive/EE_matrix/Matrix%20of%20Decisions%20on%20ROO%20Implementation%20Issues.pdf</p>

The Role of Trade Facilitation

Trade facilitation is an important driver for the expansion of international trade. Reducing time to market, and the cost of trade, is critical to be able to compete in today's globalised world and complex supply chains, and to improving the competitiveness of a nation or region. The global supply chain has in recent years become increasingly sophisticated, with different parts of the manufacturing process spread around the world and around the region. Enhanced participation in global supply chain networks has also been identified as one of the key factors behind the rapid growth in ASEAN.



TRADE FACILITATION REFORMS HELP BOOST GOVERNMENT REVENUES BY INCREASING TRADE FLOWS, HENCE EXPANDING THE TAX BASE, INCREASING TAX COLLECTION EFFICIENCY FOR ANY GIVEN LEVEL OF IMPORTS, AND INCREASING DETECTION OF CUSTOMS FRAUD AND CORRUPTION

World Trade Report 2015, Executive Summary, Section D

Trade facilitation seeks to reduce the transaction costs faced by exporters and importers to stimulate trade, investment and improve productivity. **Customs plays a critical role in facilitating trade as customs and other border procedures have a direct impact on trade costs.** Streamlined procedures, simplified documentation requirements and automation are the most critical aspects for efficient customs clearance procedures. **Striving to simplify, standardise and harmonise customs procedures across the region would greatly ease trade and have a direct positive impact on costs.** This is clearly recognised in the AEC Blueprint 2025⁷. Doing so would prove to a boon for MSMEs, the very companies that are presently less well placed to handle customs bureaucracy.

Customs procedures have a direct impact on trade costs, and a report from OECD⁸ shows that customs requirements and lengthy administrative procedures can increase costs by 2 to 24 per cent of the value of traded goods. Revenue losses from inefficient border procedures may exceed 5 per cent of GDP, according to the same report, and a one-day decrease in time spent at sea could increase trade by 4.5 per cent. Transport infrastructure is at least as important in determining time-to-trade as trade facilitation measures such as customs and other administrative procedures. These not only affect trade volumes, but also whether a company will trade at all, such as MSMEs and exporters of time-sensitive products.

Reducing supply chain barriers to trade could increase global gross domestic product (GDP) by up to six times more than removing tariffs. It could increase GDP by nearly 5 per cent (USD 2.6 trillion) and trade by 15 per cent (USD 1.6 trillion). Completely eliminating tariffs could increase global GDP by USD 0.4 trillion and exports by USD 1.1 trillion. In Southeast Asia, these figures are even more impressive: 9.3 per cent in increased GDP and 12.1 per cent increase in exports⁹.

An efficient, secure and integrated transport network as well as improved connectivity has been identified as vital building blocks for realising the full potential of ASEAN's economic integration as well as enhancing the attractiveness of the region as a single production and investment destination, in addition to narrowing development gaps. Trade facilitation initiatives are identified in the AEC Blueprint 2025 as a specific initiative towards a more strategic approach to increased participation in global value chains for ASEAN.

⁷ See Section II.A.1 Trade in Goods of the AEC Blueprint 2025

⁸ OECD Trade Policy Paper No. 150: "Trade Costs - What have we learned?" A Synthesis Report.

⁹ WEF (2013): "Enabling Trade, Valuing Growth Opportunities".

The EU-ABC applauds that seven of the ASEAN Member States have already ratified both the Revised Kyoto Convention (RKC)¹⁰ of the World Customs Organisation (WCO) as well as all of them the Trade Facilitation Agreement (TFA) of the World Trade Organisation (WTO)¹¹. These are important steps to align customs and border procedures with international standards, and to achieve the gains that trade facilitation brings. We believe that the adoption of the practices included in these agreements and international best practices lay the foundation for a modernised customs regime, which is better equipped to respond to the needs of today's trade, especially since ASEAN seeks to further integrate into global production networks and move up the value-added production chain.

Trade facilitation is also a key feature of the AEC Blueprint 2025, which states that ASEAN should: "Streamline and simplify administrative regulatory regimes, documentary requirements, as well as import and export procedures, including customs procedures"¹². It has been since been decided that ASEAN will seek to reduce trade transaction costs by 10% by 2020 and double intra-ASEAN trade by 2025¹³ though it should be noted that concrete measures to achieve these targets have not yet been taken. Indeed, intra-ASEAN trade has been falling as a percentage of total ASEAN trade which highlights continuing problems that traders have when trading across borders within ASEAN.

It should also be noted that work on the first of the two objectives mentioned above, is proceeding at such a slow pace that the target date for achieving the 10% reduction in trade transaction costs has now been pushed to the end of 2020 rather than the beginning of the year as was clearly the intent of the original statement.

ASEAN has been developing its ASEAN Seamless Trade Facilitation Indicators (ASTFI) as a means of benchmarking the cost of trade transaction in the region, and also conducting a Time Release Study of ports of entry across the region to better understand the extent of delays for goods entering countries. Both of these pieces of work remain outstanding at the time of writing, and both are seen by ASEAN as critical to moving ahead on the 10% reduction objective. However, it is our view that reducing the cost of trade transaction is a relatively simple thing to do. Implementing the recommendations set out in this paper, particularly around areas such as expedited clearances for low value shipments or increasing the threshold below which a COO is not needed, would automatically reduce costs for traders and shippers.

MSMEs and International Trade

Complicated customs procedures are a problem for all international trade, but they can be an even greater obstacle for MSMEs. Simplifying and harmonising customs procedures in line with international agreements and best practices are key for facilitating trade and reducing costs for importers and exporters. This is particularly important for ASEAN's many MSMEs, which are also increasingly benefiting from growing online retail trade (e-Commerce).

Many MSMEs have limited resources to participate in international trade and therefore do not take full advantage of the opportunities that are offered by ASEAN economic integration, let alone global production networks. The AEC Blueprint 2025 acknowledges that more emphasis on trade facilitation measures are necessary for MSMEs to create further business opportunities and to take

¹⁰ See: http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/conventions/pf_revised_kyoto_conv/instruments.aspx for the full list of Countries who have ratified. In ASEAN Singapore, Brunei and Myanmar have not done so.

¹¹ Indonesia was the last ASEAN Member State to ratify the WTO-TFA, in December 2017.

¹² AEC Blueprint 2025, Section II.A.1, paragraph 10.iii.d

¹³ See paragraph 53 of the ASEAN Chairman's Statement, 31st ASEAN Summit, November 2017: <http://asean.org/storage/2017/11/final-chairman%E2%80%99s-statement-of-31st-asean-summit.pdf>

advantage of technological innovation, both of which would create more inclusive economic growth in ASEAN.

E-Commerce creates opportunities for MSMEs to participate in the international trading system, reduces trade transaction costs and helps overcome logistic and geographic challenges to access new export markets. There is an impetus to address those since there is evidence that online trade provides new opportunities for MSMEs and women-led enterprises¹⁴, again both key targets for ASEAN. For MSMEs to take advantage of e-Commerce opportunities, it is necessary to establish a business environment that is conducive to the growth of the digital economy and cross-border movement of goods and services in ASEAN. The recommendations in this paper are designed to assist with that.

Trade Facilitation Initiatives in ASEAN - Where is ASEAN at?

As a collective, the ASEAN Members States are promoters of free trade and the multilateral global trading order. As a grouping they have ASEAN+1 FTAs in place China, India, Australia/New Zealand, Japan and Korea. Singapore alone has 23 FTAs either fully implemented or about to be implemented¹⁵. This is commendable and welcomed by industry. The sentiment of government is also reflected in the corporate landscape. Indeed, a November 2018 global survey by HSBC found companies within Southeast Asia to have the most bullish trade and business outlook globally¹⁶.

However, ASEAN's own economic integration programme is progressing slowly. 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 region¹⁷. Large swathes of both the 2015 AEC Blueprint and the 2025 AEC Blueprint remain unrealised. In addition to this, recent global developments threaten to derail the multilateral trade system, causing ripple effects of protectionism around the world. More than ever, ASEAN needs to demonstrate its commitment towards integration, having benefited from open markets and export oriented growth in the last few decades.

Areas such as 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. We fully acknowledge and welcome the exemplary progress that has been made on reducing tariffs for intra-ASEAN movement of goods with most goods movements within ASEAN now subject to zero-rated tariffs assuming that those movements qualify under rules of origin.

However, as tariffs have been reduced, the number of Non-tariff measures that the ASEAN Member States have enacted has increased exponentially. Moreover, many of those are likely to be Non-tariff barriers which restrict competition and innovation, increase prices to consumers whilst limiting choice, and keep the cost of trade higher than it should be. It is an established fact that 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.

In the meantime, the governments of the region are focussing more and more on the digital economy. That is not wrong. It is the future and there is undoubtedly a need to embrace it,

¹⁴ The Asian Development Bank (2015): *Thinking forward about trade costs and the digital economy*.

¹⁵ See: <https://www.enterprisesg.gov.sg/non-financial-assistance/for-singapore-companies/free-trade-agreements/ftas/overview> for the full list and information on how they benefit businesses.

¹⁶ HSBC Trade Navigator: www.business.hsbc.com/trade-navigator

¹⁷ See: https://docs.wixstatic.com/ugd/63371b_a8124d48d53747039e143e04d187d2d1.pdf

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.

In this paper we have provided an update of the trade facilitation position papers that the EU-ASEAN Business Council produced in April 2016, May 2017 and March 2018. As can be seen in the table of recommendations, many of our recommendations remain unfulfilled. Unless there is immediate action to move on many of the recommendations raised in this paper it is unlikely that ASEAN will achieve either of the twin trade related targets that were set and agreed during the Philippines Chairmanship in 2017.

Those twin targets are a “10% target reduction in trade transactions cost by 2020 simultaneous to the doubling of intra-ASEAN trade between 2017 and 2025”¹⁸. Unfortunately, and as mentioned above, work to establish the baseline for the 10% cost reduction has not been completed and thus the deadline for achieving this relatively small reduction has been pushed out to the end of 2020, and possibly even into 2021. Intra-ASEAN trade has also been falling in recent years, both as a percentage of total ASEAN trade and in absolute terms. Intra-ASEAN Trade is still below the levels of 2013 when it was at its peak in absolute terms. In percentage terms it is now just below 23% of total ASEAN trade, down from a peak of 25.1% in 2009. In contrast, intra-EU trade has risen from 61.5% of total EU trade in 2013 to over 63% in 2017.

Figure 1: ASEAN Trade Goods



We do acknowledge that there is now a single ASEAN Harmonised Tariff Nomenclature across all of the region and that there is now a single programme for self-certification of Certificates of Origin, though the latter is not yet fully implemented. Both of these are welcomed and recommendations relating to these specific issues have been removed from our list. Also, we welcome the intention to expand the ASSIST web portal to cover trade in Services later this year, and the continuous moves for ASEAN Member States to publish in full their non-tariff measures on the ASEAN Trade Repository and the adoption of the Guidelines on Non-Tariff Measures which promote broader and more meaningful private sector dialogue and increased transparency.

We expect the ASEAN Member States to implement those Guidelines though we note with some disappointment that implementation is being delayed whilst ASEAN conducts a survey of what practices are currently in place on this issue, something that we believe should be unnecessary,

¹⁸ Paragraph 53, Chairman’s Statement, 31st ASEAN Summit, November 2017

but even if it is felt necessary this is not something that should hold up the implementation of the guidelines beyond a month or two.

We also continue to welcome the ongoing participation of the private sector, under the auspices of the Joint Business Councils and ASEAN BAC, in the ASEAN Trade Facilitation - Joint Consultative Committee (ATF-JCC). It is hoped that the involvement of the private sector in the ATF-JCC is both meaningful and ongoing.

So far the signs have been good with progressive discussions on an ASEAN Low Value Shipment Programme suggested by the JBCs which would explicitly help MSMEs in moving goods within ASEAN - both making it easier for them to do so and reducing their costs at the same time. The ASEAN Secretariat has also been involving the private sector more through a series of workshops where they are seeking to flesh out and understand better the recommendations from the various Business Councils.

The EU-ABC welcomes the adoption of the ASEAN Seamless Trade Facilitation Indicators (ASTFI) that should provide a tool for measuring trade facilitation at the national and regional levels. **We request that the ASTFI be made publicly available, with updates published at regular intervals.** But we also note that the development of the ASTFI is delayed.

The fast paced development of e-Commerce in Southeast Asia continues to present both an opportunity and a challenge to the region. Today, as it stands, the governments in ASEAN are witnessing economic growth fueled to a large extent by e-Commerce. This is a success story which mainly is driven by MSMEs but which also has a positive impact on MNCs. However, there are many policies and regulations, particularly around customs procedures and Certificates of Origin (CoOs), that hinder or inhibit the ability of MSMEs to grow and fully benefit from the extensive possibilities that e-Commerce gives them to enter new markets.

It is imperative, therefore, that ASEAN continues to focus on trade facilitation in assisting the growth of this area. The recommendations presented in this paper will not only help more traditional cross border trade, but will also assist with e-Commerce and fostering the growth of ASEAN's MSMEs and help their involvement in the global supply chain. The ASEAN Agreement on E-Commerce which was agreed in 2018¹⁹ has only just been published. The Agreement is short on detail, often merely listing out ideals as a starting point for further discussion. Nevertheless, as a first step it is welcomed particularly the commitments on paperless trading and on "working towards eliminating or minimising barriers to the flow of information across borders".

We do recognise that Customs authorities, in particular, are faced with what is often seen as competing requirements, i.e. the need to raise and maintain revenues from tariffs, duties and taxes, whilst simultaneously facilitating more trade. We do not see these as opposing objectives.

WE WELCOMED THE ADOPTION OF THE ASEAN SEAMLESS TRADE FACILITATION INDICATORS (ASTFI) THAT PROVIDES A TOOL FOR MEASURING TRADE FACILITATION AT THE NATIONAL AND REGIONAL LEVELS, AND IMPROVING THE OVERALL TRADING ENVIRONMENT IN THE REGION. WE LOOKED FORWARD TO THE POTENTIAL CONTRIBUTION OF THIS METHODOLOGY IN ACHIEVING THE 10% TARGET REDUCTION IN TRADE TRANSACTIONS COST BY 2020 SIMULTANEOUS TO THE DOUBLING OF INTRA-ASEAN TRADE BETWEEN 2017 AND 2025."

Paragraph 53, Chairman's Statement at 31st ASEAN Summit, 13th November 2017 (emphasis added)

¹⁹ See paragraph 19 of the Chairman's Statement from the 33rd ASEAN Summit at https://asean.org/storage/2018/11/33rd_ASEAN_Summit_Chairman_s_Statement_Final.pdf

Moves to automate customs procedures with simplified tax structures and rates should allow, when used properly, increased risk management by customs and law enforcement authorities, whilst allowing for increased cross-border trade which in turn will allow for increased opportunity to raise revenue. The bigger government revenue picture should also be borne in mind: more trade means more economic growth, which increases wealth and therefore increases the potential for wider government revenues.

ASEAN has agreed on a number of initiatives aligned with international best practices on facilitated cross-border procedures and greater coordination between ASEAN countries, including the Roadmap for the Integration of Logistics Services, the ASEAN Agreement on Customs, the ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT), ASEAN Framework Agreement on Multimodal Transport, ASEAN Framework Agreement on the Facilitation on Inter-State Transport (AFAFIST), Roadmap for Integration of Air Travel Sector, ASEAN Air Cargo Processing Model, the ASEAN Strategic Transport Plan 2011-2015 as well as the Master Plan on ASEAN Connectivity 2025, which includes a section dealing with seamless logistics.

The Comprehensive Strategic Action Plan²⁰ for the implementation of the AEC Blueprint 2025 also contains a number of concrete measures designed specifically to help improve trade facilitation across the ASEAN region. The EU-ABC has provided a full commentary²¹ on some of the measures contained in that document, including those aimed at trade facilitation and easing logistics in ASEAN.

The importance of the ASEAN Trade Repository (ATR)²² should also be emphasised as a key tool for companies to understand measures in ASEAN that could impede on their ability to trade across borders. In line with the ASEAN Trade in Goods Agreement (ATIGA), the ASEAN Trade Repository (ATR) is intended to provide transparency on the trade and customs laws and procedures of all ASEAN Member States. The ATR is an electronic interface through which the public can freely access the information available on the National Trade Repositories (NTRs) of each AMS. However, both the NTRs and the ATR remain incomplete and appear to be some way from completion.

Removal of Non-Tariff Barriers & Harmonisation of Standards

The EU-ABC recognises and applauds the great strides that ASEAN has taken to reduce and eliminate tariffs across the region. We encourage the acceleration of the process to remove the few remaining tariffs. However, we also note that NTMs across the region have, unfortunately, increased disproportionately as tariffs have come down²³. Whilst not all NTMs are Non-tariff barriers, it is likely that many are. We accept that NTMs are needed for matters such as public health and safety. Nevertheless, NTBs remain a significant problem across ASEAN, inhibiting trade and economic development and can be implemented with the view to facilitate legitimate trade, but not as disguised protectionism of domestic industries.

ASEAN has made several unfulfilled promises to remove NTBs across the region. 2019 marks the 10th Anniversary of the signing of the ASEAN Trade in Goods Agreement. That Agreement called for, amongst other things, transparency and advanced notification on the development of Non-Tariff Measures between the ASEAN Member States; the development of an ASEAN Trade Repository which would be a database of all NTMs in ASEAN; and the removal of all NTBs over a series of pre-agreed tranches²⁴. The first of these rarely happens. The second is still under development. The last remains to be done. The 2015 AEC Blueprint stated that “the main focus

²⁰ <http://asean.org/storage/2017/02/Consolidated-Strategic-Action-Plan.pdf>

²¹ See: <https://www.eu-asean.eu/publications>

²² <http://atr.asean.org/>

²³ ERIA Report: Non-tariff barriers in ASEAN, Figure 2.2 - <http://www.eria.org/RPR-FY2015-01.pdf>

²⁴ See Articles 40, 41 and 42 of ATIGA

of ASEAN towards 2015 will be placed on the elimination of Non-tariff barriers” and that it would “remove all NTBs by 2010 for ASEAN-5, by 2012 for the Philippines, and by 2015 with flexibilities to 2018 for CLMV, in accordance with the agreed Work Programme on Non-tariff barriers (NTBs) elimination”²⁵.

ASEAN failed to meet that objective by the time the AEC declared in place at the end of 2015. The 2025 AEC Blueprint then stated that “The immediate priority is to complete the implementation of measures unfinished under the AEC Blueprint 2015 by end-2016”²⁶ which would imply that all NTBs would be removed by the end of 2016. Again, this deadline has been missed. In the meantime, industry across the region continues to raise concerns about the proliferation of NTBs and the lack of action in tackling them.

ASEAN does have systems in place that should or could be used to remove NTBs. Unfortunately, these are either largely ineffective or are not used at all. The Co-ordinating Committee for ATIGA (CCA) is meant to be prime body for dealing with NTB issues for trade in goods, with ASEAN Member States bringing NTB issues to the attention of CCA and then a resolution being agreed amongst the 10 AMS.

However, this process requires all 10 ASEAN Member States to agree, something that rarely happens as it would require the AMS with the NTB to agree that it has in fact introduced an NTB. CCA has published a list of “resolved” cases²⁷ though it should be noted both that the list is dated and also that “resolved” does not mean that NTBs have been removed: rather it can mean that discussion on the issue is being taken offline and out of the auspices of CCA.

The second method would be ASEAN Member States to use the ASEAN Enhanced Dispute Settlement Mechanism, a system that is modelled on the WTO, which would ultimately lead to a binding decision if a Member State was found to be in breach of ATIGA. This system has, however, never been used and indeed elements of it have not actually been set up yet.

It is our view that ASEAN needs to demonstrate clearly and openly that it is serious about eliminating NTBs in the region. Failing to do so will mean that the AEC is not truly in place and will only serve to undermine business confidence in the region. Existing mechanisms are either failing or are not being used properly.

A new approach is needed, which will tackle the issue by accelerating progress on the harmonisation of standards across the region and reduce NTBs. The irony is that ASEAN has already set out processes that could be used for this. They were set out in the Masterplan on ASEAN Connectivity (MPAC) under Initiatives 10 and 11²⁸. We believe that the timescales and process set out in the MPAC are more realistic for dealing with this crucial issue. The EU-ABC also welcomes the commitment in the MPAC to involve the private sector in the process for the removal of NTBs. It is crucial for any process on NTB removal to be credible that the private sector be involved.

We do note the publication of the Guidelines for the Implementation of ASEAN Commitments on Non-Tariff Measures on Goods (NTM Guidelines)²⁹. The NTM Guidelines have the objective of improving the transparency and management of NTMs in ASEAN and minimising their trade distortive effects. The Guidelines set out a process for the development of new NTMs using five guiding principles (see box). These amount to good regulatory practice and to that extent the guidelines are welcomed. The Guidelines also provide advice on what would constitute and NTB, something that should aid the CCA in its assessment of NTMs and the identification of NTBs.

²⁵ See Section A.1 Paragraph 14 of the 2015 AEC Blueprint

²⁶ See paragraph 4 of the Introduction of the 2025 AEC Blueprint

²⁷ See: https://www.asean.org/wp-content/uploads/images/2015/July/Matrix_of_Actual_Cases/Matrix%20of%20Actual%20Cases%20on%20NTMs_Resolved%20Cases%20as%20of%2018th%20CCA.PDF

²⁸ See MPAC2025 p.106 and p.107

²⁹ See: https://asean.org/storage/2018/12/Guidelines_for_the_Implementation_of_ASEAN_Commitments_on_NTMs-July_2018-AEM-AFTAC_32.pdf

However, it should be noted that the NTM Guidelines also contain significant carve outs for areas where ASEAN feels that NTMs cannot be considered to be NTBs. Whilst the Guidelines have been published and endorsed by the AFTA Council, they still need to be implemented by ASEAN. The implementation process is presently being delayed whilst a survey of current practices and procedures on the development of NTMs is being carried out.

ASEAN is doing some significant work on the harmonisation of standards across the region, with much of that work done with the support of the European Commission through the ARISE+ programme. Harmonising standards across the region should eliminate or significantly reduce the need for different testing and compliance regimes for goods in ASEAN. For many different product types, such as processed foods, alcoholic beverages, toys, automotive parts, pharmaceuticals etc. there are differing standards and testing regimes across the region, many of which are often repetitive (and therefore redundant) or are not in line with generally accepted international norms (e.g. UNECE for automotive products or Organisation of Vine and Wine (OIV) for the wine sector).

The need to undertake different or multiple tests across the region adds significantly to costs, increases time to market for new products, and ultimately disadvantages the consumer. In some cases, it will deter producers from entering markets, thereby reducing choice and innovation. Using international standards, and mutually recognising or accepting tests and clearances done by other countries within ASEAN would reduce costs, ease the movement of goods, speed access to new markets and ultimately bring advantages to the consumer.

In order to promote trade and reduce any non-tariff measures that may occur, the governments across ASEAN should have a strong commitment to implementing and abiding by harmonised standards to avoid country specific requirements and different interpretation. The recognition and deployment of international standards should occur in parallel with both the work of the ACCSQ and the removal of NTBs. Moves in this area would greatly enhance the capability of ASEAN Member States to participate fully in Global Value Chains and raise ASEAN's credibility internationally.

We recognise that the ACCSQ, and its various working groups, are making some progress on the harmonisation of standards, but in many areas progress is slow. We firmly believe that it would be to the advantage of all concerned for the ACCSQ and its various working groups to operate in a more transparent and inclusive manner, with private sector experts being invited regularly to participate fully in their meetings.

5 PRINCIPLES IN THE NTM GUIDELINES

Principle 1: Necessity & Proportionality

Includes:

- Necessity for Regulatory Impact Assessments
- Identification of potential trade barrier effects and costs to business

Principle 2: Consultation & Engagement

Includes:

- Requirement for consultation with relevant stakeholders
- Establishment of a process for the submission of comments

Principle 3: Transparency & Notification

Includes:

- Advance notification of NTMs (at least 60 days)
- Provision of rationale for the NTM

Principle 4: Non-discrimination & Impartiality

Includes no discrimination between domestic goods and those from other countries

Principle 5: Period Review

Includes a call to review existing NTMs to see if the original need for them

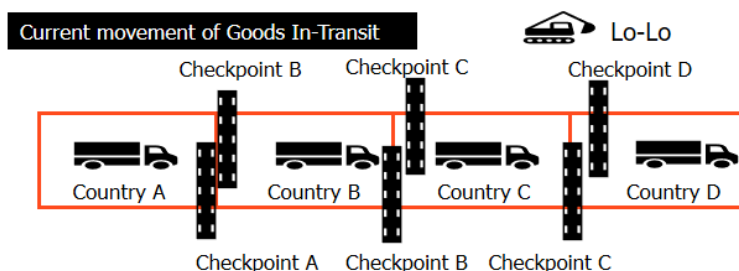
ASEAN transport agreements

The EU-ABC welcomes all initiatives on facilitated cross-border procedures and greater coordination between ASEAN countries. Connectivity is a critical aspect of ASEAN's competitiveness, and it will greatly help boost intra-ASEAN trade, facilitate growth of MSMEs and connect ASEAN to global production networks and supply chains. Appropriate steps taken to remove restrictions and facilitate cross-border movement of goods will encourage trade and investment, improve productivity and lower business cost.

As stated in the ASEAN Strategic Transport Plan, cross-border shipments are often hindered by the lack of seamlessness for trucks servicing supply chains throughout the ASEAN region and the lack of harmonisation and mutual recognition of documentation, procedures and standards (e.g. duplication of customs documentation, absence of proper transit procedures, varying vehicle standards, drivers' licenses, insurance) for inter-modal and multimodal transport of goods. In particular, proper transit procedures for less-than-truck load (LTL) shipments are lacking in most ASEAN countries, which means that transit goods have to go through formal import and export procedures at each border crossing. Facilitating cross-border land and multimodal transport would help maximise the efficiency of logistics services and lower costs for consumers.

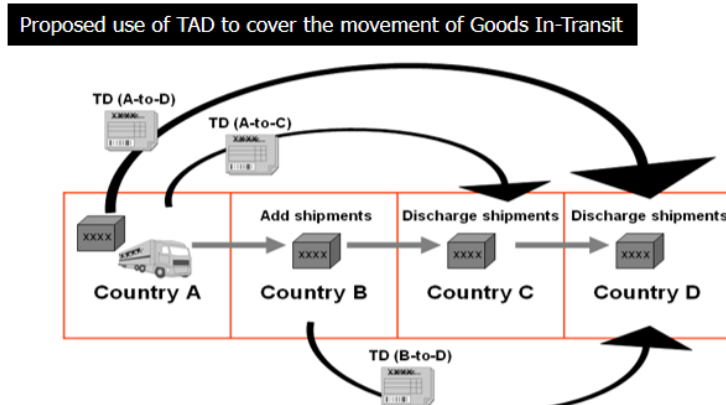
The ASEAN Customs Transit System (ACTS) has been piloted by Singapore, Malaysia and Thailand, with subsequent roll-out in the CLMV countries planned in the coming years. The pilot scheme was, unfortunately, beset by delays and a reduction in scope. Nevertheless, it did represent an important step forward for the region. In order to prepare for the full implementation of ACTS, which inevitably will lead to concrete integration of the cross-border movement of goods between the land-connected ASEAN countries, there are some critical steps that should be undertaken urgently. The EU-ABC believes that these proposals would not entail great cost for the individual ASEAN Member States but bring significant momentum to ASEAN economic integration and benefits to ASEAN businesses.

Below, we have produced a schematic showing the current situation for cross-border road transport compared to the ideal scenario that could exist under the full implementation of ACTS.



Explanatory Notes:

- 1) Truck with container moves from Country A to Country D
- 2) Cross A-B border on same chassis (B vehicle plate)
- 3) At B-C border, container has to be Lo-Lo from B chassis as B chassis not allowed to cross border and vice versa
- 4) Theoretically, ACTS should avoid this



Explanatory Notes:

- 1) A single truck operating from Country A to B, C, D
- 2) Transit Accompanying Document (TAD) – A single TAD generated at origin to cover the movement of multiple shipments from 1 origin to 1 destination
- 3) Each TAD to be accompanied by a manifest listing all the shipments moving from 1 origin to 1 destination

At present, trucks need to navigate numerous checkpoints and customs procedures, with the load often having to be transhipped to another vehicle. All of this adds time and cost to the movement of goods across borders. With ACTS such inhibitors to trade should be removed, speeding the movement of goods and lower the cost of trade.

However, before ACTS can be fully rolled out, the ASEAN Member States need to ratify key elements of the ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT) and the ASEAN Framework Agreement on the Facilitation of Inter-State Transport (AFAFIST). AFAFIST was signed in December 2009. As of February 2019 only six of ASEAN's member states had ratified it. AFAFGIT was signed in December 1998: key protocols of it which would be needed for the implementation of ACTS were admittedly signed later. However, Protocol 2 of AFAFGIT, which covers the identification of frontier posts for ACTS, has only been ratified by 2 member states, and Protocol 7 is still waiting for one member state to ratify it.

About the EU-ASEAN Business Council

The EU-ASEAN Business Council (EU-ABC) is the primary and sole voice for European business across the ASEAN region.

It is recognised by both the European Commission and the ASEAN Secretariat and is an accredited entity 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 conducts its activities through a series of advocacy groups focused on particular industry sectors and cross-industry issues. These groups, usually chaired by a multi-national corporation, draw on the views of the entire membership of the EU-ABC as well as the relevant committees from our European Chamber of Commerce membership, allowing the EU-ABC to reflect the views and concerns of European business in general. Groups cover, amongst other areas, Insurance, Automotive, IPR & Illicit Trade, Customs & Trade Facilitation, Healthcare and FMCG.

Executive Board

The EU-ABC is overseen by an elected Executive Board consisting of corporate leaders representing a range of important industry sectors and representatives of the European Chambers of Commerce in South East Asia. The Executive Board is led by its Chairman Mr Donald Kanak.

Membership

The EU-ABC's membership consists of large European Multi-National Corporations and the nine 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 Fast Moving Consumer Goods and high-end electronics and communications. All our members have a vested interest in enhancing trade, commerce and investment between Europe and ASEAN.



To find out more about the benefits of Membership and how to join the EU-ASEAN Business Council please either visit www.eu-asean.eu or write to info@eu-asean.eu.

