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Preparation for the AEC: Free flow of goods

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The year 2015 will be a year of special importance for Thailand as well as all Asean member states, as it marks the establishment of the Asean Economic Community (AEC) as agreed on by country leaders at the 2007 Asean Summit.

Section 9 of the AEC Blueprint clearly lays out the five core elements to attain the goal of having a single market and production base for the Asean region _ the free flow of goods, services, investment, capital and skilled labour.

But with less than three years until the AEC is to be formed, are individual countries ready? Have respective governments been taking the proper measures in preparation for inclusion in the AEC?

Let us take a look at the issue of free flow of goods. Certain international protocols are already in effect that help facilitate movement of goods within Asean. The Asean Free Trade Agreement, Common Effective Preferential Tariffs and the Asean Trade in Goods Agreement (Atiga) greatly reduce or eliminate tariff rates for most goods traded among Asean member states.

For example, under Atiga, import duties are effectively eliminated for all products (with exceptions of certain "sensitive" goods) traded intra-regionally among the more developed Asean-6 (Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand). Import duties are scheduled for elimination between 2015 and 2018 for the four less-developed CLMV states (Cambodia, Laos, Myanmar and Vietnam).

Atiga also requires member states to eliminate "qualitative restrictions", which are defined under Article 2 as "measures intended to prohibit or restrict quantity of trade with other member states, whether made effective through quotas, licences, or other measures with equivalent effect, including administrative measures and requirements which restrict trade".

But there is more to reaching the objective of free flow of goods than tariff elimination. A commercial importer is affected not only by the costs of import duties but also by the time and costs related to customs clearance. Data must be compiled and paperwork submitted to various government agencies, resulting in administrative and labour expenditures. Increased delays in customs clearance also mean greater storage costs for logistics service providers.

Therefore, reducing non-tariff barriers to enhance transparency, fixing rules of origin to respond to global changes in production and simplifying and standardising customs procedures to facilitate trade are all additional key points to the AEC Blueprint, as is the establishment of the Asean Single Window (ASW).

This last goal, however, is contingent on each member state setting up its own National Single Window (NSW), something only the Asean-6 have completed so far. The establishment of NSWs is important because, once in place, they allow traders to submit one set of documents or information, linking the multitude of government agencies and private-sector enterprises involved and thereby improving overall trade efficiency. The implementation of the ASW will further increase trade efficiency by coordinating among respective NSWs, allowing for both automatic preparation of documents and transmission of data intra-regionally.

Has Thailand taken adequate steps to prepare for the AEC regarding the free flow of goods? One need only look back at recent economic and trade data to illustrate the significance of implementing an NSW. The World Bank's Doing Business 2007 report said Thailand ranked 108th out of 183 countries in the category of Trading across Borders. Its ranking jumped to 50th in 2008 and 10th in 2009, a dramatic change reflecting the adoption of a paperless customs system (e-customs) in addition to an NSW.

Other World Bank indicators further show the importance of streamlining customs procedures. From 2007-09, the number of documents in Thailand required to export fell from nine to five for exports (bill of lading, certificate of origin, commercial invoice, customs export declaration and terminal handling receipts) and from 12 to five for imports (bill of lading, commercial invoice, customs import declaration, packing list, and terminal handling receipts for import). During the same period, the number of days and costs for exports fell from 24 and US$848 to 14 and $625 for exports and from 22 and $1,042 to 13 and $795 for imports. (The figures in the Doing Business 2012 report remain the same, with a slight reduction in import costs to $750.)

Thailand's example clearly shows the importance of e-customs systems and NSWs in addition to multilateral trade agreements on tariffs. With the Asean-6 NSWs already in place and the CLMV working toward establishing their own, the economic future looks bright for the Asean region.

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