

# PERSPECTIVE

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## **ASEAN Single Window: Advancing Trade Facilitation for Regional Integration**

*Sanchita Basu Das\**

### **EXECUTIVE SUMMARY**

- With tariffs reduced, trade facilitation measures covering trade and customs rules and processes have gained importance for enhancing intra-ASEAN trade.
- ASEAN governments have made commitments to implement the ASEAN Single Window (ASW) via the National Single Windows (NSWs) to address businesses' concerns regarding administrative issues at the borders.
- After missing the initial deadline, ASEAN member countries are planning to launch the ASW in 2018, at least among a sub-set of countries and for limited functions.
- Going forward, ASEAN member countries must raise awareness about ASW/NSWs, strengthen the capacity of responsible national agencies and consider a fully-dedicated unit in their national economies to manage NSW functions. They should also ensure trained manpower and adequate funding for the smooth operation of the ASW in the ASEAN Secretariat.

*\* Sanchita Basu Das is Lead Researcher (Economic Affairs) at the ASEAN Studies Centre of ISEAS – Yusof Ishak Institute, Singapore.*

## INTRODUCTION

On 31 December 2015, the 10 members of the Association of Southeast Asian Nations (ASEAN) reached a major milestone through the establishment of the ASEAN Economic Community (AEC). While ASEAN is highly applauded for lowering tariff rates to 0-5%, it is also criticised for non-tariff barriers such as cumbersome customs procedures, national standards, local content requirements, export/import taxes, lack of transparency, etc.

Surveys done by business associations and academic institutions have highlighted the fact that low awareness about ASEAN measures, inefficient bureaucratic processes and lengthy clearance times at the border are key reasons standing in the way of deeper ASEAN integration. Some even complain that a regular problem in many ASEAN countries is the requirement for illegal payments to facilitate import clearances, license applications and renewals, testing and customs inspections.<sup>1</sup>

The governments of ASEAN member countries (AMC) are not oblivious to these issues, and have been working on many of the challenges, often bundled under the heading of 'trade facilitation'. The 2025 Blueprint categorically mentions that ASEAN 'aims towards convergence in trade facilitation regimes among ASEAN Member States.' A committee has been formed to oversee the work under trade facilitation and to 'ensure expeditious movement of goods within the region'.<sup>2</sup>

This Perspective looks at the ASEAN Single Window (ASW) via the establishment of National Single Windows (NSW) in 10 member economies. The betterment of customs processes is regularly requested by importers/exporters in the region. Despite challenges in terms of coordination across government bodies, man-power and financial resources to implement single window in national economies, ASEAN countries are working earnestly to launch ASW in 2018 (at least on a limited scale). The urgency of the issue is reflected in the AEC 2025 action plan, which states 2016-2018 as an indicative timeline for operationalising the initiative.<sup>3</sup>

## TRADE FACILITATION AND ASEAN INITIATIVES

According to the World Trade Organisation (WTO), trade facilitation is the simplification and harmonisation of trade procedures, which include the collecting, processing and presenting information on cross-border movement of goods.<sup>4</sup> A broader definition encompasses the entire ecosystem in which international trade happens. This covers customs rules, administrative processes and regulatory formalities, as well as hard

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<sup>1</sup> <https://www.adb.org/sites/default/files/publication/31147/aec-work-progress.pdf>;  
[https://www.jetro.go.jp/ext\\_images/ Reports/01/4be53510035c0688/20150115\\_english.pdf](https://www.jetro.go.jp/ext_images/Reports/01/4be53510035c0688/20150115_english.pdf);  
<https://www.adb.org/sites/default/files/publication/155991/adbi-wp136.pdf>

<sup>2</sup> ASEAN 2025: Forging Ahead Together, The ASEAN Secretariat, 2015

<sup>3</sup> <http://asean.org/storage/2017/02/Consolidated-Strategic-Action-Plan.pdf>

<sup>4</sup> [http://gtad.wto.org/trta\\_subcategory.aspx?cat=33121](http://gtad.wto.org/trta_subcategory.aspx?cat=33121)

infrastructures, information technology, good governance and domestic regulations.<sup>5</sup> For ASEAN, trade facilitation is described as ‘simple, harmonized and standardized trade and customs, processes, procedures and related information flows’ that are expected to lower transactions costs, thereby enhancing export competitiveness and integration.<sup>6</sup>

Existing studies have shown that improvements in trade facilitation benefit ASEAN members both in terms of Gross Domestic Product (GDP) and intra-regional trade. It has been estimated that if ASEAN countries lower their export and import time by 20%, they can gain from a range of 0.20 (for the Philippines and Singapore) to 1.50 (Cambodia and Laos) percentage points over the baseline GDP growth rate of 2011-2015. A 1% improvement in customs and logistics facilities among ASEAN members is thus likely to push intra-regional trade up by 1.5%.<sup>7</sup>

ASEAN countries have several commitments for facilitating trade in the region. These include customs modernisation, adoption of international best practices for uniform tariff classification, customs valuation and origin determination, establishment of ASEAN e-custom, enhancement of customs efficiency and effectiveness, and the setting up of ASEAN Trade Facilitation Repository and a regional cooperation mechanism.<sup>8</sup> In the AEC 2025 Blueprint and subsequent Action Plan, trade facilitation encompasses several commitments, such as the elimination of non-tariff barriers, customs integration, ASEAN Single Window, Self-certification programme, rules-of-origin, harmonisation of standards, and others.

In the 2015 survey of 5,545 Japanese firms operating in Southeast Asia, ‘simplified customs clearance’ was recorded as the most demanded of AEC trade facilitation measures. As much as 70% of the firms surveyed in Laos and Cambodia and 55% in Indonesia requested for this measure to be implemented urgently.<sup>9</sup> For US firms, around 50% of the 451 respondents from ASEAN expect a greater reduction in transaction costs, and place a high value on ASEAN’s trade facilitation programme and customs development.<sup>10</sup> Similarly, for the EU businesses, although Singapore and Malaysia score high on ease of trade and administrative cost in the 2016 survey, there is still room for improvement for Thailand, Philippines and Indonesia.<sup>11</sup> The latest 2017 survey of 246 European companies found 67% of its respondents worrying about burdensome customs procedures within ASEAN impeding the development of their regional supply chain.<sup>12</sup>

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<sup>5</sup> Wilson, J.S., Mann, C.L and Otsuki, T. (2003) ‘Trade Facilitation and Economic Development: A New Approach to Quantifying the Impact’, *The World Bank Economic Review*, Vol 17 No 3, The World Bank, pp. 367-389

<sup>6</sup> ASEAN Secretariat (2008), ASEAN Economic Community Blueprint, Jakarta

<sup>7</sup> Intal, P. (2015). ‘AEC Blueprint Implementation Performance and Challenges: Trade Facilitation’, *ERIA Discussion Paper Series*, ERIA-DP-2015-41, May

<sup>8</sup> ASEAN Secretariat (2008)

<sup>9</sup> [https://www.jetro.go.jp/ext\\_images/\\_Reports/01/4be53510035c0688/20150115\\_english.pdf](https://www.jetro.go.jp/ext_images/_Reports/01/4be53510035c0688/20150115_english.pdf)

<sup>10</sup> [http://www.amcham.org.sg/wp-content/uploads/2015/08/ABOS\\_16\\_preview.pdf](http://www.amcham.org.sg/wp-content/uploads/2015/08/ABOS_16_preview.pdf)

<sup>11</sup> 2016 EU-ASEAN Business Sentiment Survey, EU-ASEAN Business Council

<sup>12</sup> 2017 EU-ASEAN Business Sentiment Survey (forthcoming)

## CURRENT STATE OF CUSTOMS CLEARANCE IN ASEAN

Trade facilitation measures, or more particularly, the Single Window, is crucial to the streamlining of bureaucratic procedures and clearance times at the border. Using indices like *Ease of Doing Business*, *Logistics Performance* and *Enabling Trade*, one can quickly gauge the current state of time and cost requirement for clearing customs for ASEAN countries (Tables 1, 2 and 3).

**Table 1: Ease of Doing Business for ASEAN Members, 2015**

	Trading Across Border						
	Rank (score)	Document to export (number)	Time to export (days)	Cost to export (US\$ per container)	Document to import (number)	Time to import (days)	Cost to import (US\$ per container)
Brunei	46 (80.8)	5	19	705.0	5	15	770.0
Cambodia	124 (65.9)	8	22	795.0	9	24	930.0
Indonesia	62 (77.4)	4	17	571.8	8	26	646.8
Laos	156 (52.9)	10	23	1,950.0	10	26	1,910.0
Malaysia	11 (89.9)	4	11	525.0	4	8	560.0
Myanmar	103 (70.0)	8	20	620.0	8	22	610.0
Philippines	65 (77.2)	6	15	755.0	7	15	915.0
Singapore	1 (96.4)	3	6	460.0	3	4	440.0
Thailand	36 (83.5)	5	14	595.0	5	13	760.0
Vietnam	75 (75.6)	5	21	610.0	8	21	600.0
<i>East Asia and Pacific</i>	-- (73.5)	6.1	20.2	864.0	6.7	21.6	895.6
<i>OECD High Income Countries</i>	-- (86.1)	3.8	10.5	1,082.2	4.3	9.6	1,101.6

*Note: Trading across border is one of the ten topics under Ease of Doing Business and it is further divided into indicators. The ranking is out of 189 countries.*

*Source: World Bank Doing Business Database*

**Table 2: Domestic Logistics Performance Index for ASEAN Members, 2014**

	LPI Customs Rank (score)	No of Agencies		No of Forms		Clearance Time <sup>a</sup> (days)		Physical Inspection (% of import shipments)	Multiple Inspections (% of shipments physically inspected)
		X	M	X	M	Without Physical Inspection	With Physical Inspection		
Brunei	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cambodia	71 (2.6)	3	3	3	3	1	1	17	3
Indonesia	55 (2.8)	4	3	5	4	2	5	8	3
Laos	100 (2.4)	3	3	5	5	1	1	75	1
Malaysia	27 (3.3)	2	2	4	4	1	2	2	1
Myanmar	150 (1.9)	3	2	5	5	0	1	75	3
Philippines	47 (3.0)	5	4	7	4	2	5	10	4
Singapore	3 (4.0)	1	1	1	1	0	1	5	3
Thailand	36 (3.2)	4	3	2	2	1	1	3	2
Vietnam	61 (2.8)	4	4	5	3	1	2	53	7

Note: X denotes Exports and M denotes Imports. n.a. – data not available

a - Time taken between the submission of an accepted customs declaration and notification of clearance.

The LPI index is a multidimensional assessment of logistics performance, rated on a scale from 1 (worst) to 5 (best). Customs is one of the 6 core dimensions. The ranking is out of 160 countries and maximum score is 4.10 for customs

Source: World Bank (2014), Logistics Performance Index and its Indicators

**Table 3: Enabling Trade Index for ASEAN members, 2014**

	Efficiency and Transparency of Border Administration					
	Border Administration Index Ranking (score 1-7)	Customs Services Index (0-1)	Efficiency of Clearance Process (1-5)	Irregular Payments in Exports and Imports*	Time Predictability of Imports Procedures*	Customs Transparency Index (0-1)
Brunei	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cambodia	108 (3.4)	0.58	2.7	2.4	3.7	0.07
Indonesia	69 (4.4)	0.75	2.9	3.1	3.8	0.53
Laos	114 (3.4)	n.a.	2.4	2.8	3.9	n.a.
Malaysia	33 (5.2)	0.47	3.4	4.4	5.0	0.80
Myanmar	117 (3.3)	n.a.	2.0	2.2	3.0	n.a.
Philippines	71 (4.3)	0.71	3.0	2.7	3.5	0.50
Singapore	1 (6.3)	0.97	4.0	6.5	5.9	0.80
Thailand	56 (4.7)	0.72	3.2	3.0	3.8	0.63
Vietnam	86 (4.0)	0.40	2.8	2.3	3.5	0.60

*Note: Efficiency and transparency of border administration is a sub-category of Enabling Trade Index. \* Indicator derived from the World Economic Forum's Executive Opinion Survey and measured on a 1-to-7 scale, where 7 indicates best outcome; n.a. – data not available; The ranking is out of 138 countries*

*Source: World Economic Forum (2014), The Global Enabling Trade Report.*

Table 1 of *Doing Business* shows that the estimated costs per shipment amongst ASEAN members (except for Laos) are lower than the average of OECD countries. But there is room for improvement in terms of number of documents required and time to export and import for almost all ASEAN members (except for Singapore and Malaysia). The gap, albeit narrower, also exists between ASEAN countries and the averages of East Asia and Pacific.

Table 2 of *Domestic LPI* shows that 8 out of 9 ASEAN countries<sup>13</sup> were in the top 50% of the 160 countries ranked in 2014. Most ASEAN members require 4-5 forms being filled in and involve 3-4 agencies in order to export from or import into the country. Philippines is an exception with the highest number of agencies and documents needed to export. This, in turn, raises the number of days for customs clearance. The highest incidence of physical inspection is observed in Laos and Myanmar (75%), followed by Vietnam (53%), while Cambodia and the Philippines also suffer from this issue, albeit on a much smaller scale.

*Enabling Trade* indicators shown in Table 3 compare quality of service, predictability and transparency in border administration. Apart from Singapore and Malaysia, most ASEAN countries perform poorly and rank in the lower 50% of the total number of countries surveyed. The Philippines, Singapore, Indonesia and Thailand, though, perform relatively well in terms of customs services, it is only Singapore and Malaysia that show good score for efficiency in the clearance process. The record for irregular payment index is mixed,

<sup>13</sup> Information is not available for Brunei

with Singapore as the best and countries like Myanmar, Cambodia, Vietnam, Laos and the Philippines scoring below 3 on a scale of 1-to-7, where 7 indicates the best performance.

A key point to note here is that there is a divide among the ASEAN member countries across all the three indices. For all cases, while Singapore and Malaysia are the best performers in customs processes, most of the time, Cambodia, Laos, Myanmar and Vietnam are the relatively poorer performing ones. Hence, a key challenge for ASEAN is to narrow the performance gap between members, thereby improving the efficiency of movement of goods and services across borders. In this scenario, an ASW that simultaneously requires the establishment of the National Single Window (NSW) in each of the ten members can address many of the impediments discussed under the indices.

## **PROGRESS AND CHALLENGES IN IMPLEMENTING SINGLE WINDOW**

The decision for an ASW was made by the ASEAN countries in 2005, following which a regional document to establish ASW was adopted in 2006.<sup>14</sup> The regional document defined ASW as ‘the environment where National Single Windows (NSWs) of Member Countries operate and integrate’.<sup>15</sup> Subsequently, the 2008 Blueprint described NSW as an initiative that will enable a single submission and processing of data and information for customs clearance of cargo, expediting the process of customs clearance and reducing transaction time and costs.<sup>16</sup>

While the original timeline for establishing NSW by the ASEAN-6 members<sup>17</sup> was 2008, the remaining four<sup>18</sup> were expected to operationalise their NSWs by 2012. At the end of 2015, it was found that the countries were in different stages of establishing the single window platform. While the advanced countries, namely Indonesia, Malaysia, the Philippines<sup>19</sup>, Thailand and Singapore, had their NSWs operationalised, the less developed members (Cambodia, Laos and Myanmar) continued to struggle in the early phase of development, i.e. customs modernisation and setting up the NSW system. Brunei and Vietnam came in between. Although they had established their Single Window platform, they had not completed linking all their government agencies to the platform.<sup>20</sup> For the advanced countries too, barring Singapore and Malaysia, there were differences in terms of progress. The countries are in various stages of streamlining and connecting all trade-related government agencies and all ports and airports to their respective NSW platforms.<sup>21</sup>

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<sup>14</sup> Agreement to Establish and Implement the ASEAN Single Window Kuala Lumpur, 9 December 2005; Protocol to Establish and Implement ASEAN Single Window, December 2006

<sup>15</sup> ASEAN Secretariat (2006) *Protocol to Establish and Implement ASEAN Single Window*, Jakarta

<sup>16</sup> ASEAN Secretariat (2008)

<sup>17</sup> Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand

<sup>18</sup> Cambodia, Laos, Myanmar and Vietnam

<sup>19</sup> Philippines had to upgrade their NSW later and named it as Trade Net System

<sup>20</sup> Koh, J. and Mowerman, A.F. (2013). ‘Towards a Truly Seamless Trade Facilitation Regime in ASEAN Beyond 2015’, *ERIA Discussion Paper Series*, ERIA-DP-2013-29, Jakarta: ERIA

<sup>21</sup> Author’s discussion with implementing agencies and businesses; Intal, P; Fukunaga, Y.; Kimura, F; Han, P; Dee, P; Narjoko, D and Oum, S. (2014). *ASEAN Rising: ASEAN and AEC Beyond 2015*, Jakarta: Economic Research Institute for ASEAN and East Asia (ERIA)

There were three primary challenges for such uneven implementation across ASEAN countries.<sup>22</sup> First, for implementing a new policy initiative, it is vital that there be a support base both across government agencies and private sector. It is also essential to have a common understanding about the overarching objective and policy outcome. In the case of NSW which required cooperation across multiple government bodies,<sup>23</sup> lack of knowledge and political willingness at the lower levels of bureaucracy were the major hindrances. For some countries, while members of the team responsible for implementation were trained in technical matters of NSW, they were not aware of AEC. This led to a lack of drive to deliver on NSW commitments by the stipulated timeline as mentioned in the AEC 2015 blueprint. For less developed ASEAN members, absence of technical and legal knowledge was a constraint. In addition, often, the responsible agency for NSW found it difficult to cooperate with other government bodies as the NSW may not be their policy priority. This has adverse implications in terms of available financial resources. Therefore, lack of enthusiasm, shortage of technical manpower and financial resources to implement the measure have been crucial impediments.

Second, establishing NSW, which transforms a fragmented system into a ‘one stop facility’, requires a major reorganisation of government departments. This leads to challenges as all government agencies may not be easily agreeable to transfer functions to a new body (or a platform). In implementing NSW, many ASEAN countries have faced difficulties at two levels. Senior bureaucrats have felt that their functions or power were being reduced and the operational staffs were worried for many personal reasons, ranging from different job location or need for new job skills to extra earnings through unethical payment from traders in return of issuance of permits and licenses. These concerns about personal gains and losses lengthened negotiations among stakeholders in domestic economies, thereby slowing down the implementation process.

Third, there were many contextual factors that impeded smooth implementation. NSW, being a multi-year implementation project, is often affected by factors like political transition and policy priority or readiness of existing infrastructure. For example, the Indonesian NSW had connected only 17 ports (out of 126) and a possible reason for this limited connectivity is the lack of appropriate infrastructure in the other ports in terms of handling imports and exports.

Of course, the varied pace of implementation of NSWs had implications for the eventual establishment of ASW. By end-2015, although ASEAN member countries (AMC) adopted the legal framework on cross-border exchange of data and ran several pilot projects to test NSW’s connectivity across a sub-set of member countries, the region-wide project could not be launched due to the lack of technical coherence across the eligible NSWs.<sup>24</sup>

AMC have been working tirelessly to iron out their differences since late-2015. Currently, Indonesia, Malaysia, Singapore and Thailand have linked their NSWs to regularly exchange

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<sup>22</sup> The observations are from the author’s discussion with several NSW stakeholders in the region.

<sup>23</sup> For example, Thai NSW links 36 government agencies and Indonesia NSW links 18 government bodies.

<sup>24</sup> Personal discussion with policy-makers and technical assistance groups.

data on certificate-of-origin (called Form D<sup>25</sup>). Brunei and Vietnam have tested their connectivity and will join others to exchange data shortly. Cambodia and the Philippines are expected to link their NSWs before end of 2017. It is Laos and Myanmar who continue to face challenges in setting up their national systems.<sup>26</sup> It seems that even if the AEC 2025 action plan has stipulated a timeline of 2018 to operationalise the region-wide single window, it is highly likely to involve only a sub-set of member countries. Also, it will be primarily for exchanging information on Form D, which will be later extended to other functions like exchange of data on advance cargo information and policy harmonisation across member countries.

## CONCLUSION

ASW is seen as a way to undertake administrative reforms in ASEAN member countries' border customs in order to expedite cargo clearance and improve time required to import/export and transparency at the border.

At the end of 2015, these countries were in various stages of implementing their national windows. The systems were not coherent with each other for ASW to be operationalised. But since then the countries have been working together to iron out their differences. Currently, some AMC have already linked their national systems to exchange data, and others are expected to join shortly. Laos and Myanmar, however, are still working on their systems and are unlikely to join ASW anytime soon.

AMC are targeting to launch ASW by 2018, at least among a sub-set of them. They have strong political will and a shared understanding that the single window is a key trade facilitation measure that needs to be implemented in the shortest possible time. Moreover, as signatories of WTO, all ASEAN countries have made commitments, albeit optional, under the WTO trade facilitation agenda of single window initiative.<sup>27</sup>

Going forward, AMC need to raise awareness about the initiatives among businesses, including the SMEs, as benefits from ASW/NSW may not be obvious enough to them at the moment. The countries need to identify firms that are currently trading or have the potential to trade in the region and educate them on border reforms. Workshops and public outreach activities both at the national and regional levels would be useful in this regard.

AMC will need to ensure good coordination among its national agencies for smooth implementation of the systems. Officials need to be trained for common understanding regarding the overall goals of AEC. Finally, these countries should have a fully dedicated unit for NSW in their national economies. Many of them initiated their NSW platform in their customs agency, thereby sharing the same resources. This may become difficult to sustain in the future as although ASW will be launched on a limited scale initially, it will

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<sup>25</sup> Form D: An exporter needs to obtain Form D certification from his national government to confirm that the good has met the 40% requirement of Rules-of-Origin. Form D must be presented to the customs authority of the importing government to qualify for ASEAN's preferential tariff rates.

<sup>26</sup> Author's discussion with business groups and other stakeholders.

<sup>27</sup> [https://www.iseas.edu.sg/images/pdf/ISEAS\\_Perspective\\_2017\\_47.pdf](https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2017_47.pdf)

be extended for other functions subsequently. Also, AMC need to ensure robust funding of the ASW office in the ASEAN Secretariat for its smooth operation by 2018 and beyond.

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