



## ASEAN Position Paper 2018

### Executive Summary

The Conference of Asia Pacific Express Carriers (CAPEC)<sup>1</sup> looks forward to working with ASEAN Member States (AMS) to advance key objectives set out in the ASEAN Economic Community (AEC) Blueprint 2025 in order to achieve 'Inclusive, Innovation-led Growth'.

We commend ASEAN for its vision to connect the region, grow digital innovation, and upgrade skills to support the growth of the thousands of micro, small and medium enterprises (MSMEs) that are the backbone of South East Asia's individual and collective economies.

CAPEC supports a focus on strengthening ASEAN's physical connectivity and competitiveness to help ASEAN MSMEs grow market share. In 2018, we encourage AMS to consider three objectives:

1. Strengthen integration through full implementation of key ASEAN trade, customs, and transportation commitments and the World Trade Organisation's (WTO's) Trade Facilitation Agreement (TFA).
2. Adopt additional facilitation arrangements to deepen integration, such as *further* simplifying customs processes and documentation for low-value shipments to grow cross-border e-Commerce.
3. Address barriers impacting the competitiveness of logistics, delivery, and related services in ASEAN.

### CAPEC 2018 Recommendations

#### 1. Strengthening Current Commitments

ASEAN's current trade, transportation, and customs facilitation agreements are important foundations for a more connected South East Asia. We urge ASEAN to continue its efforts to implement these commitments and make the below more tangible and meaningful for businesses.

- **ASEAN Single Window** – CAPEC welcomed the establishment of National Single Windows (NSW) throughout ASEAN and the linking of NSWs into the ASEAN Single Window (ASW) to serve as a platform for sharing and exchanging ASEAN Certificates of Origin. We encourage ASEAN to keep working with its border agencies to grow the ASW's functionality beyond document sharing towards the envisioned one-stop window for full regional clearance.
- **ASEAN Customs Transit Agreement and Transportation Protocols** – CAPEC welcomed the pilot program to implement the ASEAN Customs Transit Agreement (ACTS) and various transportation protocols in 2016. We urge AMS to ratify remaining protocols to fully implement ACTS, and working with CAPEC members, consider how to support pre-clearance and bonded transit of express shipments. To optimize loads and efficiency, we hope ASEAN will work towards enabling pick-ups and drop-offs in third countries, including full truck loads, extending designated routes within ASEAN to support a regional ground network.
- **WTO Trade Facilitation Agreement** – CAPEC welcomed the ratification of the WTO Trade Facilitation Agreement by AMS and the subsequent entry into force of the global agreement in 2017. We urge remaining ASEAN members to move swiftly towards ratification so all of ASEAN may reap the benefits of the reform. CAPEC is particularly interested in implementation of the "Expedited Shipments" provisions such as electronic pre-arrival processing; Submission of electronic documents; Release based on consolidated single manifest submission; and the introduction of a commercially-meaningful de minimis

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<sup>1</sup>CAPEC has been the regional association of the international Express Delivery Services (EDS) industry in Asia since 1996. CAPEC's founding members are DHL, FedEx and UPS. CAPEC's goal is to form a bridge between public policy and business interests to improve the regulatory environment for EDS and international trade in Asia. The EDS industry is represented globally by the Global Express Association (GEA)

threshold for low-value shipments. We also welcomed the establishment of the National Trade Facilitation Committee and urge AMS to include the participation of all border agencies and the private sector in the work of this Committee.

## 2. ASEAN Low Value Shipment Program – Facilitation of Cross-Border Trade

Complicated customs procedures are a problem for all international trade, but they can be an even greater obstacle for MSMEs and are primary factors influencing their decision to sell outside of their own market. This is because unlike well-established businesses who execute repeat Business to Business (B2B) transactions and have dedicated personnel to support their trade and compliance needs, MSMEs do not have the resources or expertise to navigate the rules of trade. The AEC Blueprint 2025 acknowledges that more emphasis on trade facilitation measures are necessary for MSMEs to create further business opportunities and to take advantage of technological innovation, both of which would create more inclusive economic growth in ASEAN. This was further acknowledged by the ASEAN Economic Ministers during their dialogue with the EU Trade Commissioner in March 2017<sup>2</sup> and also in the Chairman’s Statement from the 30th ASEAN Summit in Manila in April 2017<sup>3</sup>.

Simplifying and harmonising customs procedures in line with international agreements and best practices are key for facilitating trade and reducing costs for importers and exporters. In addition, since many intra-ASEAN shipments today are potentially eligible for ASEAN Trade in Goods Agreement (ATIGA) duty rates (i.e. zero), the cost of processing these shipments for clearance do not correspond to the returns in terms of revenue nor the risks. This is particularly the case where these shipments are low value. Finally, the compliance costs for companies to obtain the Form D Certificate of Origin does not justify the returns from zero ATIGA duty rates given the low differential with Most Favored Nation (MFN) rates. Today, only around 40% of the goods moved within ASEAN take advantage of ATIGA due to the complex procedures involved.

Customs procedures have a direct impact on trade costs, and a report from OECD<sup>3</sup> shows that customs requirements and lengthy administrative procedures can increase costs by 2 to 24 per cent of the value of traded goods. Revenue losses from inefficient border procedures may exceed 5 per cent of GDP, according to the same report, and a one-day decrease in time spent at sea could increase trade by 4.5 per cent. It therefore follows that simplifying Customs procedures will reduce the cost the trade (a key objective set to the ATF-JCC) and will also increase trade volumes.

Since ATIGA eliminates duties on almost all products traded in ASEAN, implementing this proposal would boost intra-ASEAN trade without impacting government revenues..

We recommend the following elements of the ASEAN Low Value Shipment Program to simplify registration, documentation, clearance, duty & tax remittance and returns of low-value shipments:

- **Simplification of Procedures**

- **Waiver of Certification of Origin (Form D):** Under ATIGA, certificates of origin (Form D) are waived for shipments below the value of FOB \$200. We propose for this threshold to be raised to SDR 1000 (\$1400), and permit the shipper’s/consignee’s declaration with value and country of origin for release/clearance purposes. Customs to institute enhance risk management, border inspection procedures and post audit to support this facilitation.
- **Common Data Elements:** As recommended by the WCO Immediate Release Guidelines, Customs administrations are encouraged to limit particular data to only those deemed necessary to ensure compliance with Customs Laws. We recommend

<sup>2</sup> See <http://asean.org/storage/2017/03/AEM-EU-15-JMS-Final.pdf> at Paragraph 8

<sup>3</sup> See [http://asean.org/storage/2017/04/Chairs-Statement-of-30th-ASEAN-Summit\\_FINAL.pdf](http://asean.org/storage/2017/04/Chairs-Statement-of-30th-ASEAN-Summit_FINAL.pdf) at Paragraph 42

the following data elements for ASEAN to adopt, which we believe provides the information necessary to undertake profiling for risk management purposes as well as for the calculation of other border taxes like GST/VAT. Note the elimination of the need for HS Codes for Category 3 dutiable shipments as almost all of ASEAN trade is now zero-rated.

Category of Shipment	Required Data Elements
<b>Cat 1:</b> Correspondence & Documents	Declaration, Total Gross Weight, sender and receiver information (4)
<b>Cat 2:</b> Low value consignments for which no duties and taxes are collected	Declaration (Self-Certification of Origin), Total Gross Weight, Customs Value, description of goods, consignee name, consignor name, importer name (7)
<b>Cat 3:</b> Low Value dutiable consignments	Declaration (Self-Certification of Origin), Total Gross Weight, Customs Value, description of goods, consignee name, consignor name, importer name (7)

- **Paperless Trade:** We encourage ASEAN to transition fully to paperless trade using the ASEAN Single Window interface for exchange of all relevant documents, including licenses as needed. Where no automation currently exists, it is proposed that manual submissions be temporarily accepted and processed for release.
- **Import Licenses:** Ideally, licenses would be waived for all shipments below SDR 1000. However, should licenses be necessary for reasons such as public health or safety, license application requirements should be transparent and if possible accorded on a blanket/periodic approval basis to enhance trade facilitation.
- **Simplified Clearance / Immediate Release:** Adopt simplified-entry clearance and immediate release procedures for such shipments below SDR 1000, per WCO Immediate Release Guidelines.
  - **Consolidated Declaration:** As is currently practised in a number of countries, one declaration to be submitted for all shipments in a vessel or aircraft, so long as each bill of lading or waybill is below SDR1000. Supporting paperwork like invoices would not be required at the time of lodgement, unless they have been flagged for paperwork inspection
  - **Immediate Release / Simultaneous Clearance:** Consignments may be granted immediate release with simultaneous clearance subject to any Customs selective documentary or/or physical examination of the goods based on risk management techniques, and provided that i) information required by Customs is given in advance of the arrival of goods for the purposes of processing information, calculating the amount of duties and taxes payable and for selecting consignments for documentary and/or physical examination if deemed necessary; ii) a simplified containing the information required by Customs is presented prior to the arrival of goods; iii) all duties & taxes are paid or deferred payment terms are accepted.
- **Simplify Tax and Payments**
  - **Simplify and publish tax rates:** In addition to tariffs and duty rates that ASEAN Member States (AMS) already makes available publicly, indirect tax rates and other relevant fees and charges administered at the border should be published to allow buyers to understand full landed costs. AMS to consider how to further simplify tax rates individually and amongst each other.

- **Review duty and/or tax waiver thresholds:** Customs administrations should carry out regular reviews of the value or the duty and/or tax payable below which no duties and taxes will be levied to simplify processing of low value goods.
- **Electronic payment of duties and taxes:** We encourage ASEAN in the medium term to provide automated interfaces for paperless submissions to Customs at the same time allowing for electronic payment of taxes;
- **Smart Tax Collection:** Move away from per transaction basis border tax administration towards smart tax collection methodologies such as periodical, account based payments.

**Simplification of Returns:** Establish seamless returns procedures, including duty and tax drawback schemes, timely refunds, and informal declarations when matched with outbound invoice details.

CAPEC recognizes that new challenges have emerged with the growth of cross-border e-Commerce. We are committed to collaborating with AMS border agencies to address surges in volume, share best practices for tax collection, solutions for addressing specific risks, and educate the new online trading community. However, we urge ASEAN to continue its efforts to simplify trade for our MSMEs, many of whom are now experiencing increased complexity of the rules.

### 3. Competitive Logistics in ASEAN

CAPEC commends ASEAN for the work it has undertaken over the years to support the competitiveness of the logistics sector including the 2006 ASEAN Logistics Roadmap to accelerate the integration of this sector. This work has greatly enhanced the region's overall connectivity and supported the efficiency of ASEAN's supply chains.

The logistics sector however has undergone great transformation over the last decade. Today's challenges go beyond traditional market access barriers to fair competition, workforce and skills upgrading, urban congestion and environmental sustainability. The growth of e-Commerce has also placed new constraints on the logistics sector. All these require a new look at how to keep this critical sector competitive and future-ready.

CAPEC urges ASEAN to consider, in the context of ensuring inclusive and innovative growth, to review and upgrade its commitments to accelerate the integration of the logistics sector. Our members look forward to working with ASEAN to develop a roadmap going into 2025. This roadmap could include elements such as:

- Establishment of national and regional mechanisms to promote policy and regulatory coherence in the logistics sector.
- Elimination of market access barriers for logistics services extending to the full scope of logistics services such as customs clearance, multimodal transport, warehousing, and third-party logistics.
- Competition policy aspects to level the playing field between Express Mail Services (EMS) and express delivery services.
- Border clearance chokepoints and transportation rights inhibiting the efficient and competitive movement of goods within ASEAN.
- Talent and workforce development initiatives to improve the logistics sector's efficiency and ability to manage complex supply chains
- Capacity building for ASEAN's SMEs in the logistics sector to address emerging challenges such as talent and workforce upgrading; urban congestion/environmental sustainability; business continuity; and business ethics and compliance.

- Collaboration between AMS governments and private sector to transform the logistics sector

### **Conclusion**

CAPEC highly values the many years of close collaboration between ASEAN and the EDS industry. Our member companies DHL, FedEx and UPS are committed to supporting your vision of a more connected and competitive ASEAN - a dynamic hub for manufacturing, innovation, and growth.

We thank you for your consideration and look forward to working with you to develop the above proposals.

Jan 2018