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ASEAN Customs Transit System (ACTS): Implications for ASEAN-India Trade

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The Association of Southeast Asian Nations (ASEAN) has launched the ASEAN Customs Transit System (ACTS) on 30 November 2020. The prime objective of ACTS, among others, is to reduce intra-ASEAN transaction costs and time and promote trade and investment. The launch of ACTS is set to boost the overland trade between ASEAN and India. This commentary presents an overview of ACTS and discusses the opportunities for ASEAN-India trade.

1. Introduction

The Association of Southeast Asian Nations (ASEAN) has launched the much-needed ASEAN Customs Transit System (ACTS) on 30 November 2020. The prime objective of ACTS, among others, is to reduce intra-ASEAN transaction costs and time and promote trade and investment. The launch of ACTS is set to boost the overland trade between ASEAN and India. The ACTS was launched at a time when ASEAN countries have been hit hard by the Coronavirus pandemic and there has been a sharp rise in trade costs due to increased border controls and associated supply chain disruptions.¹ The timely launch of ACTS may help the ASEAN to bring back the growth in trade and strengthen the revival of the regional economies.

2. Basics of ACTS

2.1 ACTS Objectives

To avoid documentation and multiple customs declarations and in recognition of the ASEAN-wide single customs market, the ACTS aims to provide registered traders a seamless transit without any repeated Customs declarations or change of vehicles at each border overland. In other words, ACTS provides a single transit journey on a point to point basis across the participating ASEAN countries with a single truck, a single Customs declaration

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and a single bank guarantee. Another objective is to improve the prevention and detection of smuggling and fraud. ACTS has been developed to help realise the ASEAN goals of reducing trade transaction costs by 10 per cent, and doubling intra-regional trade between by 2025.² It is a joint effort between Customs and Land Transport authorities.

2.2 Genesis of ACTS

ASEAN leaders took a decision in 1998 in Ha Noi, Vietnam to introduce a regional customs cooperation framework for goods in transit, which is known as the ASEAN Framework Agreement on Facilitation of Goods in Transit (AFAFGIT). This is the core instrument and genesis that has guided the realization of ACTS. Besides, the mandates of the ASEAN Economic Community (AEC) of 2015 motivated the ASEAN countries to implement the ACTS. The objectives of the AFAFGIT are to³: (i) facilitate transportation of goods in transit, (ii) support the implementation of the ASEAN Free Trade Area, and to further integrate region's economies; (iii) simplify and harmonize customs, trade and transport regulations and requirements for the purpose of facilitation of goods in transit; and (iv) establish an effective, efficient, integrated and harmonized transit transport system in ASEAN.

2.3 Current members of ACTS

As on 31 January 2021, the participating countries of ACTS are Cambodia, Lao PDR, Malaysia, Singapore, Thailand and Vietnam. Myanmar is expected to join the ACTS in 2021. Rest ASEAN countries, namely, Brunei, Indonesia and the Philippines are likely to join in future.

2.4 Legal basis

The ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT), signed in 1998, is the main instrument, backed by following nine Protocols.

Protocol 1: Designation of Transit Transport Routes and Facilities

Protocol 2: Designation of Frontier Posts

Protocol 3: Types and Quantity of Road Vehicles

Protocol 4: Technical Requirements of Vehicles

Protocol 5: ASEAN Scheme of Motor Vehicle Insurance

Protocol 6: Railways Border and Interchange Stations

Protocol 7: Customs Transit Systems

Protocol 8: Sanitary and Phytosanitary Measures

Protocol 9: Dangerous Goods

The key Protocols of the AFAFGIT are Protocols 1, 3, 4 and 5, while Protocols 2 and 7 are under the purview of Customs. Protocols 6, 8 and 9 are excluded from operationalization.

2.5 Documents needed in transit

Documents to be available in the vehicle for inspection during transit operation:

- Vehicle Registration Certificate
- Vehicle Inspection Certificate
- Third-Party Liability Insurance Cover for Vehicle
- Consignment Note/Waybill
- Custom Transit Document for the Goods (Transit Accompanying Documents (TAD))
- Carrier's License /Transport Operator's License/Business Registration Certificate
- ASEAN goods vehicle cross-border permit
- Any other documents required by Customs Administration

If any of these documents are in a language other than English, it has been agreed by the ACTS participating countries that valid translations must be provided on request by enforcement authorities along the designated routes selected.

The ACTS is applicable only in designated customs and routes.

2.6 Controlling authority

To facilitate the movement of goods the Transport Authorities of ASEAN countries have agreed to license 500 qualifying vehicles to operate across borders. The ACTS is coordinated by the Customs Authorities and the Land Transport authorities of participating ASEAN Member States (AMS).

2.6 Participants

Noted in ACTS, all traders which include importers, exporters, transporters, freight forwarders and Customs house agents are eligible to use the ACTS to transport goods across borders. However, the potential users must register as transit traders with the Customs Administration (CA) of participating ASEAN countries. Each CA will have a set of guidelines on the criteria for eligibility and process of application.

Traders can lodge e-transit declarations directly with ASEAN Customs authorities, and track the movement of their goods from loading at departure to its final destination.

3. Implications for ASEAN-India Trade

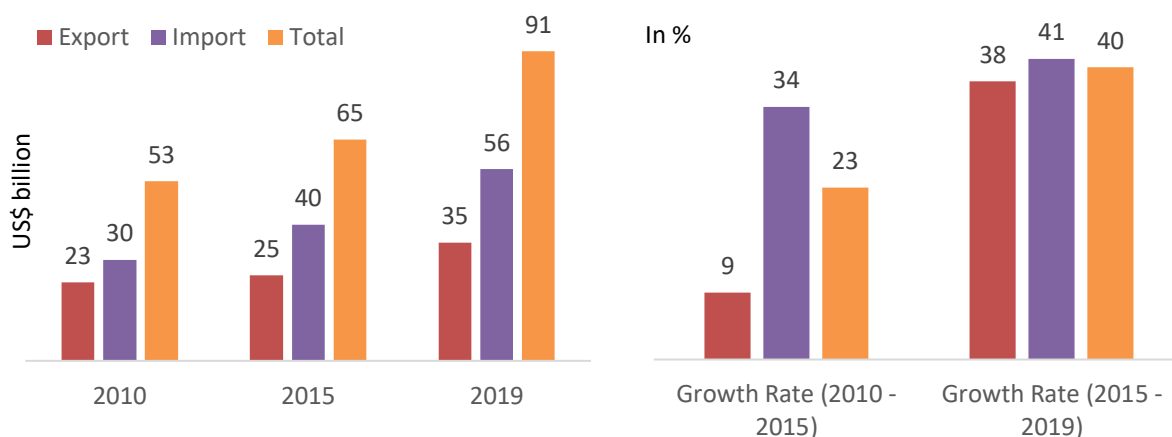
In this challenging and uncertain time, trade has been identified as *sine qua non* to save lives and livelihoods⁴, and according to UNCTAD (2020), "Countries can leverage trade facilitation to defeat the COVID-19 pandemic". Digital and sustainable trade facilitation has

been regarded as essential to strengthen the country’s global competitiveness⁵. ACTS is thus having strong catalytic power not only to facilitate trade between ASEAN and India but also improve the competitiveness.

ASEAN has progressed well in trade facilitation. For example, the ASEAN Single Window (ASW) has been implemented partially, and a full ASW is expected to be launched in 2021. ASEAN has already introduced the ASEAN Solutions for Investment, Services and Trade (ASSIST) and ASEAN Authorized Economic Operator (AEO). In 2020, ASEAN has introduced the ASEAN Self-Certification of Origin.

India is ASEAN’s 11th largest trade partner. India and ASEAN are also free trade agreement (FTA) partners since 2010. ASEAN-India Trade in Goods Agreement entered into force in January 2010. India’s bilateral trade with ASEAN has increased from US\$ 53 billion in 2010 to US\$ 91 billion in 2019 (Figure 1). India’s trade deficit with ASEAN has expanded during the same period, which is a matter of major concern. ASEAN and India are presently reviewing the bilateral FTA. In such a critical time, ACTS is found to be crucial to ensure the faster movement of goods and services. It has strong implications on neighbouring non-FTA members like India and offers a greater scope of regional cooperation.

Figure 1: India’s Trade with ASEAN



Source: Calculated based on DOTS, IMF

Two common measures undertaken by most of the ASEAN countries and India in 2020 in coping with the pandemic are (i) establishment of trade information portals to add further transparency and ease of trade by simplifying and explaining procedures and processes; and (ii) expedited customs clearance and release of goods in combating the spread of the Coronavirus pandemic. ASEAN’s ACTS and India’s Single Window Interface for Facilitating Trade (SWIFT) are meant to restore trade transparency, thereby improving the country’s competitiveness globally. While both partners have been trying to strengthen the value chains, an enhanced partnership between them is needed to improve the supply chain resilience by linking India with ACTS. Following observations are worth noting.

First, given that Myanmar is going to join ACTS by 2021, it would be wiser to link up with ACTS which will then provide seamless connectivity between India and ASEAN. The Trilateral Highway (TH) between India, Myanmar and Thailand is coming up fast and a Motor Vehicle Agreement (MVA) between them is being negotiated. Joining the ACTS will help India in reducing transaction costs and time, and improve the prevention and detection of smuggling and customs fraud. A single transit between India and ASEAN will help overcome the deficiencies in trade preferences that India faces with ASEAN where multiple ASEAN countries get free access to the single Indian market. This single transit through ACTS will give India access to multiple ASEAN countries overland. India's largest trading partners in ASEAN are Indonesia (not yet a member of ACTS), Singapore (a member of ACTS) and Vietnam (a member of ACTS). Therefore, ACTS will help India to reach to the every ASEAN neighbours overland with a single vehicle, a single transit, a single bank guarantee and a single Customs declaration. Nonetheless, this transit is not achievable through TH MVA or the WTO Trade Facilitation Agreement (TFA).

Second, India's trade with ASEAN is mostly carried through the ocean, whereas the ACTS is only applicable in case of road transportation at the moment. However, the ACTS is likely to be extended to other transportation modes such as railways, inland waterways, airways, and ocean transportation in future. At the same time, once the TH is opened for international cargo transportation, there is a high possibility of routing of current ASEAN-India trade from ocean to land. Therefore, joining the ACTS would help India (and also ASEAN) to enhance multimodal transportation and improve the feasibility of corridors which are being planned between them.

Third, gains are very clear for India in terms of door-to-door delivery; faster logistics services; minimal checks at borders; mutual recognition of driving licences, registration certificates and operator licences; and complete end to end transportation based by radio-frequency identification (RFID) and computerization of ACTS operations.

4. Way Forward

India is not the partner of the Regional Comprehensive Economic Partnership (RCEP). Therefore, joining the ACTS will help India to benefit from ASEAN-wide single customs and transit and vice versa. In addition, spillover benefits from reduced transaction costs and time are huge, particularly for India which suffers from high transaction time and costs at the border and behind the border. What next? First, India has to open a negotiation with ASEAN for joining the ACTS. The Ministry of External Affairs (MEA), India can lead the discussion with the ASEAN Secretariat. Second, India and ASEAN should mutually agree to amend the existing Protocols, induct the designated routes and Customs points in the ACTS schedule of routes and Customs points, introduce mutually recognised risk management system based on Authorised Transit Trader (ATT) scheme, vehicle inspection certificates and driving licences, etc. Third, completion of the TH and other overland transportation projects between ASEAN and India is needed before India joins the ACTS.

To conclude, the ACTS is going to be the game-changer in the post-COVID-19 period in ASEAN in strengthening trade and value chains. India being ASEAN's land and maritime neighbour should explore the possibility of joining ACTS and identify how to leverage from the ACTS (and other trade facilitation measures) to deepen the ASEAN-India trade. The ACTS can play a vital role in promoting regional integration if India and ASEAN join hands to craft a visionary strategy. Effective implementation of ACTS will then strengthen the Indo-Pacific partnership.

Endnotes:

- 1 The OECD commented: "Rising trade costs – from transport, logistics and supply chain disruptions, as well as additional border controls and documentation requirements – act as additional brakes on both trade flows and the global economy" (OECD, 2020).
- 2 Refer, for example, ASEAN Customs Transit System, available at <https://acts.asean.org/>
- 3 As reported in ACTS factsheet, available at https://acts.asean.org/sites/default/files/acts_promotional_leaflet_final_11_august_2020.pdf
- 4 Refer, for example OECD (2020)
- 5 Refer, for example AIC-RIS (2021)

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About AIC

Considering the work of the ASEAN-India Eminent Persons Group (AIEPG), and its Report with recommendations for forging a closer partnership for peace, progress and shared prosperity, the Heads of the State/Government of ASEAN and India at the ASEAN-India Commemorative Summit 2012, held at New Delhi on 19-20 December 2012, recommended the establishment of ASEAN-India Centre (AIC), which was formally inaugurated by the Hon'ble External Affairs Minister of the Government of India on 21 June 2013 at RIS. AIC serves as a resource centre for ASEAN Member States and India to fill the knowledge gaps that currently limit the opportunities for cooperation. AIC is closely working with the Indo-Pacific Division of the Ministry of External Affairs (MEA), Government of India to undertake and disseminate evidence-based policy research and provide policy recommendations.

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