

Oh AEC, where art thou?

AAMRA is the next step in a frustratingly long and slow journey

The recent signing of the ASEAN Mutual Recognition Agreement on AEO programmes (somewhat confusingly abbreviated to AAMRA) is a development that should be welcomed and celebrated. It is an early yet necessary step in harmonising the treatment of trusted cross-border shipments in different ASEAN member states, be that at export or at import. The fact that it has not been promoted with as much fanfare as may have been expected, nor been loudly welcomed by the business community, is unfortunate but typical in the slow journey to an ASEAN Economic Community (AEC).

To understand this, it may be enlightening to look back at the original AEC blueprint for 2015, signed 16 years ago almost to the day (<https://www.asean.org/wp-content/uploads/images/archive/5187-10.pdf>), and its successor for 2025, signed about 8 years ago (https://asean.org/wp-content/uploads/2021/08/AECBP_2025r_FINAL.pdf).

Both documents are laudable in their ambition and their comprehensiveness. Clearly, a lot of discussion and thought had gone into their creation. Also, quite a bit of its visions and ideas has by now been achieved. Yet, at the same time, from a business community's perspective there are two major shortcomings: much of what was supposed to have been achieved remains to be done, and the interpretation of "achieved" in what has been achieved varies significantly between regulators and business operators.

The impact of "the gaps"

In many discussions between the various national and ASEAN regulators or working groups on the one hand, and the private sector on the other, there is at least an undertone, if not an overtone, of frustration.

The former will point to all the progress that has been made in the past 20 years or so at creating a more cohesive ASEAN, at least economically. ATIGA, ASW, ATR, ACTS, the list goes on (and the plethora of acronyms probably means our readers will have to look them up to remind themselves what they mean!). Many businesses, small and large, have indeed been benefiting from these initiatives, often without realising it. What the regulators often fail to fully appreciate, though, is that in the business world any historic achievement quickly becomes the norm, and rarely continues to be celebrated for much more than an annual or even quarterly report. In most of the business world, the focus is invariably on looking forward, not looking back. Having said that, in our experience we have seen many examples of companies failing to take full advantage of ASEAN trade facilitation

measures. Often this is exactly because they look only forward and do not consider measures that were previously analysed and dismissed as not being of interest, even when their business footprint changes (which it invariably does), or such measures are implemented progressively over time. Gradual implementation of FTA preferential duties are a prime example of this.

The latter (i.e. private sector operators) will point to all the objectives set and promises made in the Blueprint that have not been achieved. For example, the ASEAN 2015 blueprint aimed to remove all Non-Tariff Barriers (NTBs) by 2010 for the "ASEAN 5", with the Philippines to follow in 2012, and CLMV in 2015. Even using the tightest definition of what constitutes an NTB, it would not be easy to argue not only that this has been anywhere near achieved, but also that it has been seriously attempted. A more common and wider definition of NTBs, based on what is experienced by businesses rather than a theoretical definition, would indicate that ASEAN has gone backwards in this area. Regulators may still feel such conclusion somewhat unfair, as there are many public and political pressures on them, both within their own territory and from other ASEAN member states, to continue to support domestic business, increase revenue collections, and bend to public opinion on many societal matters. Yet often there is a tendency to hide behind some form of 'window dressing' rather than openly discuss the challenges at hand. In addition, the authorities have a tendency to underestimate how important it is for companies to have certainty and predictability about the future. In their forward looking approach, companies will build business plans around promises made by the authorities in documents like an AEC blueprint, so that they can be or remain at the forefront of competitiveness in their industry. Failing to live up to such promises by the authorities



means that these companies may well have invested in the wrong priorities, become less competitive, and consequently lose faith in any further promises made or objectives set by such authorities.

Regardless of how reasonable each side believes its views are, without better compromise, it is hard to see how either side can “come round” to any alternative views. Businesses have been very lukewarm about using facilities at their disposal, even those aimed at creating avenues for airing grievances (such as ASSIST). Although their concerns about many of these facilities are valid, without giving them a shot, they make it both easy for the authorities to dismiss the notion that there actually are grievances in the first place, and impossible to convince their paymasters that more is necessary. The authorities, from their side, need to do better at really listening to and trying to understand private sector inputs, accepting that they may not have gotten it right, and responding in a meaningful manner. Current responses are often limited to pointing at prior actions and achievements which often do not effectively address an issue at hand.

The impact of “achieved”

Whereas the discussion on what gaps exist between blueprint promises and realistic achievements can be relatively straightforward (either there is an e-Form D or there is not), a discussion on the definition of what has actually been achieved in measures that are available for use in practice can be much more fuzzy.

Take, for example, the implementation of a Single Window, be it national or at ASEAN level. Sometimes it feels that there are more definitions of Single Windows than there are territories in ASEAN. At a very basic level, a business view of a single window means that information required by any authority would only need to be submitted once. Subsequently, such information would be accessible and accessed by each relevant authority directly. In practice, no system promoted as a Single Window system fully achieves that, even though great achievements in electronic data exchange have been made. Hence it is not appropriate to

say that a (national or ASEAN) Single Window system is now operational and - by extension - needs no further work.

In many areas of ASEAN economic collaboration, the practical experience of businesses is that in practice trade facilitation measures fall short of the promised outcomes and are therefore not “fully implemented”. Moreover, they are concerned that the - limited - implementation that has been achieved means that the regulators are moving on to other things, rather than focusing on finalising the implementation of such measures.

It is illustrative to note that the AEC Blueprint 2025 mentions it will “**Complete measures initiated under the AEC Blueprint 2015**” (Section II.A.10.iii.a), but it stops well short of providing a clear and comprehensive assessment of exactly what that means, instead opting to list new initiatives which could be argued to implicitly include such uncompleted measures. In practice, this has resulted in businesses being very sceptical of the authorities’ commitment to fully implementing measures that are only partly functional.

A more comprehensive assessment of “achievement” of individual trade facilitation measures under the AEC would be helpful. Ideally this such an assessment would be performed by an organisation with no direct skin in the game, such as a research institute. It would allow and enable an operationalisation of AEC measures that both regulators and business can subscribe to, if not be content with. At the very least, it will create more certainty and predictability for the private sector, and clearer work programmes for the regulators.

The road ahead

The signing of the AAMRA deserves more celebration than it has received. Nevertheless, it is arguably more important to address the underlying causes of why it has not received such a warm welcome.

There are no easy answers to the challenges that lay ahead for an efficient and effective implementation of an ASEAN Economic Community, especially as there will always be more to be done. The wide variety of issues that the real world has to deal with can never be fully represented in a blueprint or a work programme. Furthermore, the speed of change and development in society means that any work plan will be outdated by the time it starts. Nevertheless, a more collaborative, constructive and honest attitude to progress by both private sector operators and ASEAN regulators should make a real tangible difference. It would require both sides to look at and address their own shortcomings first, before looking to address their perceived shortcomings of the other side. Yet surely that is not too much to ask, given the promise of what is at stake?

