

Chapter 11

Trade Facilitation in ASEAN: Achievements and Challenges

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11.

Trade Facilitation in ASEAN: Achievements and Challenges

Ben Shepherd

1. Introduction

Integration into the global trading economy is a key determinant of country growth and development prospects over the medium term. Feyrer (2019) used sophisticated techniques and data to show that a 1% increase in the value of a country's trade leads causally to an increase of around 0.5% in per capita income. Differences in predicted trade growth can explain around 17% of the variation in cross-country income growth between 1960 and 1995. At the same time, successive rounds of multilateral and preferential tariff reductions in the post-1945 period have seen tariffs fall to relatively low levels in historical terms in most parts of the world. So the main barriers to market access, both globally and regionally, are now non-tariff measures (NTMs) (Baldwin, 1970). With the rise of global and regional value chains (GVCs and RVCs) (Ando and Kimura, 2003; Baldwin, 2011), the desire of countries to successfully join geographically dispersed production platforms has become all the stronger, which means that dealing with NTMs is now at the top of the trade agenda for many countries.

ASEAN Member States (AMS) are no strangers to these developments. Participation in GVCs and RVCs is well developed in the region, and the ASEAN Economic Community (AEC) is committed to the vision of a single market for goods and services in the region. In addition to trade and market integration, the AEC specifically references trade facilitation – one set of policies that can reduce at least some NTMs. This feature of the AEC is in common with other integration initiatives in the broader region. For instance, Asia-Pacific Economic Cooperation (APEC) has long been committed to trade facilitation and has enjoyed notable though not uniform successes in that area, including where its membership overlaps with that of ASEAN (Shepherd, 2016). Empirical evidence suggests that trade facilitation is particularly important for GVC trade because movements of intermediate goods tend to be more sensitive to changes in trade costs than movements of final goods (Saslavsky and Shepherd, 2013).

The AEC Blueprint 2025 (ASEAN, 2015) highlighted trade facilitation as one way of promoting the objective of a single regional market.¹ It noted that AMS played a leading role in the conclusion of the World Trade Organization (WTO) Trade Facilitation Agreement (TFA), and its implementation remains a regional priority. In addition, AMS have committed to the aim of convergence in trade facilitation regimes amongst AMS, along with improvement to move closer to the global best practice frontier. In institutional terms, the ASEAN Trade Facilitation Joint Consultative Committee brings together public and private sector representatives to move forward on trade facilitation in the region.

Going into more detail, the AEC Blueprint 2025 identifies the following priorities for 2015–2025 in the area of trade facilitation:

1. Completing measures initiated under the AEC Blueprint 2015.
2. Fully rolling out National Single Windows in all AMS, and widening the scope of the ASEAN Single Window project to include more documents and stakeholders in all AMS.
3. Cooperating on the effective operationalisation of the national and ASEAN trade repositories.
4. Streamlining and simplifying administrative regulatory regimes, documentary requirements, and import/export procedures.
5. Deepening the implementation of ASEAN-wide initiatives, such as Authorised Economic Operators and Self-Certification.
6. Strengthening public–private sector cooperation, collaboration, and partnership in improving the foundations for efficient and effective trade facilitation in the region.
7. Minimising trade protection and compliance costs in dealing with NTMs.
8. Working towards facilitative standards and conformance.

As with many aspects of ASEAN integration, a key challenge for AMS in moving forward on trade facilitation lies in the heterogeneity of practices in the region. The twin aims of convergence and progress towards the global best practice frontier are important, but AMS are starting from radically different baselines – an important challenge to be addressed in the future. But at the same time, heterogeneity in baselines can also be a positive force, in the sense that it means there are significant opportunities for learning and diffusion of best practices within the region. Managing this process will be a key aspect of the future trade facilitation agenda for ASEAN.

Against this background, the objective of this chapter is to provide a consolidated overview of ASEAN's progress on trade facilitation to date, as well as identify areas that could benefit from increased attention in the future. The key date is 2025, when the existing AEC Blueprint comes to an end. Whilst not a formal evaluation of the last decade's trade facilitation work in ASEAN, an important objective for this chapter is to look at what has worked, where remaining implementation challenges lie, and to discuss emerging issues that will need to be incorporated in AEC work post-2025.

¹ In this chapter, 'trade facilitation' is taken to refer to goods trade. Whilst there is scope to apply trade facilitation concepts to trade in services, a detailed analysis of policies – one key element of this chapter – is currently impossible due to lack of data.

The chapter proceeds as follows. Section 2 provides background information on different conceptualisations of trade facilitation, with the aim of showing how they interact in ASEAN's approach. It then provides an overview of key data sources that can be used to track progress in terms of inputs (policy measures) and outputs (economic outcomes). The following section then uses those measures to track progress in ASEAN to date, highlighting areas of success as well as those where challenges remain. Section 4 then moves to a forward-looking perspective to discuss emerging issues on the trade facilitation agenda and how they are of relevance to AMS. Together, sections 3 and 4 provide a snapshot of ASEAN's trade facilitation baseline and challenges, with a view to deepening and broadening engagement post-2025. The final section concludes, and discusses policy implications for the region, again with the point of view of identifying areas for coordinated action in the context of deepening the AEC in the post-2025 time frame.

2. Conceptualising Trade Facilitation: Input and Output Measures

Historically, the term 'trade facilitation' has been used in two complementary but conceptually distinct ways. A modern approach to trade facilitation incorporates both approaches, which is advantageous because it allows for a dual focus on inputs (policy measures) and outputs (economic outcomes).²

On the one hand, broad sense trade facilitation envisages the concept as applying to the full set of policies that reduce trade costs, other than reductions in standard tariffs. Economists conceptualise trade costs as encompassing the full range of factors that drive a wedge between producer prices in an exporting country and consumer prices in an importing country (Anderson and Van Wincoop, 2004). Leaving tariffs to one side, this idea includes, for example, (i) a wide variety of NTMs as well as (ii) geographical and historical factors that make it harder for countries to trade, (iii) the cost and reliability of transport linkages between countries (including transport facilitation), and (iv) the possibility of engaging in digital transactions.

In its early work on trade facilitation, APEC explicitly adopted broad sense trade facilitation as its policy objective: it committed to reducing trade costs by agreed percentages over 5-year periods, leaving economies free to choose their implementation mechanisms from amongst the wide variety of NTMs and related policies that can reduce trade costs but which do not include reductions in standard tariffs. This approach to trade facilitation is a very broad one, encompassing a wide range of policy areas ranging from border procedures to the administration of NTMs to 'behind the border' barriers such as the business environment and investment climate. It lends itself to natural evaluation using economists' standard measures of trade costs (e.g. Shepherd, 2016; see further below).

An alternative approach to trade facilitation ('narrow sense') is typified by the WTO TFA. It focuses on reducing trade costs exclusively through the rationalisation of customs and border procedures, including through reductions in paperwork, facilitation of information flows, institutional upgrading, and streamlining of processes. This approach to trade facilitation is narrower than the APEC approach, but has the advantage

² This section is adapted from Shepherd (Forthcoming).

of being backed by an important international legal instrument in the form of the TFA, which is now part of the corpus of WTO law.

Implementation of the TFA takes place at different paces for different groups of countries. Developed countries implement the whole agreement immediately, whereas developing and least developed countries can decide which parts to implement immediately ('Category A'), which parts to implement with a delay ('Category B'), and which parts to only implement upon receiving external support ('Category C').

The above discussion makes clear that narrow sense trade facilitation is a subset of broad sense trade facilitation. So there is no incompatibility between the two approaches, but their focus is different. Narrow sense trade facilitation naturally leads to a focus on inputs, i.e. a particular set of policy measures that are known to reduce trade costs. There is strong empirical evidence that improving border procedures can facilitate trade (e.g. Volpe Martincus, Carballo, and Graziano, 2015), so identifying particular policies that can be part of an overall reform effort is one way of moving towards that objective.

Three main global data sources directly measure narrow sense trade facilitation measures. The WTO's TFA Implementation Tracker (TFAIT) measures the percentage of the agreement's actionable provisions implemented by each country. The WTO Secretariat maintains the database using country notifications. The Organisation for Economic Co-operation and Development (OECD) Trade Facilitation Indicators (TFIs) and the United Nations (UN) Global Survey on Digital and Sustainable Trade Facilitation (UNGS) take similar and complementary approaches to measuring particular trade facilitation policies. They both start from a list of trade facilitation measures, based for the most part on the TFA, but also extending coverage beyond its scope in some cases, particularly in the UNGS. They then collect data directly from countries around the world based on consultations with governments, publicly available information, and opinions from local trade facilitation specialists. The balance between these methodologies is different for the two sources: the TFIs rely more heavily on the first two sources, whilst the UNGS relies more heavily on the third. In terms of data availability, the TFAIT is available as a current date cross-section. The TFIs, by contrast, are available as cross-section time series data, for 2012, 2015, 2017, 2019, and 2022. The UNGS is also available as cross-section time series data, covering the years 2015, 2017, 2019, 2021, and 2023. The TFIs and the UNGS both have broad coverage across countries (160 or more), whilst the TFAIT covers all WTO members. The common thread linking these three data sources is, as mentioned above, that they focus on inputs, i.e. trade facilitation policy measures.

On the output side, there are two main global databases. In this context, outputs means economic outcomes, such as changes in the time or cost associated with moving goods across borders. One source – the UN Economic and Social Commission for Asia and the Pacific (UNESCAP)–World Bank Trade Cost Database – uses standard trade theory to develop a relative measure of trade costs in the all-inclusive sense developed above.³ It uses the observed pattern of trade and production across countries to make inferences about international relative to intra-national trade costs. It covers 150+ countries for the years 2010 through 2020 inclusive. A second complementary source is the World Bank's Logistics Performance Index (LPI), which surveys trade facilitation professionals on the environment in countries they do business with. They assess performance across six general dimensions of trade facilitation, but focus on the reality on the ground rather than particular policy measures in place. The World Bank aggregates responses and provides consistent data for 2007, 2010, 2012, 2014, 2016, 2018, and 2023, covering 150+ countries.

³ The WTO Trade Cost Index uses a conceptually similar approach, but geographical coverage is limited and does not provide sufficient detail on AMS to be a feasible source for this chapter.

No single data source provides comprehensive coverage of all aspects of trade facilitation, covering outputs as well as inputs. Best practice in assessing performance is therefore to use a range of indicators, such as the five outlined above. They will not always provide a consistent picture, but a dashboard approach has the advantage of providing a variety of different perspectives, and aggregating as much information as possible.

In ASEAN-specific terms, it is important to have an analytical scope that extends beyond the confines of the TFA. The AEC Blueprint 2025 identifies a range of priorities under the general heading of trade facilitation. Whilst all are aligned with the TFA, only a subset is reflected in its provisions: other ASEAN priorities fit better within the concept of broad sense trade facilitation. So using a dashboard approach and a range of indicators sits well with ASEAN's view of trade facilitation.

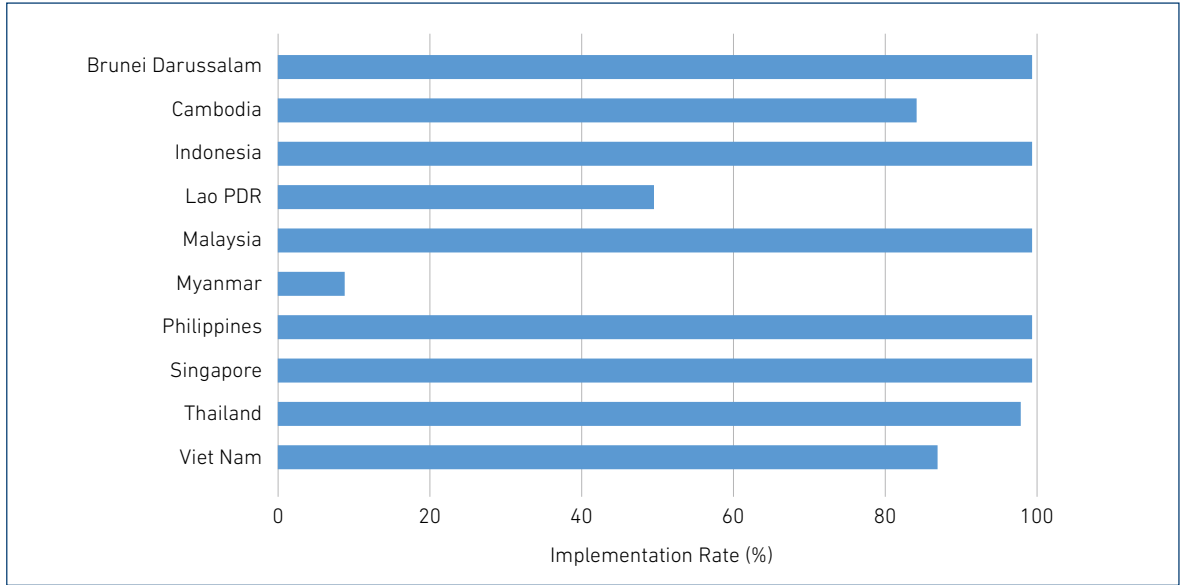
3. Tracking Recent Progress in ASEAN

This section uses the concepts and indicators discussed above to track ASEAN's recent performance. The period of main interest is 2015 to date, which is the period covered by the existing AEC Blueprint 2025. However, for contextual purposes, it is sometimes useful to look at a longer period when it is available, in particular since not all indicators are available annually. The first part of the section deals with input measures, whilst the second deals with output measures. The focus is on identifying performance trends for the ASEAN region as a whole. Whilst the data sources examined can also be used to highlight issues for individual AMS, the scope of this chapter is on the region, so the translation of regional performance trends into individual priorities is explicitly left for follow-up work.

3.1. Input Measures

Figure 11.1 shows baseline data for the first input indicator, the WTO TFAIT. It measures the extent to which each AMS has implemented the disciplines of the WTO TFA. As such, it represents a performance baseline, not international best practice. But it is useful to give a first sense of how AMS sit relative to global benchmarks. As the figure shows, the impression is generally a very positive one: half of AMS have already fully implemented the TFA, with one more (Thailand) having only minor additional measures to implement. Viet Nam and Cambodia are in an intermediate position, with implementation rates over 80%. The Lao People's Democratic Republic (Lao PDR) and Myanmar lag more substantially, with implementation rates of around 50% and 10%, respectively. This first diagnostic therefore suggests that whilst ASEAN is overall a region with a strong rate of implementation of the TFA, there is substantial heterogeneity in performance, in particular with Myanmar and the Lao PDR standing out as countries where implementation is lagging relative to the rest of the group.

Figure 11.1. TFA Implementation Rate for Individual AMS (%)



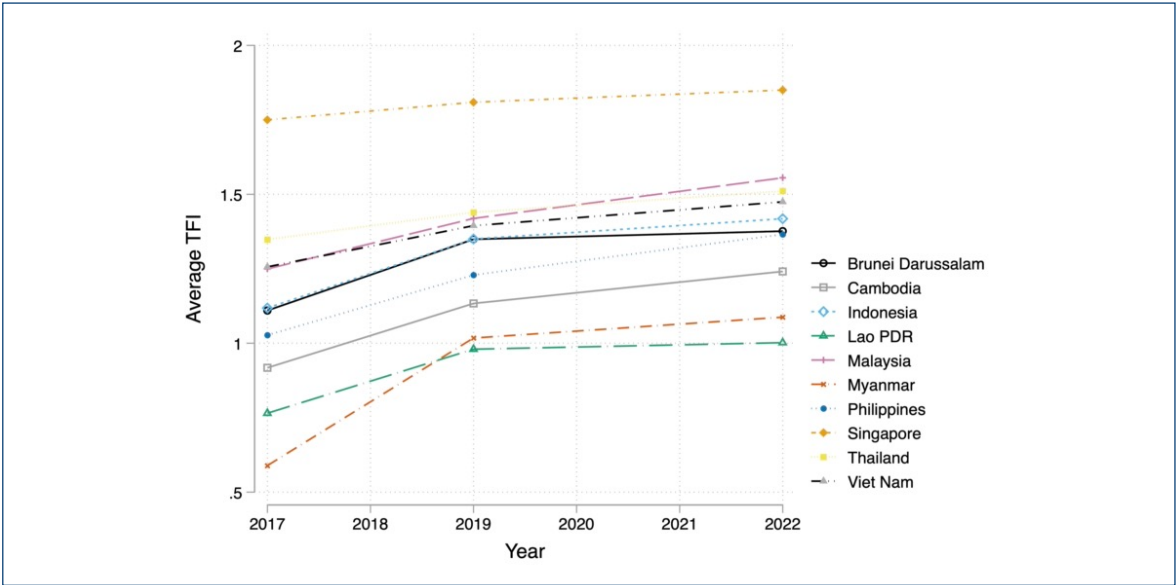
AMS = ASEAN Member States, ASEAN = Association of Southeast Asian Nations, TFA = Trade Facilitation Agreement, TFAIT = TFA Implementation Tracker, WTO = World Trade Organization.

Note: Data correct as of May 2023.

Source: WTO (n.d.), TFAIT. <https://www.tfadatabase.org/en/implementation> (accessed 1 April 2024).

The OECD TFIs provide a more nuanced picture. Whilst closely linked to the provisions of the TFA, they record implementation in greater detail and include some measures that are not part of the TFA. So the maximum score (two) represents a more ambitious benchmark than 100% on the TFAIT. Figure 11.2 shows the average across all TFI pillars for AMS from 2017 through 2022, which is the period for which comparable data are available. There is a general upwards trend in performance, which suggests that ASEAN is generally improving its trade facilitation performance over time, in line with the objectives of the AEC Blueprint 2025. However, the heterogeneity apparent in Figure 11.1 is again in evidence in Figure 2: Singapore is a clear regional leader, with performance very close to the global best practice frontier. Next comes a group of high performers that nonetheless are still some distance from Singapore's level: Malaysia, Thailand, Viet Nam, Indonesia, Brunei Darussalam, and the Philippines. These countries have a strong but intermediate level of performance. By contrast, Cambodia, Myanmar, and the Lao PDR have noticeably lower levels of performance. Overall, the figure indicates that ASEAN has enjoyed some success in terms of upgrading performance in line with the AEC Blueprint 2025, but that performance convergence amongst all AMS remains a work in progress.

Figure 11.2. Average TFI Score for Individual AMS, 2017–2022
(index (0–2))



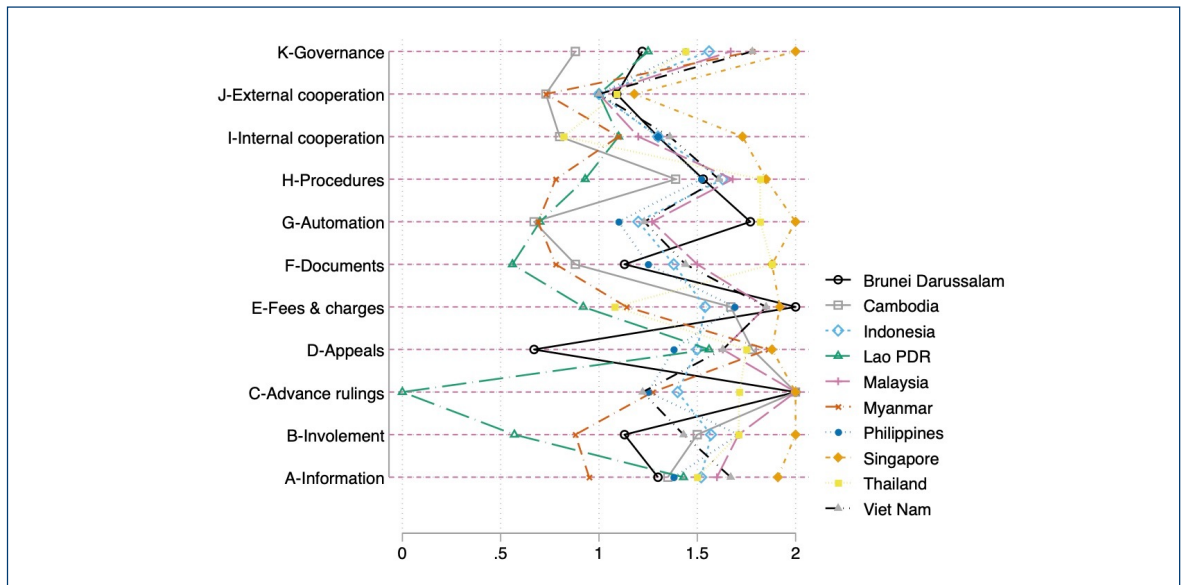
AMS = ASEAN Member States, ASEAN = Association of Southeast Asian Nations, OECD = Organisation for Economic Co-operation and Development, TFI = Trade Facilitation Indicator.

Note: Data prior to 2017 are not comparable.

Source: Author's calculations based on OECD (n.d.), TFIs. <https://www.oecd.org/en/topics/sub-issues/trade-facilitation.html> (accessed 1 April 2024).

In terms of identifying regional and national priorities, Figure 11.3 delves into more detail by providing scores for individual TFI pillars. At first glance, country performance is much more heterogeneous across areas than Figure 11.2 would tend to suggest. So priorities for individual AMS vary based on where they stand on particular indicators. But for ASEAN as a whole, the figure suggests that there are areas of strong performance – governance, procedures, documents, fees and charges, appeals, and advance rulings – but also areas where performance could be improved, notably cooperation amongst agencies, automation in some AMS, involvement of the trading community in some AMS, and information availability. Relating these findings to the core trade facilitation tenets of the AEC Blueprint 2025 suggests that the region has enjoyed some successes in key domains such as Single Windows, which reduce documentation and streamline procedures. Surprisingly, information availability is an area that requires further work, despite the Blueprint's commitment to trade repositories. In other areas, some AMS, particularly Singapore, perform at or close to the global best practice frontier, so there is scope to export knowledge on procedures like advance rulings and appeals, as well as the use of automation, within the region.

Figure 11.3. TFI Pillar Scores for Individual AMS, 2022
(index (0–2))



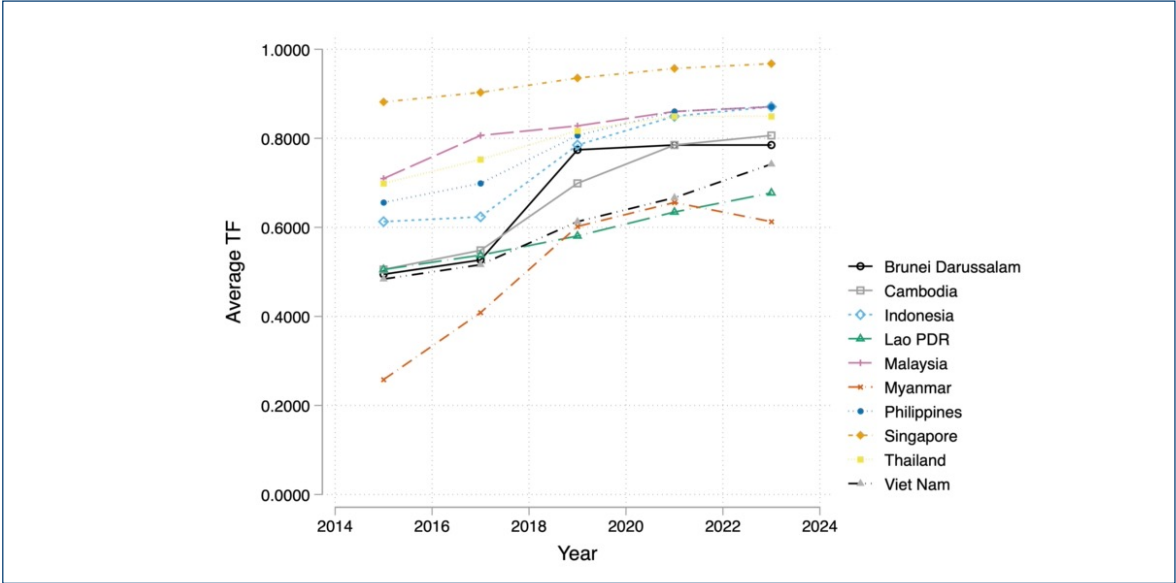
AMS = ASEAN Member State/s, ASEAN = Association of Southeast Asian Nations, OECD = Organisation for Economic Co-operation and Development, TFI = Trade Facilitation Indicator.

Note: Data not available on advance rulings for the Lao PDR.

Source: OECD (n.d.), TFIs. <https://www.oecd.org/en/topics/sub-issues/trade-facilitation.html> (accessed 1 April 2024).

A similar picture emerges from the UNGS data in Figure 11. 4. For the region as a whole, there is clear evidence of performance improvements over the sample period, which corresponds to the ongoing life of the AEC Blueprint 2025. But as with the TFIs, the data suggest that bringing about convergence in performance remains a priority. Again, there is a clear difference in performance between Myanmar and the Lao PDR on the one hand, and the other AMS on the other; however, Myanmar has seen strong improvement since 2015 in the UNGS data.

Figure 11.4. Average UNGS Trade Facilitation Score for Individual AMS, 2015–2023 (index (0-1))

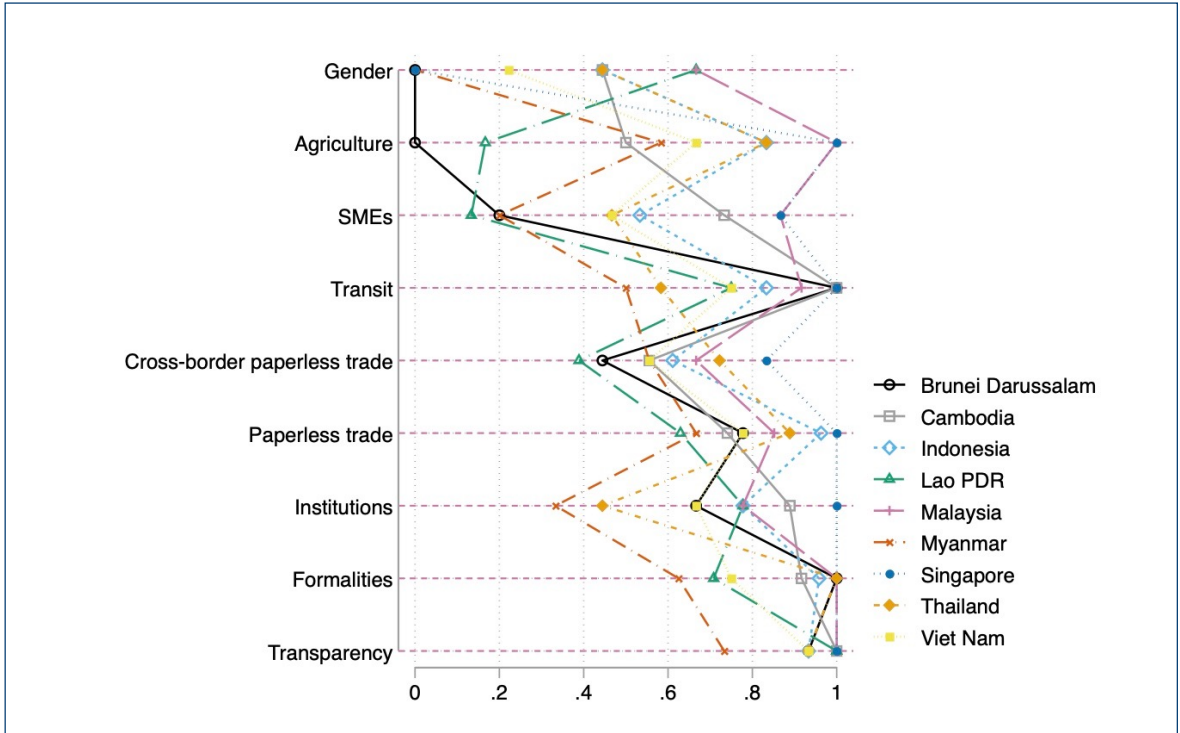


AMS = ASEAN Member State/s, ASEAN = Association of Southeast Asian Nations, TF = Trade Facilitation, UNGS = United Nations Global Survey on Digital and Sustainable Trade Facilitation.

Source: United Nations (n.d.) UNGS., <https://www.untfsurvey.org/> (accessed 1 April 2024).

Figure 11. 5 shows that the UNGS, like the TFIs, incorporates a range of areas that are not part of the TFA, and so represents a more demanding performance benchmark than the WTO TFAIT. Looking at individual pillars, there is both heterogeneity across individual AMS in terms of their successes and challenges, but also a strong dispersion of performance for the region across pillars. Gender and agriculture stand out as areas where regional performance is weaker than elsewhere, with similar concerns for small and medium-sized enterprises (SMEs) in some AMS. Areas of strong performance include transit, paperless trade, institutions, formalities, and transparency. This analysis sits well with the conclusions expressed above on the basis of the TFIs – that measures like Single Windows have borne fruit, and that efforts to streamline documentary requirements have similarly enjoyed some success. This finding is very much in line with the priorities expressed in the AEC Blueprint 2025. Nonetheless, Figure 11. 5 indicates that there are emerging issues, to be discussed further below, where performance is at a significantly lower level. Whilst there are some subjects of concern to the region, the fact of heterogeneity in performance across AMS and across pillars means that identifying individual country priorities is a more detailed exercise, but one that data sources like the TFIs and the UNGS can facilitate.

Figure 11.5. UNGS Pillar Scores for Individual AMS, 2023
(index (0-1))



AMS = ASEAN Member State/s, ASEAN = Association of Southeast Asian Nations, SMEs = small and medium-sized enterprises, UNGS = United Nations Global Survey on Digital and Sustainable Trade. Facilitation.

Source: United Nations (n.d.), UNGS. <https://www.untfsurvey.org/> (accessed 1 April 2024).

3.2. Output Measures

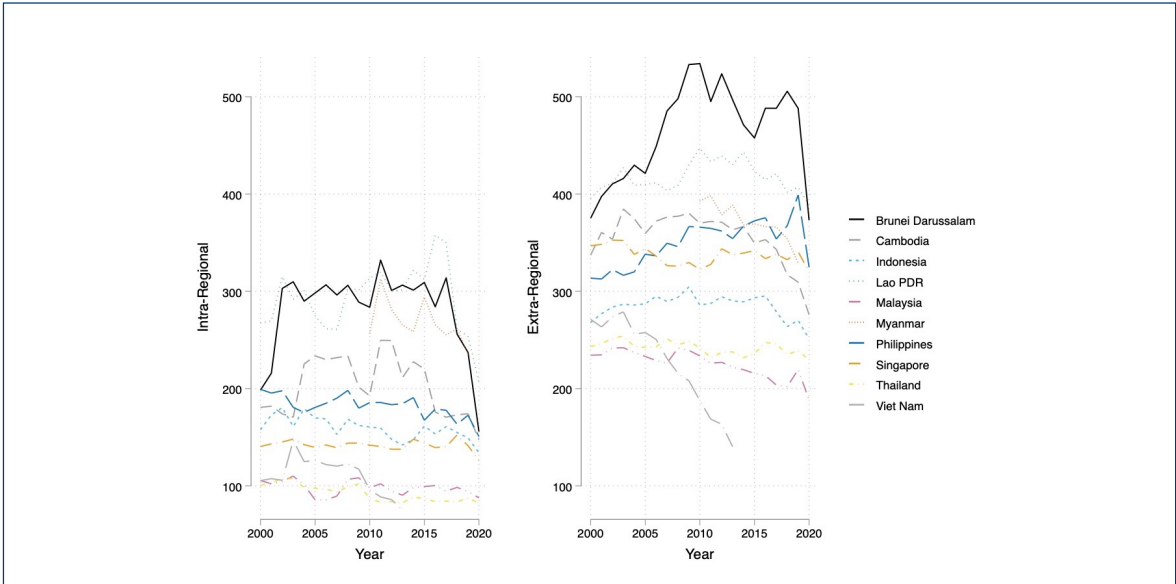
Figure 11.6 presents data on the first output measure – trade costs – as measured by the UNESCAP–World Bank Trade Costs Database. It needs to be interpreted carefully, as total trade costs are much higher than applied rates of tariff protection, even though both are expressed in ad valorem terms. The reason is that trade costs include the effects of NTMs, as well as geographical and historical features, whereas tariff rates of protection do not. A second caveat is that data are not available for all countries and years, so the effective sample used to calculate averages is not constant over time. This feature introduces some choppiness into the series.

Nonetheless, three clear findings are evident from Figure 11.6. First, intra-regional trade costs are much lower than extra-regional trade costs. In other words, ASEAN has been successful in lowering trade costs for goods movements within the zone. Part of that effect is due to the elimination of tariffs, but it is likely that trade facilitation – as well as other measures in the AEC Blueprint 2025 – have played a substantial role in this outcome.

Second, there is a downwards trend over time in trade costs, in particular intra-regionally. For some AMS, that trend intensifies post-2015, which could indicate some successes of the AEC Blueprint 2025 in reducing trade costs, at least in terms of the implementation in some AMS.

Third, just as in the case of the input measures, there is substantial heterogeneity across AMS that is relatively stable over time. There are low trade cost countries, such as Thailand, Viet Nam, and Malaysia, then an intermediate group, then countries like Brunei, the Lao PDR, and Myanmar that stand out as having much higher levels of trade costs. There is thus a clear relationship between this first output measure of trade facilitation and the three input measures discussed above: there is considerable overlap between the group of countries identified above as having lower performance on policy indicators and those that have higher trade costs. A key policy message is therefore that moving forward on input measures likely translates into major differences on the ground in terms of regional trade integration.

Figure 11.6. Average Ad Valorem Equivalent Trade Costs for Individual AMS, Intra- and Extra-Regional, 2000–2020 (%)



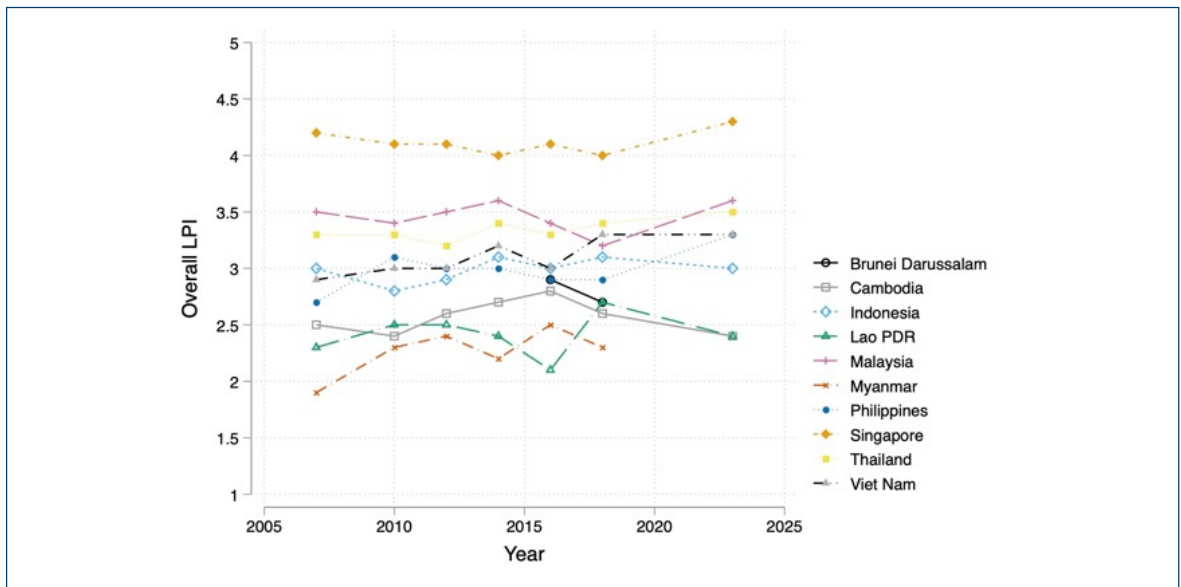
AMS = ASEAN Member State/s, ASEAN = Association of Southeast Asian Nations, UNESCAP = United Nations Economic and Social Commission for Asia and the Pacific.

Notes: Aggregation is by simple average. Sample changes occur over years.

Source: Author's calculations based on United Nations and World Bank (n.d.), UNESCAP–World Bank Trade Costs Database. <https://www.unescap.org/resources/escap-world-bank-trade-cost-database> (accessed 1 April 2024).

This close relationship between input and output measures is mirrored in Figure 11.7, which summarises data from the World Bank's LPI. There is again a clear regional trend towards improved performance in on-the-ground trade facilitation. Singapore stands out as the leader, and successive World Bank LPI reports show that it is amongst the leading performers globally. The next group of countries also comprises strong performers, though with a considerable gap with respect to Singapore, namely Malaysia, Thailand, Viet Nam, the Philippines, and Indonesia. Cambodia, Myanmar, and the Lao PDR again lag with respect to other AMS. As in the case of trade costs, a key policy takeaway is therefore that moving forward on input measures has clear potential to boost performance on the ground, as measured by trade facilitation professionals, the people who move goods across borders in the region on a daily basis.

Figure 11.7. Overall LPI Scores for Individual AMS, 2007–2023
(index (1–5))



AMS = ASEAN Member State/s, ASEAN = Association of Southeast Asian Nations, LPI = Logistics Performance Index.

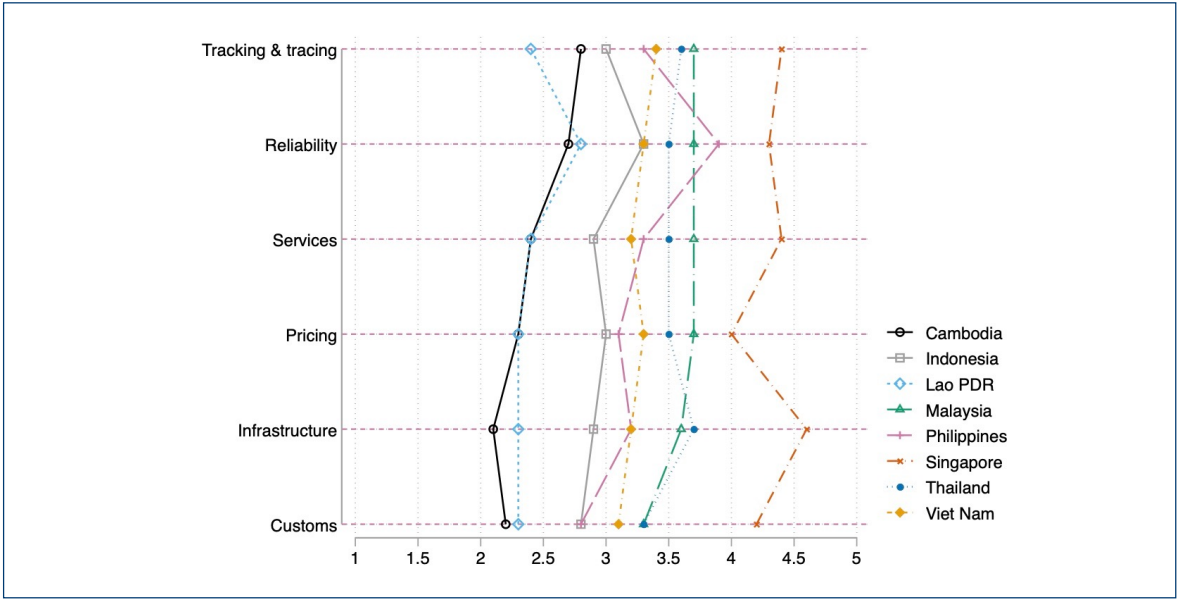
Note: Data not available for all countries for all years.

Source: World Bank (n.d.), LPI. <https://lpi.worldbank.org/> (accessed 1 April 2024).

Figure 11.8 presents data on the six individual dimensions of performance captured by the LPI. Whilst they identify distinct areas of trade facilitation, World Bank analysis indicates that they are usually strongly correlated. They therefore likely do not identify conceptually separate measures of performance, but rather represent a number of noisy measures of performance of a single underlying dimension – logistics performance. With that in mind, one finding is that the dimensions of the LPI are more stable in terms of patterns across individual AMS than are the input measures examined above. However, it would be going too far to conclude that differences in inputs do not translate into differences in output; rather, the strong correlation amongst indicators means that this stability should

not be over-interpreted. A second finding is that regional performance is relatively consistent across pillars, again more so than reference to the input measures above would suggest. But it would again be going too far to sever the link completely, given the strong correlations across individual dimensions. From a regional standpoint, however, Figure 11.8 is suggestive of some successes and challenges. In terms of the former, activities related primarily to private sector competence – tracking and tracing, reliability, and quality of service – tend to perform strongly. By contrast, customs and infrastructure – both of which depend more heavily on public sector involvement – lag the other indicators. However, the differences are relatively small and should not be given too much weight.

Figure 11.8. LPI Component Scores for Individual AMS, 2023
(index (1–5))



AMS = ASEAN Member State/s, ASEAN = Association of Southeast Asian Nations, LPI = Logistics Performance Index.
Note: Data not available for all countries.
Source: World Bank (n.d.), LPI. <https://lpi.worldbank.org/> (accessed 1 April 2024).

4. Emerging Challenges

The previous section showed that ASEAN is generally on an upwards trajectory in terms of trade facilitation performance. Improvements in the provision of inputs (policies) appear to have been translating into on-the-ground increases in metrics of inputs (economic outcomes, such as the time, cost, and reliability of international trade transactions). But the discussion above already identified areas in which the region faces challenges. These challenges are independent of the issues facing individual AMS, given the gaps in performance relative to best practice frontiers that exist in some cases. This section of the paper therefore examines emerging challenges for the region as a whole, cognisant of the fact that individual AMS will respond to them in different ways. The analysis is not exhaustive, but instead aims to highlight a small number of general issue areas that can inform ASEAN integration from a trade facilitation perspective in the post-2025 time frame.

4.1. Learning from the Private Sector

Involvement of the trade community in the design of trade facilitation reforms is a key aspect of policy design that is captured by the input indicators examined above. Whilst ASEAN's performance is relatively strong on a regional level, there are ways in which it can be improved. Doing so is a key priority for the region, as once the most obvious trade facilitation roadblocks have been removed – as evidenced by a high rate of implementation of the WTO TFA – governments are at a major information disadvantage relative to the private sector. Trade facilitation professionals deal with the realities of moving goods across borders on a day-to-day basis, and so are keenly aware of areas where improvement is most urgent. This recognition lies at the base of the drive to create National Trade Facilitation Committees (NTFCs) that bring together the public and private sectors. But looking forward, it will be important to leverage this information source in new and creative ways to take trade facilitation performance closer to a global best practice frontier that is constantly moving outwards.

An important lens through which trade facilitation improvements can be seen is as a type of (trade-specific) regulatory reform. Continuing the analogy, improving trade facilitation is not a one-off event, but rather a continuous process of upgrading: dealing effectively with outstanding implementation issues, at the same time as learning from best practice elsewhere and implementing new and innovative solutions. Whilst NTFCs have important convening power in terms of bringing stakeholders together and facilitating the passage of information, there is more they can do to evaluate, and learn from, the results of past reforms. Indeed, there is a strong case for ASEAN to engage in a process of formal, quantitative impact evaluation of its trade facilitation programmes within the AEC Blueprint 2025 context. A transparent, objective evaluation can help identify successes as well as areas where further work is required. It could be combined with an expanded, region-wide consultative process to facilitate the flow of information on reform necessities and priorities from the private sector to governments.

Indeed, an important set of stakeholders not included in NTFCs is international: traders in other AMS, who deal with countries in the region. As part of creating an economic community, it is important that the interests of traders in regional partners be taken into account in designing policy reforms locally. Moreover, foreign-based traders may have specific informational details as to aspects of a country's trade facilitation regime that they find difficult to navigate, or areas where they notice that performance deviates from common practice within the region. This type of information is potentially valuable for governments, so building out the NTFC structure to include a regional trade facilitation committee would be an important lever for building out future trade facilitation reforms. This proposal is an intensification and expansion of the existing ASEAN Trade Facilitation Joint Consultative Committee structure, with a focus on enhancing information flow and giving a voice to businesses that move goods across borders in the region.

More broadly, a useful paradigm for building out region-wide trade facilitation reforms in the context of a deepening and broadening AEC post-2025 would be to develop a framework drawn from the Good Regulatory Practice (GRP) paradigm of APEC and its partners.⁴ Of course, GRP is applicable much more broadly than just to trade facilitation, but it is one area in which the combined emphasis on process and substance, along with the importance of learning, could bear particular fruit. It is important for ASEAN to keep in mind that the global trade facilitation environment is competitive and rapidly changing. It is not enough to score well on the implementation of a basic performance benchmark, like the WTO TFA – which most of the region does. First, it is important that all AMS fully implement the agreement as soon as possible. But it is equally important that all AMS commit to moving well beyond it in the post-2025 time frame. Greater involvement of the private sector in dialogue and priority setting can help facilitate this process, and ensure that governmental resources are directed towards the issues that really matter from a business perspective.

Just as convening a regional trade facilitation committee is a way of broadening and deepening consultation on trade facilitation in the region, so too is it important to make NTFCs more inclusive. The data above suggest that ASEAN generally performs relatively weakly on issues like gender, sector-specific concerns, and to some extent SMEs. It will therefore be important to ensure that NTFCs are truly representative of the full range of traders, including women and SMEs. Whilst most SMEs do not trade directly, some do – and that number is increasing with the advent of digital platforms, where movements of small, express shipments across borders is typical – and whilst there is evidence that at least some aspects of trade facilitation can benefit small firms (Hoekman and Shepherd, 2015; Fontagné, Orefice, and Piermartini, 2020), there is more work to do to get the information into the SME community. Similarly, women can experience particular challenges in dealing with border formalities, including the possibility of harassment in some cases. So ensuring that their voice is heard in the context of NTFCs is important not just from a general social inclusion perspective, but also to

⁴ For an overview and resources, see OECD (n.d.).

ensure that trade facilitation reforms benefit women-owned and/or -operated businesses. Finally, some sectors have specific concerns about trade facilitation. Agriculture is an example: perishability of output makes timeliness and reliability particularly important, whilst the application of sanitary and phytosanitary measures at the border has the potential to disrupt agricultural supply chains. Incorporating these kinds of perspectives into the trade facilitation agenda can help extend its benefits to sectors other than manufacturing, including in lower-income AMS where sectors like agriculture can employ many people.

4.2. Setting Appropriate Targets in a Diverse Region

As discussed above, the WTO TFA is an important international benchmark for trade facilitation, but it does not represent global best practice. It should be seen as a starting point for serious work on trade facilitation, not an ambitious objective. ASEAN should therefore be clear that the objective of 100% implementation of the TFA in all AMS is a short-term priority, in the sense of one that needs to be completed before more far-reaching reforms can be undertaken in the post-2025 period. The data presented above suggest that most AMS are already well advanced in terms of TFA implementation, but it will be important for the region to address challenges in those lower-income AMS where uptake lags.

Trade facilitation is not unique for ASEAN in terms of posing the challenge of reconciling dual objectives: ambition and convergence. The former requires forward-looking targets based on global best practice, with Singapore exemplifying a regional economy that is at or near that frontier in many areas of trade facilitation. But the latter necessitates catch-up by other AMS, particularly those at lower-income levels, which in turn suggests the use of intermediate, less ambitious targets that represent reasonable short-term goals. In many respects, this dual challenge permeates the AEC generally, and reflects differences in per capita income level and the degree of trade integration amongst AMS. But the question is: how can the challenge be overcome in the context of trade facilitation?

One part of the answer is that progress on trade facilitation often requires significant real resources. Upgrading infrastructure, training border officials, and improving technology are much more resource intensive than processes like regulatory reform, which require an investment of political capital but relatively little in terms of real resources. Lower-income AMS have many competing concerns when it comes to the use of government finance. Trade facilitation, whilst important, cannot legitimately take priority over objectives like poverty reduction or development of the infrastructure and institutions needed more generally for economic growth. Whilst trade is an important ingredient in any outward-oriented economic growth strategy, it is insufficient on its own to ensure sustainable increases in per capita income that in turn support poverty reduction and broader development objectives.

Similarly, countries all around the world, including in ASEAN, are facing challenges of inclusion and environmental sustainability where trade plays at most a secondary role as part of a solution. Recognising these points does not mean that lower-income AMS should not invest in trade facilitation, but it stresses the reality that it is one development priority amongst many.

A key objective for the region should therefore be to loosen the real resource constraints facing lower-income AMS when it comes to investing in trade facilitation. In other words, financial resources need to move from higher-income AMS to lower-income AMS, in part with the objective of financing trade facilitation upgrades. The European Union has a similar mechanism through its Structural and Investment Funds, designed to address related issues from a subregional perspective, albeit without an explicit focus on trade facilitation. An existing mechanism like the ASEAN Infrastructure Fund, administered by the Asian Development Bank, could be expanded, provided with an explicit mandate to work on trade facilitation projects, and receive a resource injection from higher-income AMS and development partners.

These kinds of actions can help loosen the real resource constraints that confront lower-income AMS, and thereby facilitate convergence with regional norms. But the pace of progress will inevitably differ across countries. With the global best practice frontier moving outwards, and regional leaders moving with it, it will be important for support to lower-income AMS to be substantial. Ideally, the lowest performing countries should see the fastest improvements in trade facilitation performance, so that the region can move forward, but the heterogeneity in performance noted above can be reduced. It will not be eliminated in the short or medium term, but it is feasible to reduce it somewhat.

A 'catch-up' dynamic implies differentiated targets for groups of AMS, or even individual AMS. It is important for the region to have general targets, such as improved interaction with the private sector (see above) and making full use of technology (see below). But when it comes to detailed policy changes and other market interventions required to meet those objectives, they will differ markedly across AMS due to the significant differences in baseline performance noted above. A post-2025 AEC Blueprint would necessarily remain high level and focus on regional priorities. But there is a need for an additional mechanism to reconcile regional aims and work programmes in individual AMS, taking account of the need to both move forward as a region, and to promote convergence.

Whilst many models are available, one that could be considered is for AMS to develop individual action plans (IAPs) based on high-level regional goals, on the model of APEC's Trade Facilitation Action Plan, which many ASEAN economies have experience with. IAPs are a bottom-up model, in the sense that whilst overall objectives are developed in collaboration with regional partners, the articulation of priorities in each AMS is a matter for consultation between the government and the full range of actors involved in its trading environment. Each IAP will include different actions, but setting them out in matrix form, with target dates, makes it possible to track actions and outcomes comprehensively across the region. In addition, the IAPs of lower-income AMS could identify requirements for external financing and capacity building – doing so would be in line with international aid for trade principles, which emphasise that transfers should be demand driven.

In addition to facilitating catch-up by lower-income AMS, it will be important for the region to broaden its conception of trade facilitation beyond a focus on traditional border procedures. The appropriate scope likely lies somewhere between the narrow sense trade facilitation of the WTO TFA and the broad sense trade facilitation of APEC, using the terms developed above. The data reveal that as a region, ASEAN performs reasonably well in terms of the basic benchmark of TFA implementation, and has strengths in some areas of border management. However, emerging areas of trade facilitation remain much less developed. Examples include cross-border paperless trade; inclusion, specifically through a gender lens; SMEs; and sector-specific measures in areas like agriculture. This diagnostic is true of even high-performance AMS, so including explicit regional goals in these areas, which would represent an expansion of ASEAN's previous trade facilitation agendas, would be necessary both to ensure a more effective and efficient trading environment, and to ensure the region keeps pace with global leaders.

4.3. Making Full Use of Technology

Digitalisation is a major trend in international trade, with profound implications for trade facilitation in several respects. To some extent, this focus is not new. The use of electronic Single Window systems is a key example of digitalisation in the trade facilitation space, i.e. the use of electronic processes rather than paper documents to submit and process trade-related information. Similarly, trade repositories are generally online, and often contain collections of laws, forms, and other documents and information relevant to import and export procedures. So ASEAN already has experience with the use of technology to facilitate trade. But in a post-2025 perspective, it will be important to double down in this area, as the role of technology in facilitating trade is only likely to become more important over the medium term. Innovative use of technology is increasingly a characteristic of global best practice trade facilitation regimes. It therefore requires attention in the context of a vision of the AEC post-2025.

One aspect of using technology to facilitate trade relates to cross-border paperless trade. Data from the UNGS indicate different levels of implementation amongst AMS. But from a regional perspective, it is an area that could benefit from further commitment and work. The baseline for progress in this area is already relatively good, given existing work on National Single Windows and the ASEAN Single Window. Indeed, the regional scope of this programme within ASEAN is important, as it emphasises the interoperability of digital systems amongst AMS. In addition, the ASEAN Single Window programme has provided a base from which to engage in discussions with trade agreement partners over extending system interoperability. These kinds of steps are very positive, and should be extended and intensified as part of the AEC's programme on trade facilitation post-2025.

But there is more to the use of digital technologies to facilitate trade than a pure focus on trade-related documents and procedures. An important development, and one which is vital from the perspective of SMEs, is the rise of digital marketplaces in the region. Connecting individual buyers and sellers across borders is a significant innovation, and there is evidence that digital marketplaces significantly reduce information-related trade costs, in particular for SMEs (Lendle et al., 2016).

Whilst potentially positive both for trade and inclusion, the rise of digital marketplaces poses particular challenges for cross-border trade. First, shipments are typically small, both in terms of physical size, and, more importantly, in terms of value. But above the *de minimis* threshold for payment of tariffs, they are subject to border taxation in the same way as much larger shipments. There is therefore a strong case for raising the *de minimis* threshold, and thereby exempting a larger number of relatively small value shipments from the application of tariffs. Doing so would significantly facilitate trade, whilst not significantly undermining government revenue in lower-income AMS where trade duties are more important as a source of financing. The reason for this dynamic is that trade is heavily concentrated amongst large firms in value terms (e.g. Bernard, Jensen, and Lawrence, 1995). Raising the *de minimis* threshold for the application of customs duties is a goal that could be held in common by all AMS, with the aim of facilitating the particular type of cross-border trade that is mediated by digital platforms.

Digital platform trade also tends to rely heavily on small shipment modalities. Examples include shipment by express carrier, or use of the postal service for small parcel shipments. Traditionally, trade facilitation discussions have implicitly focused on large-scale trade, which typically takes place through shipping containers. But a shift in the discourse is clear: unlike previous editions, the 2023 World Bank LPI report contains detailed information on parcel shipments through postal services, in addition to traditional metrics based largely on container shipments. As such, there is a case for broadening the AEC's trade facilitation programme to include both upgrading of postal services, as well as liberalisation of the logistics services sector, in particular express shipments. Available data from the OECD's Services Trade Restrictiveness Index indicate that ASEAN economies are relatively restrictive on a most-favoured nation basis when it comes to the logistics services environment, in particular compared with major trading partners like Japan and the Republic of Korea. The OECD's analysis includes subsectors such as freight forwarding, customs brokerage, cargo handling, and storage and warehousing. Moving forward on services trade liberalisation in sectors that directly relate to trade facilitation is outside the scope of the WTO TFA, but is very much part of APEC-style broad sense trade facilitation. This part of the agenda could usefully be picked up by ASEAN as it dovetails with initiatives to integrate services markets in the context of the AEC.

Whilst a detailed discussion of facilitating services trade is outside the scope of this chapter, it is important to highlight the important role that technological progress plays in framing the division between goods and services trade. Increasingly, some types of trade that have historically involved physical goods are shifting to disembodied flows of information that are accounted for as services trade, due to developments like 3D printing. The implications of these developments for trade in goods are unclear: Freund, Mulabdic, and Ruta (2022) found that in the case of hearing aids, where a substantial shift towards 3D printing has taken place, there is little evidence that the technological shift has shortened supply chains and reoriented physical goods production towards local sources. However, given the increasing salience of digital trade – which is conceptually different from digitally mediated trade in physical goods using online platforms – there will be calls to liberalise this kind of trade further, which has the potential to induce reallocation effects that have small, negative implications for trade in some goods sectors (Shepherd, 2022).

Considering these kinds of changes in the marketplace, it is important to ensure that goods trade operates with as little friction as possible, including through the maximum possible use of digital technologies. In line with the discussion above, it will be important to leverage private sector expertise and experience in designing both regional and national programmes to move forward on the use of technology to facilitate trade. In addition, there is scope to use external mechanisms, such as the UN Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific, to support regional progress. In doing so, however, baseline heterogeneity amongst AMS, as discussed above, will be a significant issue. So a combination of overall regional objectives, IAPs, and financial assistance will be necessary to reconcile the twin goals of ambition and convergence.

5. Conclusion and Policy Implications

This chapter has reviewed the available evidence on ASEAN's trade facilitation performance. It has adopted two complementary perspectives (narrow and broad sense), and has covered both input and output measures from a variety of sources. Whilst detailed implications for individual AMS are complex and need further, more detailed analysis, it is possible to distil some general findings on a regional level.

First, there is clear evidence that ASEAN has made important progress on trade facilitation in the context of the AEC Blueprint 2025. This conclusion means that there have been noticeable changes in policy, and they have translated into altered conditions on the ground for operators involved in the day-to-day movement of goods across borders. Whilst this finding is encouraging, it needs to be contextualised: the global best practice frontier for trade facilitation is constantly moving outwards, so from a competitive perspective, it is important to move as quickly as possible to implement new measures.

Second, ASEAN has been successful in ensuring widespread and rapid implementation of the WTO TFA. However, this finding is not uniform across all AMS: some lower-income countries are experiencing difficulties with TFA implementation and are still at a relatively early stage. The TFA is not the global best practice frontier for trade facilitation, but instead is a global benchmark of basic performance. Completing TFA implementation in the region should be a short-term priority, not one for a post-2025 environment.

Third, and related to the second finding, ASEAN's performance is highly heterogeneous at the level of particular measures and individual AMS. Some AMS are amongst the leading trade facilitation performers in the world; others are at an intermediate level of performance; a few lag the rest of the group substantially. However, the picture is more complex at a detailed level: there is scope for improvement in all AMS, within a broad, regional commitment to facilitating the free movement of goods across borders.

Finally, emerging areas of trade facilitation policy and practice are typically those where ASEAN's overall performance is weakest. Examples include the gender implications of trade facilitation, sector-specific measures (e.g. for agriculture), cross-border paperless trade, and SMEs. Whilst ASEAN has structures in place that can support work in these areas, they stand out as examples of cases where regional practice needs a more substantial impetus if it is to approach the global frontier.

Moving forward, ASEAN faces three key challenges in designing and implementing a trade facilitation programme within the context of the AEC for the post-2025 time frame: it needs to facilitate information flow between the public and private sectors, both regionally and nationally; it needs to set appropriate targets that reconcile the need for regional ambition and the reality of necessary convergence amongst AMS; and it needs to make full use of technology to facilitate trade, in line with changing technology and market conditions.

These findings and challenges suggest steps that AMS could take in designing a trade facilitation programme within the context of the AEC for the post-2025 period, including:

Public–Private Cooperation:

1. Conceptualise trade facilitation as a type of regulatory reform, and apply insights from GRP, including by conducting a rigorous, quantitative evaluation of changes between 2015 and 2025 to facilitate learning.
2. Reinforce NTFCs and make them more inclusive, e.g. by ensuring the representation of women and small traders/SMEs.
3. Introduce an inclusive regional trade facilitation committee based on existing regional structures, as an ASEAN-wide analogue of the NTFCs in individual AMS.

Targets for Ambition and Convergence:

4. Set broad regional targets that help push the needle of AMS as a group closer to global best practice, taking the lead from regional economies like Singapore that are already close to the frontier in many areas of trade facilitation.
5. Supplement broad regional targets with IAPs where each AMS identifies detailed implementation plans, with timelines, and highlights needs for financial assistance and/or capacity building as appropriate.
6. Facilitate the flow of real economic resources from higher-income AMS to lower-income AMS by giving the ASEAN Infrastructure Fund an explicit mandate to work on trade facilitation and increasing the resources available to it.

Leveraging Technology to Facilitate Trade:

7. Continue to improve existing regional structures that support the digitalisation of trade transactions, such as National Single Windows, the ASEAN Single Window, and online trade repositories. Expand digital interoperability to key trading partners.
8. Raise the de minimis threshold for application of customs duties on a regional level to facilitate small transactions that take place through digital platforms.
9. Leverage private sector expertise to develop technology solutions that reduce goods trade frictions to the minimum possible level.

ASEAN is well placed to build on previous work on trade facilitation within the broader AEC context. However, the global environment is competitive and rapidly changing. Reconciling ambition and convergence is not just a challenge in trade facilitation, but more broadly in terms of ASEAN's regional development strategy. Nonetheless, there is scope to learn from solutions adopted elsewhere – both in trade facilitation specifically, and in other areas – to support the development of more integrated ASEAN goods markets in the post-2025 time frame.

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