



# Trade and Facilitation



## Trade Facilitation in ASEAN

As Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand have eliminated the import duties on 99.65% of traded tariff lines since 1 January 2010, while Cambodia, Lao PDR, Myanmar and Viet Nam have 98.86% of their traded tariff lines reduced to 0-5%, the focus of ASEAN will shift to further enhance trade among ASEAN Member States (AMS). In this context, and in order to facilitate a free flow of goods and to promote a regional production network in ASEAN, AMS adopted the Trade Facilitation Work Programme in 2008 and the Trade Facilitation Indicators were subsequently adopted in 2009.

### Tariff Liberalisation in ASEAN

On 1 January 2010, ASEAN-6 eliminated tariffs on additional 7,881 tariff lines bringing the number of tariff lines having zero duty to 54,467, or 99.65% of the traded tariff lines under the Common Effective Preferential Tariff (CEPT-AFTA). Of the 7,881 additional tariff lines that have zero duties, goods under the Priority Integration Sectors account for 24.15% of tariff lines, iron and steel account for 14.92%, machinery and mechanical appliances for 8.93%, and chemicals for 8.3%. This additional tariff elimination brings the expected average tariff rate of ASEAN-6 to only 0.05 % in 2010 from 0.79 % in 2009. For Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV), import duties on additional 2,003 tariff lines have been reduced to 0-5% resulting in total 34,691 tariff lines or 98.96% of total tariff lines having 0-5% import duties. In addition to the above-mentioned items, products like prepared foodstuff, furniture, plastics, paper, cement, ceramics, glass, and aluminium of ASEAN origin will also enjoy duty-free entry into Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand.

### Improving the Transparency of Trade

ASEAN is working towards the establishment of an ASEAN Trade Repository (ATR) by 2015 that would serve as a gateway of regulatory information at regional and national levels. The ATR, among others will carry information on tariff nomenclature; preferential tariffs offered under the ASEAN Trade in Goods Agreement

(ATIGA); Rules of Origin; non-tariff measures; national trade and customs laws and rules; documentary requirements; and list of authorised traders of Member States. Once established and fully functioning, the ATR and the information contained therein will be accessible through the internet to economic operators like exporters, importers, traders, as well as government agencies and the interested public and researchers. Currently, ASEAN is developing the design and mechanism of the ATR.

### Continuous Reforms of Rules of Origin

With a view to achieving a more expeditious clearance and release of containerised shipments by Customs authorities, AMS are developing the ASEAN Single Window (ASW) which would provide an integrated platform of partnership among government agencies and end-users in the movement of goods across AMS. The AMS are also engaged in the process of continuously reforming and enhancing the ASEAN Rules of Origin (ROO) to respond to changes in global production processes, including making necessary adjustments. The objective is to make the ROO more trade facilitative and, at least, as liberal as those contained in the ASEAN FTA arrangements. The revision of the ROO undertaken to this date has introduced other origin criteria as an alternative to the long-standing Regional Value Content (RVC) of 40%. This provides economic operators a wider option of co-equal methods of achieving ASEAN origin status for regionally traded products. AMS are also considering the establishment of the Self Certification scheme for the declaration of origin, which is a priority effort as envisaged in the ASEAN Economic Community (AEC) building process. The self certification scheme provides "certified economic operators" like exporters, traders, and manufacturers who have demonstrated their capacity to comply with the origin requirements to self certify the originating status of goods in replacement of presenting a Certificate of Origin issued by the issuing government authority.

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## ASEAN Trade in Goods Agreement (ATIGA)

In pursuing the goal of establishing a single market and production base with free flow of goods by 2015 for the ASEAN Economic Community, a more integrated and holistic approach would be required. This calls for the integration and inclusion of existing and additional measures relevant to the trade in goods initiative under one umbrella. To achieve this, the ASEAN Economic Ministers agreed in August 2007 to enhance the Common Effective Preferential Tariff for ASEAN Free Trade Agreement (CEPT-AFTA) into a more comprehensive legal instrument. This has led to the signing of the ASEAN Trade in Goods Agreement (ATIGA) in February 2009.

### Key Elements of the ATIGA

- (i) ATIGA consolidates and streamlines all the provisions in the CEPT-AFTA, and formalises several ministerial decisions. As a result, the ATIGA becomes a single legal instrument for government officials who implement and enforce the Agreement, as well as for the private sector who are the beneficiaries.
- (ii) The ATIGA annex provides the full tariff reduction schedule of each Member State and spells out the tariff rates to be applied on each product for each year up to 2015. This makes tariff reduction schedules transparent and predictable for the business community. A single legal enactment to effectively implement the stipulated reduction schedule up to 2015 is also expected.

(iii) The ATIGA comprises elements to ensure the realisation of free flow of goods in ASEAN, including the following: tariff liberalisation, removal of non-tariff barriers, rules of origin, trade facilitation, customs, standards and conformance, and sanitary and phyto-sanitary measures. The ATIGA contains comprehensive coverage of commitments related to trade in goods, and mechanisms of its implementation as well as institutional arrangements. This would allow for synergy of actions being undertaken by the various ASEAN sectoral bodies.

(iv) With the objectives of eliminating non-tariff barriers, the provisions on non-tariff measures (NTMs) in the ATIGA have been enhanced further through codification of measures, as well as establishment of a mechanism to monitor the committed elimination of non-tariff barriers.

(v) The ATIGA places emphasis on trade facilitation measures by including the ASEAN Framework on Trade Facilitation. Subsequently, ASEAN has developed the Trade Facilitation Work Programme for the period of 2009-2015.

### Entry into Force of the ATIGA

The ATIGA will enter into force upon the ratification of all Member States. When it enters into force, certain ASEAN agreements relating to trade in goods such as the CEPT Agreement and selected Protocols would be superseded.

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# ASEAN Customs Modernisation

The customs administrations in the ASEAN Member States have embarked on the acceleration of modernisation of Customs techniques and procedures with the main thrust to enhance trade facilitation. With these objectives in mind, the Strategic Program of Customs Development (SPCD) stipulates, for example, the release of any containerised shipment in thirty minutes. With a view to modernising the Customs operations, Information and Communication Technology (ICT) applications have been introduced in the customs clearance of goods in all Member States in accordance with international standards. This has contributed to reducing both the time required for release of shipments from customs control and processing costs. The customs administrations are also working in partnership with industries and businesses to strengthen and improve the level of service and compliance.

With tariffs going down to zero tariff rates on 99.65% of traded lines for the ASEAN-6 (Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand) and 0-5% on 98.86% of traded lines for the remaining four countries, beginning 1 January 2010, the Customs agencies and departments are accelerating efforts in enhancing trade facilitation vis-à-vis expeditious customs clearance.

## Progress and Achievements

- ASEAN customs administrations adopted the ASEAN Customs Vision 2015 at the 17<sup>th</sup> Meeting of the ASEAN Customs Directors-General in Vientiane, Lao PDR, in June 2008.
- Substantial progress has been achieved in reviewing the ASEAN Agreement on Customs (1997) to support the realisation of the ASEAN Economic Community. New provisions enable ASEAN customs practices to align to international

conventions and standards such as the Revised Kyoto Convention, WTO Agreement on Customs Valuation and the implementation of the World Customs Organization SAFE Framework of Standards.

- Member States have implemented the ASEAN Harmonized Tariff Nomenclature 2007/1, which is fully aligned to the Harmonized Commodity Description and Coding System 2007.
- The Client Service Charters have been adopted by ASEAN customs administrations as a commitment to good governance.
- The ASEAN Customs Valuation Guide, the ASEAN Cargo Processing Model and the Customs Post Clearance Audit Manual have been developed and are being used by Member States.
- Efforts in facilitating regional connectivity and activating the ASEAN Customs Transit System under the ASEAN Framework Agreement on Facilitation of Goods in Transit have been intensified. It is expected that Protocol 7 under this Agreement would be signed in 2010.
- The ASEAN customs administrations are currently working to fully operationalise the ASEAN Single Window which is expected to provide a common platform of partnership among regulatory and enforcement agencies and economic operators in expediting customs clearance and release.

## Future Directions

ASEAN will continue its efforts in modernising customs techniques and enhancing the delivery of customs services to the public in line with the ASEAN Economic Community Blueprint.

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## ASEAN Single Window (ASW)

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ASEAN is developing the ASEAN Single Window (ASW) to enhance trade facilitation by providing an integrated platform of partnership among government agencies and end-users such as economic operators, transport and logistics operators in the movement of goods.

ASEAN Member States have invested substantial effort in establishing the ASW through the laying of the foundation to secure the interoperability and interconnectivity of various automated systems of information processing.

Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand have activated their National Single Windows (NSWs) and are currently at various levels of development in their operationalisation.

Cambodia, Lao PDR, Myanmar and Viet Nam have started building the groundwork in the development of their NSWs.

At the national level, several government agencies have established functional linkages within their NSWs with a view to expediting the release of shipments from Customs.

ASEAN businesses and industries are increasingly making use of the NSWs for release of shipments from Customs control. In Cambodia, Lao PDR, Myanmar and Viet Nam, the e-Customs applications constitute the main enabler.

ASEAN adopted the ASEAN Data Model (Work base 1.0) in April 2008 and is currently upgrading it to the ASEAN Data Model (Version 2.0) on the basis of international standards of relevant international organisations such as the World Customs Organization (WCO), International Organization for Standardization (ISO), and the United Nations Economic Commission

for Europe (UNECE). This Data Model provides the common language of dialogue within and among the NSWs and the international trading community.

Another initiative that ASEAN has embarked on is the ASW Pilot Project that would work towards the design of the ASW Technical Prototype in 2010.

The Memorandum of Understanding for the implementation of the ASW Pilot Project is being finalised and would provide the legal background for activities being conducted under the ASW Pilot Project.

Brunei Darussalam, Indonesia, Malaysia and the Philippines have successfully conducted the electronic exchange of information of the Common Effective Preferential Tariff (CEPT) Form D using a regional platform.

ASEAN has also adopted the concept of business processes towards the development of the electronic processing of the ASEAN Customs Declaration Document.

Some of the major key areas under consideration of Member States in the establishment of the ASW are: business processes, data harmonization, communication protocols, security and legal framework.

Partnership with the trading community and economic operators need to be initiated as these parties play a key role in the realisation of ASW as clearly stipulated in the Agreement to Establish and Implement the ASEAN Single Window and the Protocol to Establish and Implement the ASEAN Single Window.

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## Conformity Assessment in ASEAN

Mutual Recognition Arrangements (MRAs) are agreements made between two or more parties to mutually recognise or accept some or all aspects of one another's conformity assessment results.

In the area of conformity assessment, having such MRAs in ASEAN would reduce the need for a product to undergo multiple tests in order to be sold or used in different ASEAN countries. As such, MRAs can help reduce business costs on test reports and increase the certainty of market access for products. Consumers also are assured of the quality of the products in the market that have been tested in accordance with the requirements of the MRAs.

ASEAN MRAs are concluded at the government-to-government level for product sectors regulated by the governments. The ASEAN Framework Agreement on Mutual Recognition Arrangements was signed in 1998 and it has provided a framework for ASEAN Member States to conclude MRAs in different sectors.

### Two Sectoral MRAs Concluded

To date, ASEAN has concluded two sectoral MRAs, namely in the electrical and electronic sector and the cosmetics sector. The ASEAN Electrical and Electronic Mutual Recognition Arrangement was signed in April 2002 while the ASEAN Mutual Recognition Arrangement of Product Registration Approvals for Cosmetics was signed in September 2003.

The ASEAN Electrical and Electronic MRA covers electrical and electronic equipment (EEE) that is connected to low voltage power supply or is battery powered. There are currently 13 Testing Laboratories and 2 Certification Bodies listed under this MRA. Under this MRA, any EEE product that has been tested and/or certified by a listed Testing Laboratory or Certification Body would be accepted as having met the regulatory requirements of all ASEAN Member States.

The ASEAN MRA of Product Registration Approval for Cosmetics is not compulsory for ASEAN Member States. However, it is considered to be a preparatory stage before ASEAN Member States accede to the ASEAN Cosmetics Directive. This directive has been implemented since 1 January 2008 making it a single regulatory regime for cosmetics in the ASEAN region.

MRAs for agro-based products and automotives sectors are being developed. They are expected to be concluded by 2010.

### Future Steps

ASEAN is working on having the Marking Scheme to indicate that a product is in conformity with the ASEAN Harmonised Technical Regulations/Requirements specified under the relevant ASEAN Agreements. In other words, the Marking Scheme shows that the product has complied with the harmonised requirements of ASEAN Member States.

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# Harmonising Standards and Technical Regulations

Different standards and technical regulations, excessive of what is needed, can pose as technical barriers to trade. As such, harmonising standards, technical regulations and conformity assessment will play a key role in trade facilitation.

Since 1992, ASEAN has been working towards the free movement of goods in the region by the removal of non-tariff barriers to trade. Work in this area has been directed towards the harmonisation of standards, technical regulations and conformity assessment procedures.

## Alignment with International Standards and Practices

In preparing, revising or applying standards and technical regulations and associated conformance regulations, ASEAN's approach is based on the use of international standards and practices as well as alignment with the WTO/TBT obligations as far as possible, except where legitimate reasons for deviations exist.

The ASEAN Policy Guideline on Standards and Conformance, adopted in 2005, sets the guiding principles for the implementation of joint efforts of ASEAN Member States in the area of standards and conformance, both in regulated and non-regulated sectors.

The ASEAN Good Regulatory Practice Guide provides guidance to regulators in ASEAN Member States to assist in the preparation and adoption of efficient regulatory arrangements that would improve the consistency and transparency of technical regulations, thereby reducing the regulatory barriers to trade.

## Harmonisation of Standards

Work on harmonising standards began with the identification of 20 priority products in 1997. As a result, a total of 58 standards for electrical appliances

and three standards for rubber-based products sector were harmonised. Progress also has been reported in the pharmaceutical sector.

Product and Corresponding Standards	Progress Made
<b>Electrical Appliances</b> ISO, IEC & ITU	58 harmonised standards
<b>Electrical safety</b> IEC	71 harmonised standards
<b>Electromagnetic components</b> CISPR	10 harmonised standards
<b>Rubber-based products</b> ISO	3 harmonised standards
<b>Pharmaceuticals</b> International Conference on Harmonisation Requirements (ICH)	Completion of the ASEAN Common Technical Dossiers (ACTD) and ASEAN Common Technical Requirements (ACTR)

The harmonisation of standards in the sectors earmarked as priority for economic integration (see Fact Sheet 2007/AEC/002) also are underway. These include agro-based products, cosmetics, fisheries, pharmaceuticals, rubber-based products, wood-based products, automotive, construction, medical devices, traditional medicine and health supplement sectors.

## Harmonisation of Technical Regulations

ASEAN has harmonised the technical regulations for the cosmetics and electrical and electronics sector. The ASEAN Harmonised Cosmetic Regulatory Scheme was signed on 2 September 2003 and the ASEAN Harmonised Electrical and Electronics Equipment Regulatory Regime was signed on 9 December 2005.

The harmonisation of technical regulations is underway for based products, automotive, medical devices, traditional medicine and health supplement sectors.

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## Ensuring Safe Pharmaceutical Products in ASEAN

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Divergences in national product standards often act as impediments to trade in goods. In order to promote deeper economic integration between economies towards the realisation of the ASEAN Economic Community by 2015, harmonisation of product standards and technical regulations, and mutual recognition of test reports and certification are necessary.

In the area of healthcare, which is one of the priority sectors identified to accelerate the economic integration process, the ASEAN Sectoral Mutual Recognition Arrangement (MRA) for Good Manufacturing Practice (GMP) Inspection of Manufacturers of Medicinal Products was signed by the ASEAN Economic Ministers at the 14<sup>th</sup> ASEAN Summit and Related Summits on 10 April 2009 in Pattaya, Thailand.

### **MRA for GMP Inspection of Manufacturers of Medicinal Products**

The MRA for GMP Inspection of Manufacturers of Medicinal Products calls for the mutual recognition of GMP certifications and/or inspection reports issued by inspection bodies that are parties to this MRA through their listing as the authorised bodies to issue such certificates and/or test reports. These certificates and/or inspections reports will be used as the basis for regulatory actions such as the granting of approvals or licences to the manufacturer, supporting post-market assessments of conformity of these products, and providing information on the manufacturer's facilities including the testing laboratories, if any, or its contracted laboratory. The reports also will include information on the dosage forms manufactured at the facility and whether the manufacturer complies with the GMP requirements.

Under this MRA, a facility manufacturing medicinal products shall ensure that it is licensed or authorised to manufacture medicinal products or carry out a manufacturing operation in question. The facility shall be regularly inspected for compliance with GMP standards. The facility shall also demonstrate that it complies with the Pharmaceutical Inspection Cooperation Scheme (PIC/S) Guide to GMP for Medicinal Products or equivalent GMP code to fulfil the obligations under this MRA.

The MRA will be fully implemented by all ASEAN Member States by 1 January 2011.

### **Benefits**

This MRA will benefit both manufacturers and consumers alike. For manufacturers of medicinal products, in particular pharmaceutical products, ensuring the safety, quality and efficacy of their products will become a priority. Compliance with the MRA demonstrates that the medicinal products in ASEAN are consistently produced and controlled in accordance with the agreed principles of good manufacturing practices and quality standards among ASEAN regulators. This will enhance the competitiveness of the manufacturers as well as the consumers' confidence in their products.

Business costs will also be reduced since manufacturers do not need to undertake repetitive testing or certification process. For consumers, they will benefit from the assurance that the medicinal products they consume are safe for use.

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