

Policy Brief

Trade Facilitation: The Way Forward for ASEAN and Its FTA Partners

By Marn-Heong Wong and Marie Isabelle Pellan

1. Trade Facilitation in the Context of Wider Regional Integration
2. Comparative Analysis of Trade Facilitation Provisions in ASEAN and ASEAN+1 FTAs
3. Monitoring Trade Facilitation Performance in ASEAN and FTA-Partner Countries
4. Policy Recommendations to Enhance Trade Facilitation in East Asia

ASEAN is working towards establishing a Regional Comprehensive Economic Partnership¹ with its FTA partners. All five existing ASEAN+1 FTAs contain provisions on trade facilitation. Although varying in their scope, specificity and depth of commitments, they tend to cover several core areas and affirm the application of international agreements, standards and instruments. A review of trade facilitation performance shows that there are great disparities among ASEAN countries and their FTA partners. Reform efforts in the area of trade facilitation could be tracked regularly through a set of specially-compiled indicators. The following policy recommendations could inform discussions on trade facilitation coverage in the context of a wider agreement between ASEAN and its FTA partners: (i) define a consistent set of trade facilitation principles; (ii) adopt specific trade facilitation measures; (iii) monitor performance in core trade facilitation areas and set targets; (iv) share best practices and implement capacity-building measures in priority areas; and (v) keep abreast of developments in the multilateral process.

1. Trade Facilitation in the Context of Wider Regional Integration²

Over the last decade ASEAN has proceeded not only with deepening economic integration among member states but also with forging closer economic links with external partners through the conclusion and implementation of a number of free trade areas/comprehensive economic partnership agreements ('FTAs'). To-date, ASEAN as a group has FTAs with several dialogue partners in East Asia, namely, Australia/New Zealand, China, India, Japan and Korea.

ASEAN is looking to build on these ASEAN+1 FTAs through an ASEAN-led process to establish a Regional Comprehensive Economic

• Copyright © 2012. Economic Research Institute for ASEAN and East Asia. All rights reserved.

• The views expressed in this publication are those of the author(s). Publication does not imply endorsement by ERIA of any of the views expressed within.

• You can download this policy brief at the ERIA website:
<http://www.eria.org>

• Contact:
TEL: +62-21-5797-4460
FAX: +62-21-5797-4463

Partnership agreement with interested ASEAN FTA partners and subsequently, with other external economic partners. This was set out in the ASEAN Framework for Regional Comprehensive Economic Partnership adopted at the 19th ASEAN Summit in Bali in November 2011.

Trade facilitation is crucial to reducing trade transaction costs and is considered as an important complement to trade liberalization efforts in fostering economic integration. It is especially significant for ASEAN and East Asia, given the predominant nature of intra-regional trade that is driven by regional production networks. Trade facilitation is a key component of the Doha Development Agenda in the World Trade Organization (WTO) and is increasingly covered in the Regional Trade Agreements (RTAs) that have proliferated in the 2000s, including in East Asia. ASEAN and ASEAN+1 FTAs all contain provisions on trade facilitation.

There is no standard definition of trade facilitation. In the context of the WTO, trade facilitation means the simplification and harmonization of procedures involved in managing the data and information flows required for the movement of goods in international trade. By comparison, many bilateral and regional trade agreements have a broader understanding of trade facilitation that extends also to behind-the-border issues, including non-tariff measures such as sanitary and phytosanitary (SPS) measures, standards, technical regulations and conformity assessment procedures.

An analysis of the provisions and progress in trade facilitation in its broader sense in ASEAN and ASEAN+1 FTAs could serve to inform the approach of ASEAN and its FTA

partners to trade facilitation in the context of wider regional integration.

2. Comparative Analysis of Trade Facilitation Provisions in ASEAN and ASEAN+1 FTAs

The ASEAN framework for economic integration has developed over a prolonged period of time and consists of several layers of agreements and declarations, each building on and reinforcing the trust gained by the previous one.

Initially, the ASEAN Free Trade Agreement (AFTA) signed in 1992 focused on a reduction of tariffs by implementing a Common Effective Preferential Tariff (CEPT) scheme. The agreement contains general provisions incorporating certain aspects that can be subsumed under a broad definition of trade facilitation.

The adoption of the Declaration of ASEAN Concord II at the Ninth ASEAN Summit in 2003 envisioned the ASEAN Economic Community (AEC), which is to be realized by 2015. The AEC Blueprint, a comprehensive action plan, was further adopted in 2007, with sections related to the implementation of a range of trade facilitation measures.

Taking one step further on the path of economic integration, ASEAN countries adopted in 2009 the ASEAN Trade in Goods Agreement (ATIGA). The agreement, which entered into force on 17 May 2010, consolidates and streamlines all the provisions of the CEPT-AFTA and economic cooperation agreements, as relevant, into a single legal instrument.

The ATIGA marks a significant milestone with regard to trade liberalization and trade facilitation to improve the free flow of goods within ASEAN. Notably the provisions on

non-tariff barriers (NTBs) have been enhanced further as compared to the CEPT-AFTA provisions, through the codification of measures and the establishment of a mechanism to monitor the elimination of NTBs.

Apart from the provisions on the elimination of NTBs, the ATIGA contains a broad range of provisions relevant to trade facilitation. For instance, the Agreement includes provisions on fees and charges connected with importation and exportation; publication and administration of trade regulations; and the ASEAN Trade Repository. It also contains specific chapters on trade facilitation and customs.

The chapter on trade facilitation calls upon members to develop and implement a comprehensive ASEAN Trade Facilitation Work Programme, which sets out actions and measures to be implemented at both ASEAN and national levels, in areas such as customs procedures, trade regulations and procedures, standards,

conformity assessment and SPS measures, and ASEAN Single Window.

Compared with the extensive trade facilitation coverage in ATIGA and the AEC Blueprint, the trade facilitation provisions in the various ASEAN+1 FTAs often lack specificity and depth of commitments.

In his examination of trade facilitation provisions in 34 RTAs in Asia and the Pacific, Bin (2008) identified five core areas in trade facilitation cooperation that are covered in the majority of RTAs. These areas are: (1) customs procedures and cooperation; (2) technical barriers to trade (TBT) and SPS measures; (3) NTBs, especially administrative fees and charges; (4) transparency of laws, regulations and administrative rulings; and (5) use of information and communication technology (ICT) and e-commerce. A review of trade facilitation provisions in the ASEAN and ASEAN+1 FTAs has shown that indeed most of these agreements tend to cover the five core categories as identified by Bin (Table 1).

Table1. Summary Table of Trade Facilitation Provisions in ASEAN and ASEAN+1 FTAs

Trade Facilitation coverage/RTA	ASEAN	ASEAN-Australia-NZ	ASEAN-China	ASEAN-India	ASEAN-Japan	ASEAN-Korea
Customs procedures and co-operation	√	√	√	√	√	√
Technical regulations, standards and SPS measures	√	√		√	√	√
NTBs, especially administrative fees and charges	√	√	√	√	√	√
Transparency of laws, regulations and administrative rulings	√	√	√		√	√
Use of ICT and E-commerce	√	√	√		√	√

Note: "√" indicates the presence of provisions.

Source: Authors.

Customs procedures are identified as an area for cooperation in all of ASEAN's FTAs. However, not all ASEAN+1 FTAs include detailed and concrete provisions on customs procedures. ASEAN-China FTA (ACFTA) and ASEAN-Korea FTA (AKFTA), for instance, identify customs procedures as an area of future collaboration in their respective Framework Agreement, but their respective Agreement on Trade in Goods do not include any specific provisions on the matter. In contrast, the ASEAN-Japan Comprehensive Economic Partnership (AJCEP), the ASEAN-India Agreement on Trade in Goods (AI-TIGA) and the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) contain provisions that call on their parties to endeavour to apply customs procedures in a predictable, consistent and transparent manner. Furthermore, with a view to ensure prompt customs clearance, parties must endeavour to simplify their customs procedures and, to the extent possible, harmonize such procedures to international standards.

Provisions on TBT and SPS measures such as standards, technical regulations and conformity assessment procedures are incorporated in a number of ASEAN+1 FTAs. The inclusion of such provisions in FTAs shows the growing importance of these measures in global trade. The AANZFTA, AJCEP, AI-TIGA and AKFTA all reaffirm the rights and obligations of parties under the WTO TBT and SPS Agreements. Both AJCEP and AANZFTA address the issue of TBT and SPS measures in separate chapters through a detailed set of provisions focusing on specific aspects of the implementation of TBT and SPS measures; these ASEAN+1 FTAs also establish sub-committees to oversee

implementation of the relevant provisions. Whilst the ACFTA agreements do not substantively address the issue of TBT and SPS measures, China and ASEAN nevertheless adopted in 2009 a Memorandum of Understanding on Strengthening Cooperation in the field of standards, technical regulations and conformity assessment procedures.

In the other core areas of trade facilitation, all the ASEAN+1 FTAs contain provisions on NTBs³. These provisions either impose an obligation on Parties not to adopt or maintain such measures except in accordance with WTO rights and obligations, or generally reaffirm relevant WTO disciplines in this area. Furthermore, AANZFTA, AKFTA and ACFTA include specific provisions regarding the identification and review of non-tariff measures. In the area of transparency of laws, regulations and administrative rulings, the ACFTA, AI-TIGA, AKFTA and AANZFTA explicitly incorporate into the agreement relevant provisions of the GATT/WTO⁴. AANZFTA extends the requirements as far as possible, to making laws, regulations, decisions and rulings available on the internet. AJCEP also contains a general provision on transparency, inviting parties to make publicly available their laws, regulations, administrative procedures, administrative rulings and judicial decisions. On the use of ICT and e-commerce, AJCEP, AIFTA, ACFTA and AKFTA only identify ICT and e-commerce as sectors in which cooperation between parties could be strengthened, or in which economic cooperation activities could be undertaken. ANZFTA includes more detailed provisions on ICT and e-commerce that includes provisions to enhance cooperation between the

parties on e-commerce and on paperless trading.

In summary, despite some common areas of coverage, there does not appear to be a consistent approach to trade facilitation across the five ASEAN+1 FTAs. The AANZFTA is the agreement with the most comprehensive trade facilitation content. It includes a number of specific trade facilitation measures already promoted in the context of ASEAN FTA, such as paperless trading, risk assessment, advance rulings and Single Windows. The coverage of trade facilitation in other agreements, such as the ACFTA and AI-TIGA, is fairly general. The provisions are often broadly formulated and aspirational and do not commit parties to undertake concrete action or to achieve specific targets or goals. All the ASEAN+1 FTAs, however, do explicitly affirm the application of international agreements, standards and instruments related to different dimensions of trade facilitation, and this can contribute not only to further regional integration, but also to advance the harmonization of procedures and formalities world-wide.

3. Monitoring Trade Facilitation Performance in ASEAN and FTA-Partner Countries

A mechanism is necessary to monitor progress in countries' implementation of agreed trade facilitation measures. A relatively low-cost way of doing so is to track a set of indicators that measure different aspects of trade facilitation covered in the FTAs using data sources that are regularly updated, readily accessible and have wide country coverage.

Pellan & Wong (2011) have compiled a set of trade facilitation indicators that proxy for the five core

areas in trade facilitation that are covered in ASEAN and ASEAN+1 FTAs as well as a majority of RTAs in Asia and the Pacific. As stated in the earlier section, these are in the areas of customs, standards, NTBs, transparency and ICT. Each area is proxied by a number of primary variables drawn from multiple sources of data to avoid over reliance on any one survey question or source. These include the World Bank's Doing Business database and Logistics Performance Index, the World Economic Forum's Global Competitiveness Report, Global Trade Enabling Report and Global Information Technology Report and Transparency International.

The variables are a mix of quantitative data and survey scores. Where possible, they are selected to specifically correspond to provisions in the FTAs, and/or point more specifically to areas where governments can undertake reforms. For example, while the extent of business internet use could reflect the outcome of the use of ICT in trade administration and provisions to promote electronic commerce, a more direct measure would be whether laws relating to ICT (e.g. electronic commerce, digital signatures and consumer protection) are well developed. Where specific indicators are scarce, broader indicators have also been selected, such as a national-level corruption perceptions index to proxy for transparency in the publication and administration of trade regulations. Indicators such as an index on import licensing requirements and cumulative total number of Mutual Recognition Agreements (MRAs) signed by a country on standards related to trade in goods have been constructed to proxy for the administrative fees and import licensing aspects of NTBs and

technical regulations and standards. Customs procedures and cooperation is measured by indicators such as the number of documents and time to import and export.

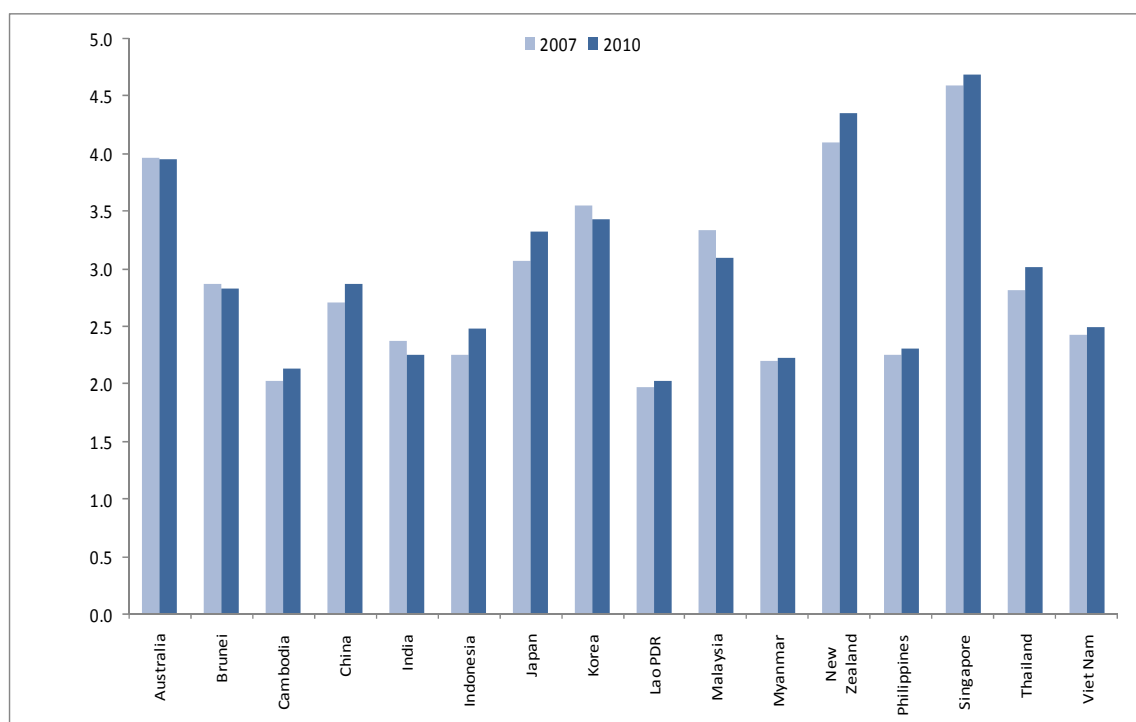
The variables in each area are aggregated to yield a trade facilitation sub-index that ranges from zero to one, and the five trade facilitation sub-indices are summed up to give a 'Core Trade Facilitation Index' for each country.

A comparison of trade facilitation performance across countries highlights the great disparities among the ASEAN and FTA-partner countries (Figure 1). The top three countries are Singapore, New Zealand and Australia and the bottom three countries are Lao PDR, Cambodia and Myanmar, and their positions have not changed between 2007 and 2010. However, a positive development over the last four years has been the improvement in trade facilitation performance by the majority (70 per

cent) of countries. The countries that have made the greatest headway have been Japan from improvements in standards (number of MRAs signed) and customs (survey scores on customs burden and customs services and number of agencies traders have to deal with); New Zealand in standards (number of MRAs signed); Indonesia in ICT (survey scores on ICT use and government efficiency and government prioritization of ICT) and to a lesser extent transparency (survey scores on transparency in government policy making and corruption); and Thailand in customs (number of documents to export and import).

Countries that have registered poorer performance in trade facilitation between 2007 and 2010 have been Malaysia from deteriorations in transparency (survey scores on favouritism in official decisions and corruption) and ICT (survey scores on ICT laws and

Figure 1. Core Trade Facilitation Index for ASEAN and FTA-Partner Countries, 2007 and 2010



Note: Core trade facilitation index is constructed in such a way that the higher the value, the better the performance.

Source: Authors' calculations.

government prioritization of ICT); Korea in transparency (survey scores on favouritism in official decisions and transparency of government policy-making) and India from NTBs (cost to import and export) and transparency (survey scores on favouritism in official decisions and corruption).

Although much of the trade facilitation performance of ASEAN and FTA-partner countries over the past few years may not reflect the outcomes of trade facilitation provisions in the various FTAs given that most of them have only recently entered into force, it can be expected that the performance indicators would be useful in monitoring the effective implementation of trade facilitation measures in the coming years.

4. Policy Recommendations to Enhance Trade Facilitation in East Asia

The reduction of trade transaction costs and the improvement of customs procedures can play a significant role in fostering further economic integration in East Asia. The five recommendations presented below could assist ASEAN and its FTA partners in future discussions on the treatment of trade facilitation in the context of a Regional Comprehensive Economic Partnership agreement.

- (i) Define a consistent set of trade facilitation principles

The ATIGA incorporates a set of model principles to guide ASEAN member states in their undertaking of trade facilitation measures and initiatives at both ASEAN and national levels. These principles can serve to guide trade facilitation cooperation among ASEAN and its dialogue partners. These principles are: transparency;

communications and consultations; simplification, practicability and efficiency; non-discrimination; consistency and predictability; harmonisation, standardisation and recognition; modernisation and use of new technology; due process; and cooperation.

- (ii) Adopt specific trade facilitation measures

Current ASEAN+1 FTAs, with the exception of the AANZFTA, include provisions on trade facilitation that often lack specificity. A consistent approach to trade facilitation in the context of East Asian cooperation could promote the implementation of specific measures that would build on existing ASEAN initiatives, possibly using as its starting point the measures as incorporated in AANZFTA. Such measures could include the establishment of a Single Window and product standards and conformity assessment procedures on a region-wide basis. As with the case of ASEAN, clear timelines could be set for implementing the various measures.

- (iii) Monitor performance in core trade facilitation areas and set targets

ASEAN and its dialogue partners could agree to adopt a set of trade facilitation performance indicators to monitor progress in the implementation of trade facilitation measures. These could be in the core areas of customs procedures and cooperation; technical regulations, standards and SPS measures; NTBs, including administrative fees and charges; transparency of laws, regulations and administrative rulings; and use of ICT and E-commerce. The indicators would be compiled from data sources that are regularly updated, readily accessible and have wide country coverage for ease of

tracking. They could form the basis for countries to set specific targets for improvement.

- (iv) Share best practices and implement capacity-building measures in priority areas

A review of trade performance indicators has shown that there is great disparity in trade facilitation performance across ASEAN and FTA-partner countries, which is conducive to the sharing of best practices among these countries. The performance indicators could also assist each country to identify areas of relative weakness for priority action. There are costs implications to implementing trade facilitation reforms. Some measures are considered elementary and relatively easy for countries to implement. Other measures are farther reaching and more costly, and therefore need to be addressed through appropriate technical assistance and capacity-building support measures in order to be carried out satisfactorily. There is scope to provide this assistance within both the regional and multilateral structures.

- (v) Keep abreast of developments in multilateral negotiations

Trade Facilitation is an important item of the Doha Round of trade negotiations at WTO. These negotiations may result in the creation of binding commitments on the part of WTO members to implement measures aimed at facilitating trade. Such commitments are likely to be accompanied by special and differential treatment provisions for developing countries, including on technical assistance and capacity building. Progress in the discussions at the multilateral level can inform the negotiation of future trade facilitation measures in RTAs.

¹ Regional Comprehensive Economic Partnership (RCEP) is a relatively new terminology which was first used in the Chair's Statement of the 19th ASEAN Summit in November 2011. It is also known as "ASEAN++ FTA" as in the Joint Media Statements of the Informal Consultations of EAS Economic Ministers in August 2011.

² This Policy Brief is a slightly modified and condensed version of Pellan and Wong (2011), "Trade Facilitation in ASEAN and ASEAN+1 FTAs: An Analysis of Provisions and Progress", in Findlay, C. (ed.), *ASEAN+1 FTAs and Global Value Chains in East Asia*, ERIA Research Project Report 2010, No. 29.

³ The term "non-tariff measure" is used in some of the agreements under review. In most ASEAN+1 FTAs, NTBs or non-tariff measures do not include quantitative restrictions or SPS/TBT measures, which are often dealt with in separate provisions of the agreement.

⁴ For instance, Article X of the GATT 1994 on Publication and Administration of Trade Regulations.

About the authors

Marn-Heong Wong is Assistant Professor, Lee Kuan Yew School of Public Policy, National University of Singapore.

Marie Isabelle Pellan is Counsellor in the Legal Affairs Division of WTO. She conducted research for this paper whilst a Visiting WTO Fellow at the Institute for International Trade, University of Adelaide.

References

- ASEAN Secretariat (2009) *Roadmap for an ASEAN Community 2009-2015: One Vision, One Identity, One Community*, ASEAN Economic Community Blueprint, Jakarta: ASEAN Secretariat.
- Bin, Peng (2008) "Trade Facilitation Provision in Regional Trade Agreements in Asia and the Pacific", No 108, *Working Paper Series*, United Nations Economic and Social Commission for Asia and the Pacific (ESCAP).
- Pellan, Marie Isabelle and Marn-Heong Wong (2011) "Trade Facilitation in ASEAN and ASEAN+1 FTAs: An Analysis of Provisions and Progress", in Findlay, C. (ed.), *ASEAN+1 FTAs and Global Value Chains in East Asia*. ERIA Research Project Report 2010, No.29.