

Issues and Recommendations:

- *Defining the economic benefits, at both country and ASEAN regional levels, of what has been achieved and what could be done with new initiatives post-2015;*
- *Identifying and addressing the priority barriers to maximise resource and impact*
- *Maximising the benefits of engagement with the private sector*
- *Adding resources to deliver results*
- *Broadening out standards harmonisation efforts from the Priority Integration Sectors*

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Delivering Results in Standards and Conformance in ASEAN: the Critical Roles of Institutional Strengthening and the Private Sector

By SIMON PETTMAN

Addressing technical barriers to trade is a key priority of ASEAN as part of trade facilitation in achieving an integrated economy under the ASEAN Economic Community in 2015 and in building an effective and competitive Economic Community beyond 2015. Standards and Conformance assessment measures, while seeking to ensure quality and safety of products for consumers, should not become barriers to trade across the region as ASEAN liberalises its trading regime. A delicate balance needs to be achieved between the two to build a thriving economic region. ASEAN has been working towards achieving standards harmonisation in its priority sectors of integration and bringing about regulatory convergence, taking into account the diversities in its ten member states. More, however, needs to be done and as this *Policy Brief* shows, the roles of institutional strengthening and the private sector are critical in this task.

Introduction

In a rapidly changing global economic environment, the Association of Southeast Asian Nations (ASEAN) region needs greater cooperation among member states and greater integration to remain competitive and to become an economic force. In order to remain an important player in the global arena, there is no alternative to greater integration.

The Role of Standards and Conformance in Realising the ASEAN Economic Community (AEC)

The realisation of the ASEAN Economic Community (AEC) by 2015 with a view towards achieving economic integration in Southeast Asia is one of the key objectives of ASEAN. Over the last two decades, ASEAN member states have

accomplished much in the area of lowering or altogether removing tariffs on goods. However, much of this progress will be negated if the harmonisation of standards and conformance assessment measures is not addressed. The implementation of trade facilitation measures—in particular, the reduction and elimination of technical barriers to trade (TBT)—is key to achieving this goal as the differences in regulations, standards and conformance assessment measures are impediments to the movement of goods from one country to another within the region.

In general, all states have standards, regulations and compliance and conformance measures, which are applied to ensure the safety and quality of products to be consumed or used by their citizens. However, these measures are sometimes applied to the extent that they act as barriers by restricting or prohibiting the movement of certain goods from one country to another. Thus, as ASEAN moves towards the AEC in 2015, efforts are being made to see to it that countries do not impose standards and conformance measures that could **substantially** restrict trade of goods while at the same time protecting public interest.

Many of ASEAN's policies in addressing non-tariff barriers (NBTs) will continue beyond 2015 as they deal with more complex beyond-the-border issues that require more deliberation and necessitate changes in national regulations and laws. One of the goals, therefore, should be to lay the basis for what will be done after 2015 while pushing ahead with what has to be done by ASEAN by 2015.

Overcoming Technical Barriers to Trade through Standards and Conformance

As mentioned above, work to overcome barriers to trade and achieve regulatory integration through standards and conformance activities should continue post-AEC 2015. To succeed in this objective, attention must be focused on the following areas wherein private sector involvement and strengthening of institutions and structures play critical roles.

- *Defining the economic benefits, at both country and ASEAN regional levels, of what has been achieved and what could be done with new initiatives post-2015, particularly related to the private sector*

The central economic benefit related to the AEC within ASEAN should define the value of what has been achieved so far. It should assess the potential economic benefits of the next stage of progress towards the AEC for the stakeholders: businesses, government and the people.

Defining the benefits of what has been achieved is important to galvanise efforts towards the future. This can be developed with a single template by specific groups in cooperation, where appropriate, with the private sector. Such an approach must look backward and forward since many of the initiatives that have been finalised or are currently being developed will only bear economic fruit post-2015 when the implementation phase is complete.

Defining the benefits of what could be done with new initiatives post-2015 is even more challenging. Nevertheless, it is achievable if the

methodology of such work is commonly applied across current priority integration sectors and if the work is expanded to a limited range of other sectors not currently subject to harmonisation initiatives.

- ***Identifying and addressing the priority barriers to maximise resource and impact***

As economies become increasingly integrated, regulatory integration normally becomes harder. This is because to build confidence, there is a natural tendency to target the easier and less nationally sensitive issues first. These issues, however, are not always the most economically important for ASEAN or for the individual member states.

Thus, there is need to carry out an external review/assessment of both the barriers and the potential economic benefits of moving forward in tackling the issues. For this, it is important to engage the private sector in a process of introducing impact assessments or economic impact assessments. Through the development of a single model for such economic impact assessments, relevant ASEAN private sector bodies should be encouraged to substantiate their requirements economically for future integration initiatives.

- ***Maximising the benefits of engagement with the private sector***

Boosting engagement of the private sector must be made a priority. At present, only a few sectors are well organised and engaged in the

AEC process. If success is to be achieved in realising the AEC, more sectors should be involved in the process. Thus, greater emphasis should be given to supporting information exchange, and to developing mechanisms for feedback and support for the process, including the provision of expertise. ASEAN should create a stronger culture of involvement within a strengthened and clearer framework.

To ensure equal treatment to all groups during the engagement with the private sector, a level playing field for engagement should be created. This should include the setting up of criteria for involvement based on at least representation and value delivered for the private sector with common minimum standards applied to all sectors engaged at the ASEAN level. Criteria for ongoing private sector involvement should likewise be established, including the provision of an annual report by each sector based on a common template. ASEAN should make a clear commitment to the private sector on the minimum that they can expect from engagement if carried out according to the rules.

More particularly, it is important to engage with SMEs. It is recommended that in addition to the information dissemination activities to SMEs and to pressing industry associations harder to engage with a wider group of companies, ASEAN should consider setting up or outsourcing a group that will assess the impact on SMEs across all sectors.

At the same time, focus must be given to implementation and feedback. It is essential to have a smooth and effective means or channel of communication between the private sector and the regulatory bodies at the ASEAN level as well as at the national level to monitor the economic impact of the establishment of the AEC on

companies. At this stage, common issues that are being faced by industry in the various industry groups need to be identified and addressed. And while there are indeed common issues, industry associations, on the whole, are working in isolation without a mechanism in place where such issues can be addressed together. It is therefore recommended that at least once a year, small delegations of these groups meet with representatives of the High Level Expert Group on the AEC and the ASEAN Secretariat (ASEC) to deliberate on the achievements and challenges and identify, where possible, solutions to issues which run across Product Working Groups (PWGs).

In addition, the private sector organisations should be asked to develop and present at this meeting their own scorecard of progress achieved, based on a survey method to be determined either centrally or by each industry sector. This will provide a very important reference point regarding the progress of the AEC as seen by the private sector.

Moreover, the ASEAN business associations and dedicated ASEAN industry associations based on the priority sectors of ASEAN should not only serve as a feedback mechanism but should also be involved from the planning to implementation stage of ASEAN economic initiatives, as their role will be critical.

Similarly, the ASEAN sector-specific industry associations should not only support the work of the ASEAN product working groups at the technical and scientific level but also articulate policy issues at the senior official and ministerial levels. The aim should be to ensure that the policies related to AEC are supportive of trade and facilitate the ease of doing business in ASEAN rather than acting as hindrance to market liberalisation.

- ***Adding resources to deliver results***

Understaffing at the ASEC in the standards and conformance (S&C) area is clearly a concern. At present, there is an over-reliance on member state experts to consistently deliver inputs to achieve goals. To support the liberalisation envisioned in the AEC, there must be greater levels of monitoring progress and of identifying and resolving blockages and challenges in the pipeline.

One recommendation is for ASEAN to set up a High Level Task Force on S&C to help develop a vision and strategies for standards harmonisation to support the free flow of goods under the single market of the AEC. The setting up of an effective and responsive mechanism that would provide legal guidance and clearance for issues and options discussed should also be considered.

All these require additional capital and human resources. ASEAN should therefore invest in these for the process of standards harmonisation to support integration and liberalisation. Budgets must be increased and clearer guidelines must be set up to make the whole process smooth and free of delays.

- ***Broadening out of standards harmonisation efforts from the Priority Integration Sectors***

The focus of harmonisation efforts placed on Priority Integration Sectors in the first stage of AEC creation has permitted resource allocation that does not burden national authorities or the ASEC too excessively. It is also delivering results. Whether the next step, however, should

be an expansion to other sectors or bringing forward more 'horizontal' measures in the S&C area depends on the answers to several questions, including: (1) Which group within ASEC is going to be responsible for such measures that would cover all sectors? (2) How can the value of such measures be identified? (3) Should such an expansion focus on sectors that are showing progress such as automotives, electronics, textile, etc.?

For starters, ASEAN has to ensure that the priority sectors address the differences in standards and conformance so they can be the basis for increased standardisation and conformance across other products as well. It can also do more to align the interests of institutions dealing with standards and conformance and other stakeholders such as regulators to ensure that there is more alignment in measures that can be implemented. It is also critical to get greater involvement from the private sector in standards and conformance, such that they are aware of all the rules and regulations pertaining to the classification of their products across countries in this region.

Conclusion

One of the key challenges for ASEAN in addressing the harmonisation of standards and conformance is the lack of well-established structures. The region has set itself ambitious goals but the ASEAN Secretariat still only has limited powers and sway over member states as compared, for example, with the European Parliament. For an organisation structured the way the ASEAN Secretariat is, it is imperative to

make full use of all the resources at hand in the standards harmonisation work.

The ASEAN Secretariat, supported by the various Dialogue Partners, should play a very active role in driving towards standards and conformance in the region. This would include promoting awareness about the benefits of harmonised standards and conformance measures and encouraging all the ten ASEAN member states to contribute to the whole process. It also needs to promote greater communication and coordination between agencies that are involved such that harmonisation of standards and conformance can be attained more easily.

Most importantly, in order to achieve its standards and conformance targets such that they do not hinder the region's progress towards the AEC, ASEAN needs strong leadership and political will at the national and regional levels. Member states themselves have to be convinced that the implementation of these measures, while appearing to be possibly cumbersome and expensive at present, will eventually enhance trade and will benefit their respective economies in due course.

Finally, the private sector has to play a more active and involved role in monitoring progress to overcome barriers to liberalisation and integration especially as it would redound to their ultimate advantage and benefit. ■

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