



# **IMPLICATIONS OF THE ASEAN ECONOMIC COMMUNITY TO LOGISTICS INDUSTRY**

**ASEAN Secretariat**

**UNESCAP Regional Conference/Forum for Freight  
Forwarders, Multimodal Transport Operators and  
Logistics Service Providers**

**25 June 2015, Bangkok, Thailand**



## OUTLINE OF THE PRESENTATION

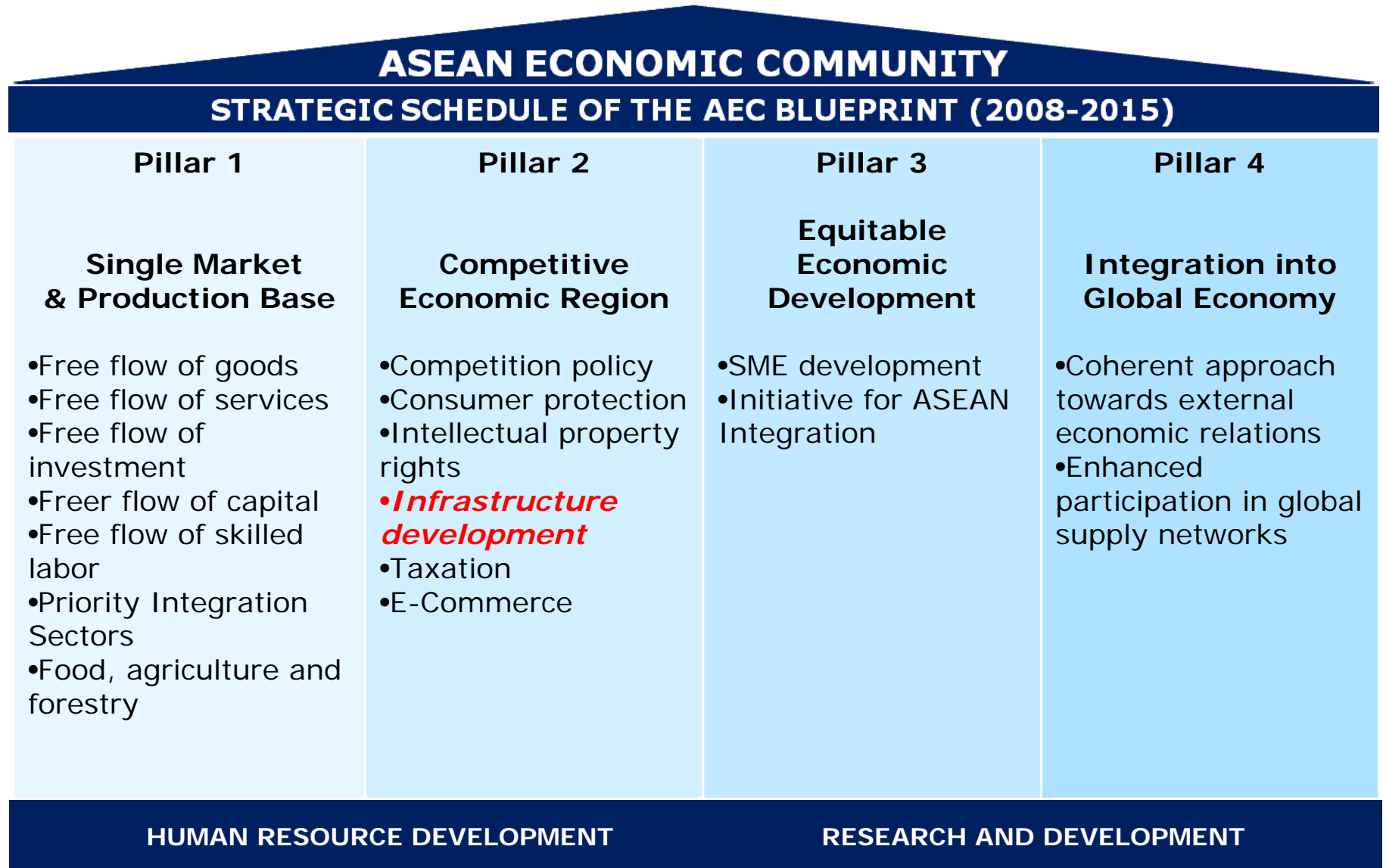
- 1) Background on ASEAN Economic Community (AEC):
  - AEC: An Overview
  - Key Achievements and Progress to date
  - Challenges and what's next
  
- 2) Logistics and Multimodal Transport in ASEAN
  - Status and Progress of Implementation of related measures
  - ASEAN Customs Transit System (ACTS) Pilot Project
  - Benefits of the AEC to Logistics Industry
  
- 3) Moving Forward

# 1) Background on ASEAN Economic Community (AEC): AEC: An Overview - In Numbers (2014)

AMS	Nominal GDP (US\$ billion)	Total Trade (US\$ billion)	Total FDI Inflows (US\$ billion)
Brunei	17.1	14.2	0.57
Cambodia	16.6	29.7	1.73
Indonesia	983.6	354.5	22.28
Lao PDR	11.7	5.4	0.91
Malaysia	326.3	443.1	10.71
Myanmar	62.8	27.3	0.95
Philippines	284.9	129.6	6.20
Singapore	307.9	776.0	72.10
Thailand	373.2	455.5	11.54
Viet Nam	186.0	293.8	9.20
<b>ASEAN</b>	<b>2,570.3</b>	<b>2,528.9</b>	<b>136.18</b>
<b>Key Regional Indicators</b>			
<b>GDP Growth (%)</b>	<b>4.6</b>		
<b>Total Trade (% of GDP)</b>	<b>98.3</b>		
<b>Total FDI (% of GDP)</b>	<b>5.3</b>		

Source: ASEANStats, as of June 2015.

# AEC Blueprint-adopted in 2007





## *Key Achievements and Progress to date*

# **P1: Single Market and Production Base**

- **Tariffs already near zero.**
- **The ASEAN Trade in Goods Agreement** created a legal framework to realise the free flow of goods within the AEC.
- **The ASEAN Framework Agreement on Services** eases restrictions on cross-border trade in at least 80 subsectors.
- **The ASEAN Comprehensive Investment Agreement** liberalises, protects, facilitates and promotes cross-border investment.
- **Movement of professionals** through MRAs for 8 professionals, Agreement on Movement of Natural persons, AQRF endorsement
- **Priority integration sector (PIS)**
- **Trade facilitation** through pilot project for self-certification, ongoing work on ASEAN Single Window, MRAs in testing standards.
- Stock exchanges from ASEAN-5 and Viet Nam have collaborated to form **ASEAN Exchanges**.



## P2: Competitive Economic Region

- Introduce **competition policy and law** as well as implement **consumer protection laws** , outreach activities. Endeavour to **accede to international IP protocols**.
- Transportation:
  - **ASEAN Highway Network** is physically connecting key roadways, including the priority Transit Transport Routes.
  - Efforts to operationalise ASEAN transport facilitation agreements (**AFAFGIT, AFAFIST and AFAMT**)
  - Implementation framework of **ASEAN Single Shipping Market**.
  - Agreements, protocols of **ASEAN Open Skies Policy** concluded, implemented
- 6 out of 16 cross-border connections of **ASEAN Power Grid** in operation. The **Trans-ASEAN Gas Pipeline** connects ASEAN's infrastructure. Lao, MYS, SGP and THA explore **cross-border power trade**.
- Continuous enhancement of **telecommunication infrastructure**.



## *Challenges and what's next*

# **Priorities towards AEC 2015**

### ***Fast track the implementation the prioritised AEC deliverables:***

- Beyond tariffs: Improved trade facilitation – ASW
- Beyond commitments: making rules & regulations work
- The missing links: transport networks and the quality of transport infrastructure

### ***Improve communication and outreach to stakeholders:***

- Access to Information on benefits of AEC is suboptimal
- Appropriate key messages to national & regional audiences needed

### ***Finalise the AEC's post-2015 agenda for deeper regional economic integration:***

- To ensure expeditious completion of outstanding AEC 2015 measures
- To incorporate lessons and experiences from AEC 2015 and be forward looking



## Beyond AEC 2015

In 2013, Leaders committed to creating a “Post-2015 Vision” to realise:

“A community that is *“politically cohesive, economically integrated, socially responsible and a truly people-oriented, people-centred and rules-based ASEAN.”*

### **Nay Pyi Taw Declaration on ASEAN Community’s Post-2015 Vision:**

- Adopted by Leaders at the 25th Summit on 12 November 2014.
- **Central elements endorsed** as a basis for full development; a **High Level Task Force to further develop the Post 2015 Vision**; cross-pillar coordination enhanced.

### • **AEC 2025:**

- (i) Integrated and Highly Cohesive Economy;
- (ii) Competitive, Innovative and Dynamic ASEAN;
- (iii) Enhanced Economic Connectivity;
- (iv) Enhanced Sectoral Integration;
- (v) Resilient, Inclusive and People-Oriented and People-Centred ASEAN;
- (vi) Global ASEAN.





## 2) Logistics and Multimodal Transport in ASEAN

- Logistics is one of the 12 priority integration sectors.
- The Roadmap for the Integration of Logistics Services (RILS) was endorsed in 2008.
- This Roadmap provides concrete actions that ASEAN Member Countries shall pursue to achieve greater and significant integration of logistics services in ASEAN.
- RILS calls for:
  - Liberalisation of logistics services in maritime cargo handling services, storage & warehousing services, freight transport agency services, courier services, packaging services, customs clearance services, international freight transportation (excluding cabotage), international road and rail freight transport services;
  - Enhancing competitiveness of ASEAN logistics services providers;
  - Expanding capability of ASEAN Logistics Service Providers;
  - Human resources development;
  - Enhancing multimodal transport infrastructure and investment.



## Roadmap for the Integration of Logistics Services

- Measures under Roadmap for the Integration of Logistics Services are implemented and monitored through the action plans of ASEAN sectoral bodies in Services, Transport and Trade/Customs.
- Measures on Roadmap for the Integration of Logistics Services have been aligned with the ASEAN Strategic Transport Plan 2011-2015



## Progress of AEC Measures: Transport

- *ASEAN Highway Network (AHN)*
- **Upgrade 'Below Class III' sections on Transit Transport Routes**
  - 'Below Class III' sections remain: AH12, AH 15 (Lao PDR), AH1, AH2 (Myanmar), AH25 (Indonesia)
- **Complete the AHN missing links**
  - Missing links : AH112, AH123 (Myanmar)

- 
- *Singapore-Kunming Rail Link (SKRL)*

- **Construct missing links**

- Ongoing: Aranyaprathet-Klongluk (Thailand), Poipet-Sisophon (Cambodia) – expected to be completed by 2015
- Feasibility study completed, seeking funding: Phnom Penh-Loc Ninh (Cambodia), Loc Ninh-Ho Chi Minh City (Viet Nam)
- Feasibility Study developing railway project linking Viet Nam and Lao PDR (Vientiane - Thakek – Mu Gia - Tan Ap - Vung Ang) would be conducted with the technical assistance from ROK



## **Enhance the performance and capacity of ASEAN's 47 designated ports**

- Study on “Project Priorities to Upgrade Performance and Capacity of ASEAN Network Ports” had been completed.
- 17 priority projects have been identified.
- Most of priority projects have secured funding commitment through national budget, private, PPP mechanism, and Dialogue Partner.
- Most of the projects are on-going.



## **Establishment of ASEAN Roll-on/Roll-off (RO-RO) Network**

- Study completed,
- ASEAN RO-RO as an alternative shipping system:
  - to strengthen connectivity between seaways and highways
  - to support the implementation of multi-modal transport system in ASEAN
- 3 priority routes to be implemented by 2015:
  - Dumai – Malacca Route;
  - Belawan – Penang – Phuket Route; and
  - Davao/General Santos – Bitung Route.
- Operationalising RO-RO prioritised routes and harmonisation of institutional arrangements.



## **Development of an ASEAN Single Shipping Market**

- Study on Formulating an Implementing Strategy for an ASEAN Single Shipping Market (ASSM) had been completed.

### Implementation Framework of ASSM

- A Task Force on the Implementation of ASSM has been established and has finalized an Implementation Framework of ASSM, including its Action Plan.
- Provides strategic measures related to policy coordination and institutional harmonisation of rules and regulation for the shipping services liberalization within the region.
- Endorsed by the 20th ASEAN Transport Ministers Meeting.



## Implementation of ASEAN Single Aviation Market (ASAM)

3 ASEAN Air Services Agreements have entered into force:

- *ASEAN Multilateral Agreement on the Full Liberalisation of Air Freight Services/MAFLAFS (2009)*
- *ASEAN Multilateral Agreement on Air Services/MAAS (2009)*
- *ASEAN Multilateral Agreement on the Full Liberalisation of Passenger Air Services/MAFLPAS (2010)*

Implementation Framework adopted at 17<sup>th</sup> ATM, 2011.

Air Transport Agreements with Dialogue Partners:

- China: signed in 2011.
- EU, India and ROK: being discussed.





## **Progress of AEC Measures: Multimodal Transport and Transport Facilitation**

### ***I. Establish integrated multimodal transport system through***

- a) Operationalisation of ASEAN Transport Facilitation Agreements
- b) Implement initiatives to facilitate inter-state passenger land transportation
- c) Conduct studies on potential part of ASEAN to function as land bridges in global supply routes

### ***II. Develop environment-friendly logistics***

### ***III. Enhance competitiveness of ASEAN Logistics Industry***



## ***I. Establish integrated multimodal transport system***

### **a) Operationalisation of ASEAN Transport Facilitation Agreements**

**ASEAN Transport Facilitation Agreements** aim to:

- simplify and harmonise trade/transport procedures and documentation;
- formulate uniform guidelines and requirements for the registration of transit transport and multimodal transport operators, and
- promote ICT applications for seamless cargo transportation.

### **ASEAN Framework Agreement on Facilitation of Goods in Transit (AFAFGIT)**

- Signed in 1998, into force in 2000. Out of 9 Protocols, 4 have been into force, 4 pending full ratification, 1 to be concluded.

### **ASEAN Framework Agreement on Facilitation of Inter-State Transport (AFAFIST)**

- Signed in 2009, ratified by and entered into force among Cambodia, Lao PDR, Philippines, Thailand and Viet Nam.



## **ASEAN Framework Agreement on Multimodal Transport (AFAMT)**

- Aims to facilitate the development and operationalisation of efficient multimodal transport services adequate to the requirements of international trade.
- Establish a regional liability framework that allows for door-to-door delivery of goods using as many modes of transport and terminals under a single transport document.
- Stipulates a set of rules relating to the carriage of goods by ASEAN Multimodal Transport Operators (MTO), including the minimum qualifications required prior to register as an ASEAN MTO.
- Signed in 2005, ratified by and entered into force among Cambodia, Philippines, Thailand and Viet Nam.
- ASEAN Member States are expected to enact domestic legislations to allow MTO from other Member States to operate in its territory.



### **b) Inter-state passenger land transportation**

- ASEAN Framework Agreement on Facilitation of Cross-Border Transport Passengers by Road Vehicles (CBTP) is being drafted.

### **c) Studies on potential part of ASEAN to function as land bridges in global supply routes**

- Preliminary Study on “Land Bridge” connecting the ports (dry and sea ports) in ASEAN Mainland has been completed.
- 6 potential land bridges have been identified.
- Study on Integrated and Seamless Land Bridges is being conducted.

## **II. Develop environment-friendly logistics**

- Action Plan on Green Logistics Vision is being developed with support from Japan.
- Green Freight and Logistics under the ASEAN-German Technical Cooperation .



## **Progress of AEC Measures in Multimodal Transport and Transport Facilitation**

### **III. Enhance the competitiveness of ASEAN Logistics Industry:**

- Project on Sustainable Human Resources Development in Logistics Services for ASEAN Member States under support of Japan-ASEAN Integration Fund (JAIF) has been completed.
- The Project has produced Core Curriculum on Logistics and Supply Chain Management and developed Train-for-Trainer Manuals through convening of logistics trainings for basic, intermediate and advanced levels.
- ASEAN Federation of Forwarders Association (AFFA) as the proponent.
- 3 Logistics Trainings have been held attended by trainee from national forwarders association from 10 ASEAN Member States.

# ASEAN CUSTOMS TRANSIT SYSTEM

- Acts as a catalyst for the implementation of AFAFGIT
- Full end-to-end computerisation of transit operations; single electronic Customs transit declaration
- Free movement for trucks and drivers (no transshipment for transit goods)
- Software to be developed by April 2016
- Pilot test for 6 months in Malaysia, Singapore and Thailand, starting in May 2016

### ACTS Phases

**Phase 1 - 2014 - 16** Pilot system on the North-South Corridor - Thailand, Malaysia and Singapore, which will:

- Permit traders to test the pilot ACT system;
- With access via Electronic Data Input; and
- Connect Thai, Malaysian and Singapore Customs.

**Phase 2 -** The ACTS system will be rolled out to the North-South and East-West Corridors - Cambodia, Lao PDR, Myanmar and Viet Nam



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**ASEAN Regional Integration Support from the EU 2012-2016**



**ASEAN Customs Transit System (ACTS)**

delays. There is no need for a different Customs declaration at each border, and no need to transfer the goods to a different truck in each country. The duties and taxes at risk are covered by a single guarantee.

The benefits are goods can move faster between countries. This in turn means lower cost for traders, helping to increase regional trade and improve the standard of living of everyone in the region. More trade means more wealth is created.

transit procedure and to offer security for them.

- Approved Guarantors (Trade Organisations and Financial Institutions);
- Guarantees based on actual consignment values and level of risk; and
- Reduced or waived guarantees for Authorised Transit Traders.

### What is ACTS?

The ASEAN Customs Transit System (ACTS) is a computerised Customs transit management system. The legal framework is set out in Protocol 7 of the ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT).

The EU has provided a sum of €3 million for development and piloting of the ACTS system as part of the ASEAN Regional Integration Support from the EU (ARISE).

### What does ACTS offer?

#### Access for All Traders

Direct access for all traders, with significant facilitation for "reliable" traders, namely Authorised Transit Traders (ATT) including:

- Importers, exporters;
- Freight forwarders;
- Transporters and sub-contractors; and
- Customs agents of the above.

### Facilitation

Maximise efficiency for legitimate trade:

- Availability of simplified procedures;
- Applying common risk management techniques; and
- No movement restrictions on transport and drivers.

### Main Features to Assist Customs and the Trade

A single electronic goods declaration from departure to destination;  
A single guarantee valid for the international journey;  
A secure and efficient system through:

- Full end-to-end computerisation of operations;
- Proven operators authorised to use simplified procedures; and

### ICT-Enabled

Comprehensive computerisation, linking:

- All Customs Offices in transit movement;
- Traders to Customs Offices of Departure:
  - To manage movement and guarantees;
  - To identify irregularities fast; and
  - To provide detailed management information.

# ASEAN CUSTOMS TRANSIT SYSTEM

## Plans for Pilot Test Phase:

- Only one mode of transport: road vehicle (excluding Prot. 6)
- Limited category of goods: excluding SPS (Prot. 8) and dangerous goods (Prot. 9)
- Pilot testing for small number of Customs offices
- Selected transport operators (aimed for Authorised Transit Traders)
- Selected transit transport routes (Prot.1)
- May – October 2016

## ASEAN to Pilot Customs Transit System

on Thursday, 06 November 2014. Posted in 2014, ASEAN Secretariat News



JAKARTA, 6 November 2014 – An ASEAN Customs Transit System (ACTS) will be piloted in Malaysia, Singapore and Thailand. The system, aimed at facilitating the movement of transit goods by road within ASEAN, will form an integral component of the vision of ASEAN Economic Community.



## IMPLEMENTATION OF AFAFGIT

Implementation of AFAFGIT through ACTS would bring benefits:

- Allowing traders to transport their goods freely between different countries, point-to-point with fewer obstacles and delays
- Customs and transport procedures would be minimized; the goods can be transported in each transit country with the same truck (without transshipment).
- Goods will be moved faster with the reduced procedural complexity
- Lower cost for traders and helping to increase regional trade.







## **BENEFITS OF AEC TO LOGISTICS INDUSTRY**

- The AEC will connect ASEAN as a single market and production base and facilitate seamless movement of goods and people across the region.
- Reduce customs and transport procedures through the implementation of effective trade and transport facilitation measures (e.g. ASEAN Single Window and ASEAN Customs Transit System).
- Enhance logistics connectivity through the development of ASEAN Highway Networks (AHN), Singapore-Kunming Railway Link (SKRL) and ASEAN Roll-on Roll-off (RORO) network.
- Liberalising transport operation through the ASEAN Open Skies and ASEAN Single Shipping Market.



## **BENEFITS OF MULTIMODAL TRANSPORT (e.g. through implementation of AFAMT)**

- Minimize time loss at trans-shipment points.
- Provide faster time for transit of goods.
- Reduce complex procedures of documentation and formalities, due to issuing multiple documentation.
- Save cost, which will be reflected in the reduced freight rates charged by the multimodal transport operator and in the cost of cargo insurance.
- Establish only one agency to deal with. The consignor has to deal with only the multimodal transport operator in all matters.
- Reduce cost of exports and improve company's competitive position in the international market.



## CHALLENGES FOR IMPLEMENTATION OF AFAMT

- Full ratification of AFAMT.
- Require enactment of Multimodal Transport Law in ASEAN Member States, which would allow governance of combining different regulations of the different transport modes (land/rail, sea, air) into a single transport operation handled by a single contract, and to allow MTO from other Member States to operate in its territory.
- Extensive use of IT and MTO's networks and regulatory frameworks are required, to provide freedom to operate multimodal transport with reliable liability regimes to customers.

*Therefore, inputs from private sectors during domestic consultations in enacting the Multimodal Transport Laws in ASEAN Member States are required.*



## MOVING FORWARD

- ASEAN Transport Strategic Plan 2016-2025 -> being drafted for adoption by ASEAN Transport Ministers (ATM) in November 2015.
- Measures on Logistics are captured under Transport Facilitation.
- Proposed actions on Transport Facilitation Post-2015 related to Logistics Industry:
  - ✓ Develop and implement necessary ASEAN transport facilitation-related procedures for the operationalisation of AFAFGIT and AFAFIST
  - ✓ Develop an Implementation Framework for AFAMT
  - ✓ Promote logistics regional cooperation within ASEAN and with Dialogue Partners
  - ✓ Development of skills and capacity on Logistics and Supply Chain Management for Logistics Service Providers (LSPs) -> *cooperation with and support from dialogue partners and international organisations needed.*



**THANK YOU**