

Deepening Customs Cooperation in Advancing Trade Facilitation and Unlocking Investment Opportunities in ASEAN



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Table of Contents

EXECUTIVE SUMMARY	1
CONTEXT AND OPERATING ENVIRONMENT	2
• EXTERNAL CONDITIONS	
• ASEAN’S STRATEGIC POSITIONING	
KEY RECOMMENDATIONS	
• SIMPLIFICATION OF CUSTOMS PROCEDURES AND REGULATORY COORDINATION	5
◦ CERTIFICATION PROCEDURES	
◦ MUTUAL RECOGNITION AGREEMENTS	
◦ COUNTERFEIT ENFORCEMENT	
• CAPACITY BUILDING IN DIGITAL TRANSFORMATION	6
◦ DIGITALIZATION OF CUSTOMS PROCESSES AND TRADE	
◦ E-COMMERCE	
• COLLABORATIVE STAKEHOLDER ENGAGEMENT	8
◦ PUBLIC-PRIVATE PARTNERSHIPS	
◦ INTERNATIONAL COOPERATION	

EXECUTIVE SUMMARY

As global trade undergoes rapid transformation driven by geopolitical uncertainty and evolving trade policies, ASEAN faces both new challenges and fresh opportunities to solidify its position as a key hub for production, consumption, and digital trade. In this context, modernizing customs procedures, enhancing capacity building, and strengthening collaboration have become urgent priorities to boost regional competitiveness, unlock investment, and ensure inclusive economic growth.

- **Customs Reform** is essential to ASEAN's trade efficiency and investor confidence. Inconsistent rules of origin, goods classification, and certification procedures hinder the smooth flow of goods. A unified approach to enforcement—especially against illicit trade and counterfeits—will help protect economic integrity.
- **Capacity Building through Digital Transformation** is vital to future-proof ASEAN's customs infrastructure. Many customs procedures remain manual, fragmented, and misaligned with the region's ambitious digital economy agenda. A commitment to paperless trade, supported by a clear regional timeline, will further enhance trade facilitation.
- **Collaboration and Stakeholder Engagement** will ensure ASEAN's customs modernization efforts reflect practical trade realities and build long-term resilience. Stronger public-private dialogue is essential to resolving operational bottlenecks.

Customs reform is not simply a matter of technical efficiency—it is foundational to ASEAN's ability to compete in a shifting global landscape. A coordinated, forward-looking approach to modernization, capacity building, and partnership will be key to ensuring ASEAN remains an attractive, trusted, and resilient trade and investment destination.

CONTEXT & OPERATING ENVIRONMENT

EXTERNAL CONDITIONS

The global trade environment has undergone dramatic shifts in recent months, as the United States' trade policies create ripple effects worldwide and with countries reacting swiftly. Already, the U.S. customs regime has reviewed product origin and payment with deep scrutiny compared to its international counterparts. On April 2, the White House unveiled sweeping tariffs of 10 percent on all trading partners and additional "reciprocal" tariffs on select countries. ASEAN Member States faced some of the highest reciprocal tariffs, ranging from 17% (Philippines) to 49% (Cambodia), in large part because of their manufacturing base and export capacity. While the White House suspended reciprocal tariffs for 90 days on April 10, the tariff announcements created shockwaves in global commerce as businesses faced potential higher costs across cross-border supply chains. Meanwhile, countries worldwide have sent delegations for trade negotiations with the U.S. government, primarily on a bilateral basis. Delegations from Southeast Asia, including Vietnam, Indonesia, the Philippines, and Malaysia, have been among the first to approach the White House and have developed approaches to address the United States' concerns regarding its trade deficits, including purchase packages.

Aside from the baseline and reciprocal tariffs announced on April 2, the United States has also opened investigations under Section 232 of the Trade Expansion Act, which allows the President of the United States to determine the effect of imports on national security. Industries with active Section 232 investigations include copper, timber and lumber products, semiconductors and semiconductor manufacturing equipment, pharmaceuticals, trucks, and critical minerals (Bureau of Industry and Security, 2025). Moreover, to counter the surge of low-value imports from China, the United States raised and then slashed its de minimis tariffs on small parcels (White House, 2025). The changing policies have created supply chain uncertainties for businesses exporting to the United States.

Nevertheless, global trade continues to strengthen, spurred in part by Washington's confrontational and protectionist posture. Soon after the announcement of Washington's sweeping tariffs, Chinese president Xi Jinping conducted visits to Cambodia, Vietnam, and Malaysia to strengthen regional trade ties (National Committee of the Chinese People's Political Consultative Conference, 2025).

Australia, Japan, and the European Union continue to serve as key trade partners for the region as well as countries search for alternatives from the United States for exports and investment partnerships.

ASEAN'S STRATEGIC POSITIONING

In response to pressures in global trade, **ASEAN is strategically positioned as a global hub of production and consumption.** Global trade continues to drive economic growth in Southeast Asia, particularly in high-growth industries. The region's competitive labor force, growing middle class, and deepening regional integration make it an attractive destination for investment and supply chain diversification. As businesses around the world adapt to evolving trade policies, technological disruption, and geopolitical uncertainties, Southeast Asia has emerged as a vital node in global value chains. This momentum is reinforced by ASEAN's commitment to economic cooperation, robust trade agreements, and ongoing efforts to improve connectivity and infrastructure across the region.

As digital trade accelerates globally, **ASEAN is taking deliberate steps to strengthen its position as a dynamic ecosystem for cross-border e-commerce.** With a population of over 670 million and rapidly expanding internet and mobile penetration, the region offers a vast and growing consumer base. Governments across ASEAN are advancing digital infrastructure reducing barriers to trade. The Digital Economy Framework Agreement (DEFA), the first of agreement of its kind in the world, promises to further integrate Southeast Asia's digital economy through harmonizing digital trade, cross-border e-commerce, and digital payments among other areas. The digital economy is expected to add US\$1 trillion in value to the region by 2030, and DEFA aims to accelerate growth to up to US\$2 trillion. DEFA is just one tool ASEAN has developed to strengthen its e-commerce ecosystem. By enhancing interoperability, building digital trust, and fostering public-private collaboration, ASEAN is well-placed to become a leading platform for cross-border e-commerce

ASEAN continues to prioritize the enhancement of trade and investment opportunities as a catalyst for sustained economic growth and improved regional competitiveness. The region presents a compelling case for both intra- and extra-regional investment. Member states are implementing reforms to improve the business environment, including simplifying investment procedures, strengthening legal frameworks, and promoting transparency.

Both as a bloc and among its individual member-states, ASEAN has continued to enhance investment opportunities to attract international trade and boost the region's economic growth and competitiveness despite shifting, challenging external dynamics.

Improving customs procedures across ASEAN will play a pivotal role in reinforcing the region's position as a global hub for production, consumption, and digital trade. Efficient, transparent, and harmonized customs processes are essential to supporting the smooth flow of goods, services, and digital transactions—particularly as ASEAN deepens its integration in global value chains, expands cross-border e-commerce, and attracts greater foreign investment. Streamlined customs systems reduce delays, lower costs for businesses, and enhance predictability—key factors that influence investor confidence and market access. For small and medium-sized enterprises seeking to engage in cross-border trade, simplified procedures can significantly lower entry barriers and enable broader participation in regional economic growth. As ASEAN continues to develop into a competitive, digitally connected, and investment-friendly region, modernizing customs administration will be central to unlocking its full economic potential.



KEY RECOMMENDATIONS

To support greater economic integration and trade efficiency within ASEAN, the following recommendations are proposed across three key areas: simplification and regulatory coordination, enforcement of trade-related rules, and capacity building through digital transformation.

I. Simplification of Customs Procedure and Strengthened Regulatory Coordination

Operational Certification Procedures, Rules of Origin, Import Declarations, Goods Classification: ASEAN Member States (AMS) face persistent inconsistencies in certification procedures including rules of origin and goods classification systems. Variations, discrepancies, and differing interpretations have created trade inefficiencies and continue to slow down the movement of goods in ASEAN.

Recommendations:

- Consistent implementation of the ASEAN Harmonized Tariff Nomenclature (AHTN) and the ASEAN Trade in Goods Agreement (ATIGA).
- Uniform implementation of rules of origin, electronic Form-Ds and acceptance of trade party invoices.
- Harmonize air and land customs processes for consistency and seamless regional cross-border movement of goods.
- Align tariff codes and classifications for improved cross-border trade and investment flows.
- Allow traders to submit one declaration for multiple consignments to reduce paperwork, minimize customs clearance time and reduce burden on customs.
- Allow customs authorities to process documentation and risk-assess goods before they physically arrive at the border (pre-clearance / pre-arrival processing) for faster release times and to support risk management.

Mutual Recognition: The lack of mutual recognition agreements delays customs clearances and limit regulatory coherence. There is no ASEAN-wide MRA on AEO program that streamlines regulatory systems and ease oversight of goods movement.

Recommendations:

- Implement mutual recognition agreements such as the ASEAN Authorized Economic Operator Mutual Recognition Agreement (AAMRA) to expedite clearance for trusted traders.
- Involve the private sector in designing and implementing MRAs to reflect practical trade realities.

Illicit Trade and Counterfeit Enforcement: Illicit trade, including smuggling and counterfeiting, continues to undermine regional economic integrity. While destination countries often manage smuggling control, origin countries may inconsistently enforce manufacturing and export regulations. This results in regulatory gaps and enforcement blind spots. The growth of counterfeit goods is an intellectual property threat. The increasing prevalence of illegal sales through social media and e-commerce platforms further complicates enforcement.

Recommendations:

- Unified ASEAN approach to combating counterfeiting and enforcing intellectual property laws.
- Expansion of joint customs control mechanism with private sector participation to facilitate enforcement cooperation against illicit trade activities in the region.
- Strengthen legislative measures against illegal sales online.
- Establish and provide verified credentials for producers in their respective countries to ensure the legitimacy.

II. Capacity Building in Digital Transformation

Digitalization of Customs and Trade Processes: Customs processes in many AMS remain manual, paper-based, and fragmented, resulting in inefficiencies, human error, and delays. Digitalization is a key tool for enhancing trade facilitation. However, efforts are uneven across AMS with no region-wide timeline to go fully paperless.

Recommendations:

- Revisit efforts for online documentation systems through the ASEAN Single Window to facilitate electronic exchange of documents (e.g., e-Form D, ASEAN Customs Declaration Document, ePhyto, e-Animal Health) for clearance automation. Engage with the private sector to integrate more use cases in the ASEAN Single Window initiative and build capacity for increased participation by AMS.
- Prioritize investments in digital tools such as AI-based risk profiling, cloud-based infrastructure, and real-time data.
- Adopt emerging technologies such as blockchain, AI, and the Internet of Things for improved customs processes and supply chain transparency. This is a critical element for enhancing the region's overall supply chain resilience and will benefit from a public-private partnership-led approach.
- Promote regional commitment to going paperless with a clear timeline.

Electronic Commerce: The e-commerce ecosystem presents further complexity, with a wide range of players and logistics models. Customs regulations for e-commerce shipments are often not aligned with trade facilitation goals and can impose heavy burdens especially on MSMEs. Countries in the region are increasingly introducing a tax regime for imported low value goods. Collecting tax from imported low value goods at the border may increase the complexity of customs clearance and cause delay for the release of goods, raising the cost of trade for businesses. In addition, global policy discussions on e-commerce, including on de minimis, have been tainted by existing geopolitical tensions.

Recommendations:

- Enhance low value shipment programs (LSVP) and allow for its interoperability.
- Pursue discussions on aligning de minimis thresholds.
- Enable trade facilitation for high-volume traders who import frequently in small quantities.
- Ensure that customs regulations for e-commerce shipments remain streamlined and proportionate, so they do not hinder cross-border growth or contribute to supply chain bottlenecks at the border.

III. Collaboration and Stakeholder Engagement

Public-Private Collaboration: Public-private collaboration is one tool for ASEAN to ensure the region remains competitive for investment in the global market. Common concerns from the international investment community include expanding channels for capital entry. The private sector also has overlapping interest with governments to invest in high-growth sectors such as technology, advanced manufacturing, and energy. Through collaboration and partnership between ASEAN and individual governments and the private sector, Southeast Asia can resolve trade facilitation challenges and unlock investment opportunities.

Recommendations:

- Strengthen dialogues and partnerships between ASEAN and global stakeholders, especially in high-growth and strategic sectors, to ensure the region remains competitive in the global market.
- Bolster channels of dialogue between ASEAN and its member states and the private sector, to strengthen the implementation of the ASEAN Economic Community Blueprint 2025 and future frameworks.
- Improve mechanisms for communication and knowledge management within ASEAN's public-private partnerships.

International Cooperation: ASEAN's partnerships with international customs bodies can allow it to modernize its own customs regime and promote trade with and within the region. Collaboration can promote free and efficient trade paths while ensuring secure borders. International cooperation is also critical for ASEAN to successfully combat illicit trade within the region, which poses a threat to legitimate business and government operations as well as infringes upon human rights.

Recommendations:

- Enhance ASEAN's partnerships with international customs bodies to promote adoption of best practices in customs modernization and trade facilitation, including digitalization.
- Leverage ASEAN Plus Three as a forum to resolve illicit trade issues, including strengthening the implementation of the ASEAN Plus Three Cooperation Work Plan 2023-2027 and the development of the succeeding Work Plan.
- Embed mechanisms to combat illicit trade in existing and developing free trade agreements and trade frameworks, including the ASEAN-India Free Trade Area (AIFTA).

- Encourage ASEAN Member States to actively pursue accession to and negotiation of high-standard preferential trade agreements that include robust provisions on customs cooperation, digital trade, and enforcement against illicit trade.



