

A Case Study of Custom Regulatory Process Towards Asean Integration

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Abstract: The ASEAN Economic Community's (AEC) road map targets implementation by December 2015. It promotes a single market and production base by supporting the free flow of goods, services, investment, capital and skilled labour. Although, there are a number of studies related to the AEC, few studies if any, address this issue from the perspective of customs regulation, especially in Malaysia. In this study, a survey was conducted regarding the process to emerge the customs regulation towards ASEAN integration. Results showed that the integration and harmonization among the ASEAN member state in term of customs regulation are important because of to maintain and develop trading among ASEAN members. Although, the customs regulation is standard regulation but it has a little differentiation among the customs regulatory which is make it to protect the interest of a country. The integration of customs process will help to reform customs process to the single regulation among the ASEAN region. The process will let know the successful of achieving single market vision and mission and lead to fairness in economic position. This research will use the PESTEL analysis and social impact assessment method to analyse the data. The main objective of this research is to explore the potential of customs regulatory process towards ASEAN integration. In a conclusion, the research hopefully showing positive result to ensure the customs regulatory process in the ASEAN region can be regulate.

Key words: Emergence, integration, customs regulatory, process, regulate

INTRODUCTION

ASEAN is an abbreviation for Association of Southeast Asian Nation. ASEAN was established on 8 August 1967 in Bangkok, Thailand with the signing of the ASEAN Declaration (Bangkok Declaration) by the Founding Fathers of ASEAN which is Indonesia, Malaysia, Philippines, Singapore and Thailand which is mainly to foster peace and security. Brunei Darussalam joined in 1984 and Cambodia, Lao People's Democratic Republic (Lao PDR), Myanmar and Viet Nam (CLMV) joined between 1995 and 1999. Economic cooperation and integration began modestly in 1977 with the Preferential Trading Arrangement and a number of industrial cooperation schemes. Economic integration began with the 1992 ASEAN Free Trade Area (AFTA) that covers trade in goods, complemented by the 1995 ASEAN Framework Agreement on Services (AFAS) and the 1998 ASEAN Investment Area (AIA) agreement.

Mean while, in 2003 it was agreed to deepen economic integration with the formation of ASEAN Economic Community (AEC) to create a unified market and production base via a free flow of goods, services, foreign direct investment, skilled labor and a free flow of capital. Now ASEAN has become a successful regional

organization in bringing attention of the others countries in the world. This study about the potential of customs regulation towards ASEAN customs integration in order to achieve ASEAN Economic Community (AEC) 2015 direction which is to realize the single market among the ASEAN region.

It is a preparation of Malaysia and the Royal Malaysia Customs (RMC) towards the enforcement of AEC 2015. The unite of the ASEAN customs process might assist a well trading system among ASEAN members states in term of procurement, customs clearance, taxation and others customs regulation. To achieve free flow of goods, free flow of services and free flow of mobility, the integration of the customs department for each nation in the ASEAN region is the important things that need to be emphasized.

According to Ms Marianne Wong, Chair of ASEAN Single Window Technical Working Group define ASEAN Single Window (ASW) is not much as a system, rather it is secure environment where is tend to ASW is integrate and operate and it is regional facilitation to enable a seamless standardize nice routine of communication of trade and customs related information and data for customs clearance and release from and to ASW.

Besides that as W system enables international cross-border to submit regulatory procurement within a single region. The ASW will be beneficial to a country or economic sectors which increase the efficiency through time and cost of traders in their dealing with governments' authority. The needs for a single window approach was further reiterated in the Vientiane Action Plan (2004-2010) and clearly defined in the Strategic Plans for Customs Development (SPCD) as well as the ASEAN Economic Community Blueprint.

Generally, the integration as the process whereby political actors in several, distinct national settings are persuaded to shift their loyalties, expectations and political activities towards a new centre whose institution process or demand jurisdiction over the pre-existing national states'. The ASEAN customs integration is where the customs department of ASEAN regional countries in order to produce a unified customs laws which harmony and facilitate trade among ASEAN countries.

Hence, this research study is undertaken to show the potential of customs regulation process towards ASEAN integration. There are three problems that are crucial and need an attention which is.

Inconsistent of the customs regulatory for the ASEAN customs regulatory: Customs department is one of the important departments in the international trading which is each goods that want to enter and exit from one country must passing the customs department. But the inconsistency of the customs regulation will contribute to the inefficiency of customs duties.

Instability for the formulation customs regulatory process at national level: As one of the member states of ASEAN that will implement the ASEAN Economic Community 2015, Malaysian royal customs department need to draft a stable formulation customs regulatory process at the national level which is in-line with the current requirement in term of implementation of AEC 2015.

The weakness for customs regulation process at ASEAN level: ASEAN will be one of the trade blocs that united all the ASEAN members who are shelter under the ASEAN in the form of one organization in the name of ASEAN like European Union (EU). This desire is mutual aid among the ASEAN member. From this desire AEC is one of the pillars that will be implemented. Meanwhile, the weakness for customs regulation process at ASEAN level will contribute to the uncertainty to achieve real objective of AEC 2015

Generally to ensure achieving the objective, there are three objectives could be concerned towards ASEAN customs integration:

- To identify the important character of standard customs technically
- To examine the preparation Malaysian customs for the potential of ASEAN customs integration
- To see the potential customs laws towards harmonization of regional trade

Meanwhile, there are three research questions need to explore in this research study such as:

How to formulate the potential of customs regulatory system whose? New customs regulatory system is needed in term of achieving the mission of single window among the ASEAN member states. A new regulatory process will play a major role to ensure the process of free flow will be well progress within respective authority among the ASEAN member.

What are the strategic plans for reform Malaysian royal customs towards the potential of the ASEAN customs regulatory system? Whose The strategic plan is important to ensure the businesses will comply the new regulation and to avoid from illegal trade into the nation. This strategic plan also will be beneficial to all stakeholders either for internal stakeholder or for external stakeholder.

Which strategic process tools creation and harmonization of integrated customs regulatory? Whose the important by using strategic tools of this research because to ensure the analyses of methods could firm the integration customs legislation among the member state of ASEAN.

Basically, this study is to evaluate the potential of customs regulatory process towards ASEAN customs integration, detailed information on the ASEAN customs regulation and data based on the views of stakeholders are required. This information will include the political views, economic impacts, social impact, technological impacts and provision towards ASEAN region will be analysed. The development of a new customs regulatory process among the ASEAN nation will unite the customs department of ASEAN members. The efficiency of the customs regulatory can be calculated based on the trading among ASEAN members who is including import, export and re-export. The reaction of potential customs regulatory process towards ASEAN customs integration will give an encouragement to the ASEAN members to improve their trading among them and build the tough economic sectors of ASEAN region where is comparable with European Union (EU) in the future. The integration of customs department among ASEAN members will lead to healthy trading which is will avoid any criminal

Table 1: Comparative study to the emergence

| Questions | Dragne (2014) | Goldstein (1999) | Bedau (2008) | Cohen (1988) | Chalmers | Minati |
|--|---|--|--|---|---|---|
| What is the emergence? | Required long process of time and due to its importance | Refers to the arising of novel and coherent structures, patterns and properties during the process of self-organization in complex system | Weak emergence is the view of system's macro properties can be explained by its micro properties but only in an especially complicated way | Emergence is closely related to the impact of modernity up on the unity of social existence | The term emergence has the potential to cause no end of confusion in science and philosophy as it is used to express two quite different concepts | The context of where generalize that's globally inter and trans disciplinarizing is not a choice but necessity |
| The emergence Constitution required a lengthy time | | Emergent phenomena are conceptualized as occurring on the macro level, in contrast to the micro-level components and process out of which they arise | | | | In short, the rising of coherence among interacting elements, detected by an observer equipped with a suitable cognitive model at a level of description different from the one used for elements |

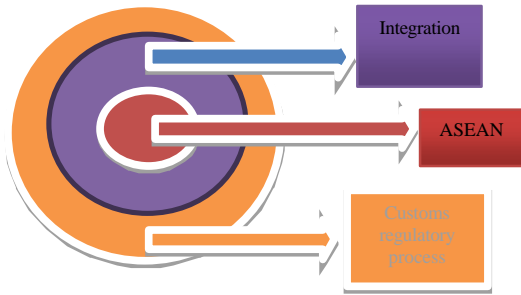


Fig. 1: Scope of study

activities like smuggling and other illegal activities. ASEAN region as a tough economic sector can be realized which is the development country will help to develop third country in the ASEAN region by trading.

Mainly, the study regards to the potential of ASEAN customs regulatory process towards ASEAN customs integration and implemented limitation of the area taken in Fig. 1. Generally, the ASEAN has 10 member states in its region where is comprising Brunei Darussalam, the Kingdom of Cambodia, the Republic of Indonesia, the Lao people's Democratic Republic, Malaysia, the Union of Myanmar, the Republic of Philippines, the Republic of Singapore, the Kingdom of Thailand and the Socialist Republic of Viet Nam. This ASEAN regional are heading toward ASEAN community where there is integration between member states. This integration shows the willingness of the nation of ASEAN ready and develops together as ASEAN countries. Based on ASEAN Economic Community (AEC), the potential of the customs regulatory process are needed to create harmonization in customs legislation and enforcement among the ASEAN member. The union of customs regulation will produce a systematic customs system and will facilitate trading among the ASEAN members.

Literature review: According to Table 1, Dragne (2014) the emergence brings a meaning of required long process of time and due to its importance. Where, it is refer to a lengthy time. While Goldstein (1999) define the emergence as refers to the arising of novel and coherent structures, patterns and properties during the process of self-organization in complex system. Where Goldstein look the emergence on the macro level which is opposite to the micro-level component and process of which they arise. Here, there are two difference definition towards the meaning of emergence but the meaning that are try to delivered are same which is the emergence is the something that have wide view of certain aspect in an organization and take a long time. The customs regulatory process towards ASEAN integration is a macro level where is take a lengthy time to make it real because there are many thing that need to figure out. For example, the challenges need to be face in term of production process and its solution. There are 10 member state that are shelter under the ASEAN and it takes a lengthy time to analyse the best suit customs regulation that can be fair to each member state before signing the declaration. The process of the emergence customs regulatory are important to make sure that the regulation will beneficial to all member state and make sure customs enforcement will be at a high level especially in term of customs documentation in the single market. Bedau (2008) looks emergence in the same side like Goldstein where he look emergence in the macro and micro sides systems. Cohen (1988) said that the emergence related to the impact of modernity. Its means the emergence new regulation in ASEAN customary regulatory bring a new formulation to modernize customs regulation among ASEAN member states. Chalmer (2002), describes terms emergence as has a potential cause no end of confusion. Because the

Table 2: Comparative study to the integration

| Questions | Haight (1972) | Karouni (2012) | Dutta (2003) | Regional integration in Africa: What it means to trade.(2014) | Kharel | Chase (2004) |
|--------------------------|--|--|--|--|--|--|
| What is the integration? | Customs integration was seen more as a question of frontiers and customs jurisdiction than as a commercial arrangement involving discrimination the treatment of the trade | Integration is often using to allude to the problems associated with ethnic and cultural diversity at the national level | Integration of those involved in supply chain enables the companies to gain better understanding of what is occurring thus gaining the ability to react more quickly to any disruptive event | Customs integration is gathering momentum and the on-going roll out of the WCO Customs modernization programme has seen many of individual countries' Customs document align to each other at this has been complemented by some measure of systems standardization through the Asucuda Customs messaging platform will allow for more synchronous messaging and in all likelihood enable the development of more One Stop Border Post (OSB's) | A core component of ASEAN customs integration is the implementation of a customs transit system to provide the most efficient environment possible for the movement of goods across national borders | Custom integration with colonies, dependencies or neighbouring countries provided an opportunity to exploit scale economies by expanding output and increasing market shares through trade diversion |

researchers opinions it is used to express two quite different concept. The definition given by author can be related to the definition given by the Dragne (2014) and Goldstein (1999) where there are quite different concept that deliver by the author but it is related each other. While Minati said that the emergence is the context of where generalize that's globally inter and trans disciplinarizing in not a choice but necessity. The researchers describe that the rising of coherence among interacting elements, detected by observer equipped with a suitable cognitive model at a level of description different from the one used for elements. The author stress out about discipline is necessity in achieving one element to another to fulfil the main goal. In a conclusion, all of this author had stress out a different definition of emergence but related to each other where there are mention about the time, coherence, macro and micro, modernity and different concept. All of this literature are supporting to this study title which is the emergence of customs regulatory process towards ASEAN integration. To realize the emergence of customs regulatory process, all of the keywords that mention by researchers in their research are needed.

Now a days, people always use integration terms to make a union either for an organization or regulation itself. What is the integration exactly? According to Table 2. Haight (1972) said that customs integration seen more as a question of frontiers and customs jurisdiction. While Chase (2014) said that the customs integration provided an opportunity to exploit scale economies. The statement from both of the researchers had support to the emergence of customs regulatory where through the

customs integration; ASEAN member's state can improve the frontiers and customs jurisdiction of ASEAN regional. By that point as EAN regional can exploit the economic scale and develop ASEAN regional economies. Meanwhile, a report of regional integration in Africa: what it means to Trade state that the customs integration is gathering momentum which support by Karouni (2012) which is state that the customs integration the tools that used to solve the problems associated with ethnic and cultural diversity at the national level. These means that, the ASEAN customs integration is the gathering of the Customs Department among the ASEAN members as a union and solving problems to the customs barriers exists among the member states. Next, Taghaboni state that the integration allows stakeholder to better understanding an issues related thus gaining the ability to react more quickly to any disruptive event. Therefore, the customs integration can provide the most efficient environment possible for the movements of goods across national borders. The better understanding requirement of the customs integration will help ASEAN organization to serve better environment to all the member states. Hence, ASEAN customs integration is important to realize in ASEAN Economic Community (AEC) 2015 for the better trading among the members. The integration of customs department in the ASEAN regional will create a harmonize situation of the stakeholder and government authority among the ASEAN members.

Meanwhile, referring to Table 3, the researchers MacKay (2006) had state that customary regulatory approaches are typically designed manage abstraction based on fairly low levels technology. While

Table 3: The comparative study to custom regulatory

| Question | MacKay (2006) | Reeskamp and Ouden | Ovchinnikov (2014) | Klimenko |
|--------------------|--|--|---|--|
| Customs regulatory | Customary regulatory approaches are typically designed to manage abstraction based on fairly low levels of technology such as hand-dug wells | The EU customs regulation (1383/2003, previously 3295/94) is designed to harmonized the legal framework for combating trade in counterfeit goods and seeks to improve the import, export and re-export system that apply to goods which infringe certain IP rights | The fact that certain rules relating to customs are fixed in a constitution does not make them the norms of customs law because they remain constitutional rule. Hence, an understanding of the constitution as the source of the rules for a field of law is quite conditional, although very common. The constitutional of some countries has been the subject of research from the point of view of customs regulation | Customs is one of the basic and fundamental areas under management in the customs system or subsystem as part of public administration in general, laying the legal basis for the implementation of mechanisms to ensure public interest and security, including border management and risk management in the field of customs, requiring legal support, aligned with generally accepted international norms and standards |

Table 4: The comparatives study to the process

| Question | Figueroa | Schmitz (2006) | Wright | Renker |
|----------|---|--|--|--|
| Process | Process is generic as it may represent an analytical equation, a logic rule, statistical relationship, etc. | A measure of a phenomenon at one point in time without making the assumption that it has to be stable over time but instead can change rapidly | Focuses on determining the point between a theory of operation and some degree of practice or application of that theory | Process is a series of action, changes action that bring about an end result |

Ovchinnikov (2014) state that certain rules relating to customs are fixed in a constitution does not make them the norms of customs because they remain constitutional rules. Both of this literature not support to the emergence of the customary regulatory process towards ASEAN integration because to realize customs integration, high technology is one of the important thing that need to figure out. This is because the integration of ten countries in the ASEAN regional needed high technologies of customs documentation and systems to enforce the customs regulation in the ASEAN regional. Next, Reeskamp and Ouden state that the customary regulatory is designed to harmonized the legal framework while Klimenko describe customary regulatory as one of the fundamental areas under management in the customs system. The description of customary regulatory from both author supporting to the emergence customary regulatory process towards ASEAN customary integration where the basic areas under management in the customs system as part of public administration, laying the legal basis for the implementation of mechanism including border management and risk management which is requiring legal support. Moreover, the emergence of customary regulatory process needs the customs law that harmonize in the ASEAN regional to improve the import, export and re-export systems. Given this point, the ASEAN customs integration requires innovation in customary regulatory that in-line with the intention to achieve ASEAN Economic Community (AEC) 2015 and to gain better trading and create best legal for member states to strengthen economics sectors among them.

According to the Table 4, shows the opinion related to process given by several researchers. Figueros had define process may present an analytical equation, a logic rule and statistical relationship. Schmitz (2006) had defines process as a measure phenomenon at one point in time without making the assumption. Both researchers describe the mean of process in different ways but supporting to the emergence of customary regulatory process. This is because to emerge the customary regulatory need an analysis, logic rule and statistical relationship at one point of time. To achieved the emergence of customary regulatory need an analysis from time to time to identify the level of achievement from one point to the next point. Next, Renker defines process as an action series, changes or function that brings about the end results. Wright state the process focuses on determining the point between the theory of operation and some degree of practice or application of that theory. Both author describe the process as a steps to achieving goals. This statement supporting to the emergence of customary regulatory process towards ASEAN customs integration because to achieve the emergence, there must be a process which is describe step by step to achieve the goals. From this, the stakeholder and organization involved can see clearly steps to achieved customs integration.

MATERIALS AND METHODS

This research study has used some methods to prove the potential of the customs regulatory process towards

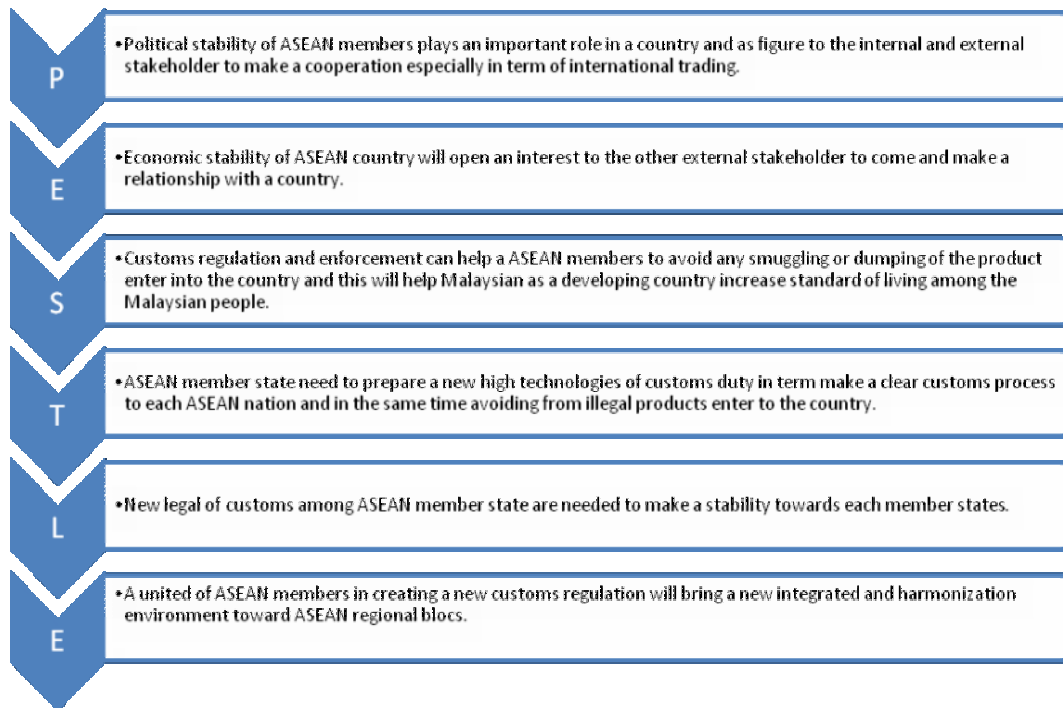


Fig. 2: The PESTLE methods

ASEAN integration. The method used is PESTLE analysis. PESTLE analysis is an analytical method which is used to find out the current status of an organization in relation to their external environment and current role. PESTLE stand for Political, Economic, Sociological, Technological, Legal and Environmental. This methods information guide to strategic decision-making.

According to Fig. 2, methods used in this research study are PESTLE analysis which is the research view about the factors that contribute directly to the potential of the customs regulatory process towards ASEAN customs regulation. In each nation, the political position plays an important role towards country development. This is because the stability political position of the nation shows the stability of a country. If the political position is not in good condition, it means the country in a melee and the government failed to control the political issues in their country. This situation will shows the bad views of others country to make a relation and the investors will avoid from make joint venture which company with this particular situation. The ASEAN Political Security Community (APSC) shall promote political development in adherence to the participate of democracy, the rule of law and good governance, respect for and promotion and protection of human rights and fundamental freedoms as inscribed in the ASEAN Charter. As a consequence, the healthy political position among

the ASEAN members can be exists and create harmonize situation in the ASEAN region. The economic stability of ASEAN region will be impact of political issues arise by ASEAN members. It is important to each country in the ASEAN community unite and mutually reinforce each other. Political stability will bring an economic stability. The stability of economic in the country will attract external investor and stakeholders to make a business and create relations with the country. This event brings a bright opportunity to the country itself and also the ASEAN regional. When there is a development country in the ASEAN region like Malaysia, it can help to develop the economic sectors of other country in the same region especially in trading and taxes.

Good economic condition brings a good standard of living in the organization. How it can be? For example in Malaysia, the economic stability helps the government to increase the standard of living the population of this country. The impact from stability of political and economic factor will contribute to the full employment, less unemployment, low income gap between lower classes and upper classes. Economic stability will show the successful of government in control the national economic. For the ASEAN region, the integration and understanding among the ASEAN member are needed to create a harmonization situation among the members.

Through the ASEAN Community 2015 asEAN members' living standard can be improved through the free mobility. The residences of ASEAN members have opportunity to skip their country borders with the simple customs documentation. The ASEAN Socio-Cultural Community (ASCC) state that, the ASCC characteristics by a cultural of regional resilience, adherence to agreed principles, spirit of cooperation, collective responsibilities to promote human and social development, respect for fundamental freedoms, gender equality, the promotion and protection of human rights and the promotion of human justice.

Here, clearly shows that the goal of ASEAN Community on consolidation of ASEAN regional is in high level with one mission and one vision to be achieved together under the name of ASEAN.

The developed country always been related with the advanced technology. The improvements in technology development of a country demonstrating merit becoming a developed and competitive country comparable to other developed country in the world. High technology systems is important to the country in order to compete with others country.

This application also applies in the ASEAN customs integration where to facilitate free movement between the members in ASEAN, a system of high-tech customs documentation is required. For instance e-customs adopted by the European Union (EU). E-customs is a good example of electronic services. Since internal lack of effective coordination among those member countries and their local government and the cooperation in customs, inspection, taxes and port management sector operation, most electronic public services do not work across borders to involve cumbersome procedures to be accessible.

Successful modernization of customs legislation requires attention to the unique political and legal tradition, social and cultural climate and administrative or organizational structure in which a particular customs administration operates (Wulf and Sokol, 2005). This statement shows that to achieve the integration in customs and successful modernization of customs among the ASEAN members, there are several factors that need to be analysed and give attention where this legal reform in customs must not deny the political issues, social, cultural, economic, technology and environment. All of these factors are related to each other.

Besides that, the emergence of customary regulatory process will support the single market and production base where it is comprise five core elements which is free flow of goods, services, investment, capital and skilled

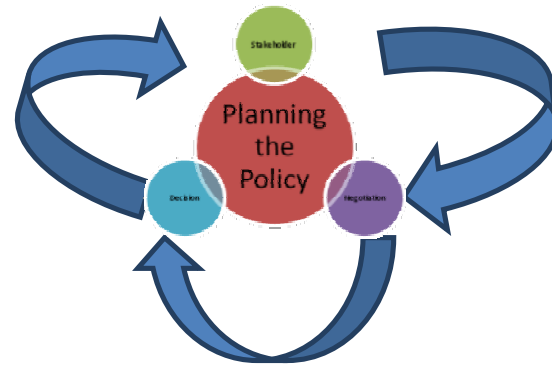


Fig. 3: The chart shows the process of planning policy

labour. A complexity in customs documentation, legislation and enforcement will complicate the trading among the ASEAN members. Furthermore, the differentiation of customs regulation among the members also will lead to difficulties of trading in ASEAN regional. By such thing asEAN customs need to reconstruct customs legislation as one customs legislation for ASEAN regional.

The relationship between the state and private enterprise is found to have a direct impact on the customs environment and therefore on incentive to engage in fraud and corruption. In driving ASEAN towards ASEAN Community 2015, fraud and corruption in trading among the ASEAN members must be prevented in forming a regional state harmony. This harmonization among the ASEAN regional will lead to the one tough organization that are work together and form alliance among member state.

Therefore asEAN regional can create regional countries as complementary such as EU and build identity which brings ASEAN name. Planning is the most important part in starting works or organization. Same goes to the emergence of the ASEAN customary regulatory where proper planning are important to make sure that all stakeholders will get benefits from this framework.

According to Fig. 3, there are three main subjects that related to each other in Fig. 3. Stakeholder is the main players in the ASEAN Economic Community (AEC) 2015 who are related directly with the international trading. In the case to emergence the customary regulatory process towards ASEAN customs integration, the stakeholders involves is the Ministry of Foreign Affairs, Customs Department, Ministry of International Trade and Industry and Attorney General's Chambers. All of the stakeholder from each country in the ASEAN regional will arises an issue that represent their countries to discuss and negotiate in the ASEAN regional negotiation forum

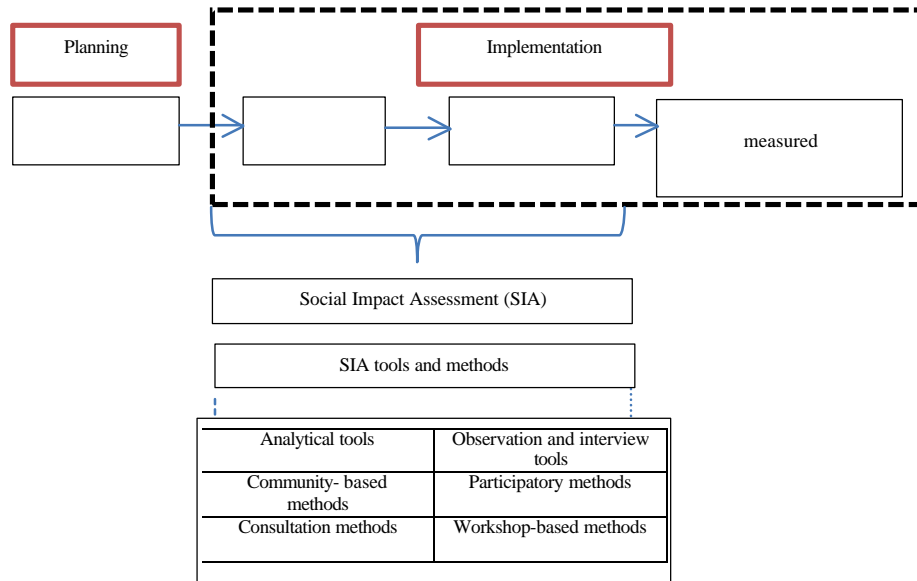


Fig. 4: The impact values chain and role of social impact assessment

especially between the regional countries. From this negotiation, a consensus will be achieved by all the stakeholders in addressing the issues arising. These negotiations among the stakeholders of each country are important to make sure that there are no bias in decision making especially in customs regulation and enforcement. In achieving customs integration, the negotiation will negotiate about the customs documentation, customs clearance, taxes, enforcement and the most important the process to implement the new customs regulation among the ASEAN regional member state.

The finding from the negotiation among the stakeholders, decision making will be made by a consensus of all stakeholders and the outcomes will be declared by representative stakeholders from each countries as a sign of agreements in the ASEAN customs declaration. This decision making had made after consider all the possibilities of the new customs regulation and challenge to achieve it. After sign in the customs declaration among the ASEAN members, the new customs regulation will be back to the stakeholder to implement it at their country. The emergence of customs regulatory will support the ASEAN Single Window where it facilitate and smooth the customs process in trade. As a conclusion, the chart above shows the relation between stakeholder, negotiations and decision making in the planning the emergence of customary regulatory process towards ASEAN integration. This chart is important to shows the flows of the formulation customary regulatory in achieving ASEAN Economic Community 2015.

Figure 4 shows the impact value chain and role of social impact assessment where it is used as a methodology to this research project. The Social Impact Assessment is the Inter-Organisational Committee on guidelines and principles for social assessment define social impacts as: “The consequences to human population of any public or private action that alter the ways in which people live, work, play, relate one another organise to meet their needs and generally cope as member of society”.

Social Impacts Assessments (SIA) can be defined in terms of efforts to assess or estimate, in advance, the social consequences that are likely to follow specific policy actions (including programs/ projects and the adoption of new policies) and specific government action. The potential of customs regulatory process towards ASEAN customs integration is under planning process where this study as a suggestion to the ASEAN customs to formulate a new legislation procedure of customs in the ASEAN region. There are six tools and methods of SIA which is analytical tools, community based tools, consultation methods, observation and interview tools, participatory methods and workshop-based methods.

The population taken for this research are the stakeholders who are involved directly to the decision making and implementation to the legislation in the Malaysia. The gathering data from the result of questionnaire and interviewing would be taken from Ministry of Foreign Affairs of Malaysia, Royal Malaysian Customs Department, Attorney General’s Chambers of Malaysia and Ministry of International Trade and

Table 5: Research instrument of the research project

| Research question | Data collection | Sample selection | Data analysis | Potential finding |
|---|-------------------------------------|--|-----------------|---|
| How to formulate the potential of customs regulatory system? | Interview session and questionnaire | Ministry of International Trade and Industry, Royal Malaysian Customs Department, Attorney General's Chambers of Malaysia, Ministry of Foreign affairs | PESTLE analysis | Know the process of to formulate the emergence of customary regulatory system and how to implement it |
| What are the strategic plans for reform royal customs towards the emergence of the ASEAN customary regulatory system? | Interview session and questionnaire | Royal Malaysian Customs Department, Attorney General's Chambers of Malaysia, Ministry of Foreign Affairs | PESTLE analysis | Know the strategic planning for Royal Customs towards the emergence of the ASEAN regulatory system, parties involve, challenge and impact towards ASEAN customs |
| Which strategic process tools creation and harmonization of integrated customary regulatory? | Interview session and questionnaire | Ministry of International Trade and Industry, Royal Malaysian Customs Department, Attorney General's Chambers of Malaysia, Ministry of Foreign Affairs | PESTLE analysis | Know the strategic process tools creation and harmonization of integrated customary regulatory among the ASEAN members |

Industry. The respondent of this research are officer from the Ministry of Foreign Affairs in Malaysia, Royal Malaysian Departments, Attorney General Chambers of Malaysia and Ministry of International Trade and Industry in Malaysia. This research data collected based on interview session and the open-ended questionnaire based on qualitative methods analysis. The interviewing session will conduct to the opinion of the officer from each organization based on fact and their knowledge through the research title. The interview session will be a support data to the questionnaire given. It will be based on the abilities and challenges will be face to realize the ASEAN customs integration. Besides that, it will base on the preparation to achieve the ASEAN Economic Community in term of customs systems. The Open-ended questionnaire is unstructured question in which possible answers are not suggested and respondent answer it in his or her own words. It will be the main elements to analyse the data of this research. The purpose of using the open-ended questionnaire is to enable the respondent understand and capture the point of view relating the research title and their jurisdiction.

In this research, meeting with the stakeholders as per reference face to face is an important approach to get the data from the respondent. This is because the data can get directly from the respondent at that time. The sampling methods used in this research are by meeting with the officers from the Ministry of Foreign Affairs, Royal Malaysian Customs Department, Attorney General Chambers of Malaysia and Ministry of International Trade and Industry to collect the information related to the research title. The data will be collected in several aspects relating to the jurisdiction of each stakeholder which is the preparation of Malaysian towards ASEAN Single Window, the implementation of the customs integration, the formulation of the customary regulatory and the challenge will be face to realize ASEAN customs

integration. Besides that, the data will be collected on the impacts of implementation customary regulatory process towards ASEAN customs regulation to the politics, economics, social, technologies, environment and legal. Generally asEAN regional is in process to achieve ASEAN Community 2015 with will allowed free mobility through the ASEAN Economic Community (AEC). There are needed a customs integration to fully achieved the free mobility in AEC. By that point, meeting with the stakeholder is a necessary to gathering all information related.

Table 5 shows the data instrument of this research project. The research instrument had highlight the research question, data collection, sample selection, data analysis and potential finding of this research project. The research question is the question appeared in this project that will be analysed. Data collection is the technique used to collect the data from the respondent. Sample selection is a sample population that were selected as a respondent to answers all question related to the research project. Data analysis is the methods used to analyse the data gathered from the respondent. Potential findings are expected findings or outcome that can achieved from this research projects. The data collected from the officers whom relating directly with the ASEAN customs integration. Telephones, e-mail and trip are the medium use to communicate with the officers regarding this research project. The data collected directly from the officers will be a primary data. It is important to use the open-ended questionnaire and interview session because the open-ended questionnaire is the question that has been drafted. The respondent will give an answer based on the scope of question. Meanwhile, interview session will be a back-up to the questionnaire because the data from the respondent through interview session will covered the information that not include in the questionnaire.

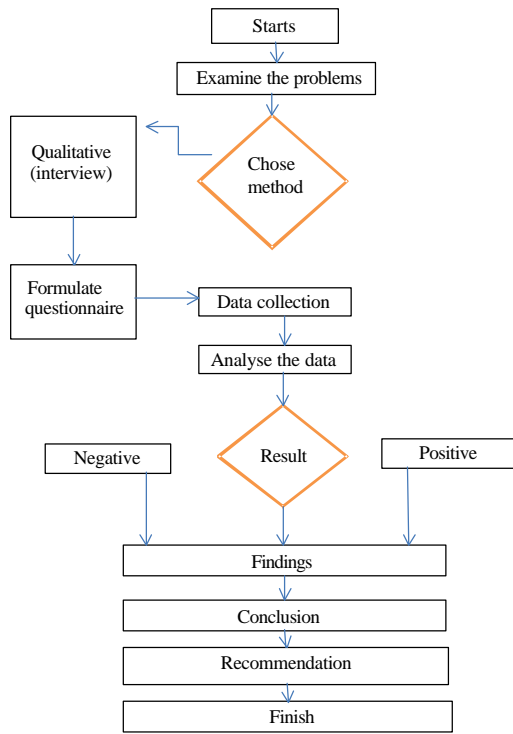


Fig. 5: The framework process of gathering information, analysis and result

Referring to Fig. 5, Data analysis is the process of evaluating data using analytical and logical reasoning to examine each component of the data provided. Data from various sources is gathered, reviewed and then analyse to form some sort of finding or conclusion. The ASEAN customs integration problems have been examine in this research. The impact, possibilities and challenge to realized customs integration had been covered. The first steps in this research is after examine the problem is choosing the best suite methods to be used in this research to handle the data that will be obtained. The formulation of question is the methods used in obtaining the information from the officers are involved in this research. The data collection from the interview session and open-ended questionnaire of respondent will be done. Social Impact Assessment (SIA) as the foundation to the objectiveness in this study. It is means, the questionnaire and interview session regarding to the analysis towards ASEAN customs integration. The data and result from the open-ended questionnaire and interview session will be examined through Social Impact Assessment (SIA) and PESTEL analysis. The result will be divided into several categories to show the impact of implementing the customs integration in the ASEAN regional. The impact will be seen through the political,

economic, social, technology, legal and environment. Besides that, the result will shows the impact of customs integration towards free mobility among the ASEAN member state. There are possibilities of the result might be match with the theories of the previous research. However if the result is unwavering and not confirm, the steps in analysing data will be held again. Based on the result, the possibilities the emergence of customary regulatory process towards ASEAN integration will be proved.

RESULTS AND DISCUSSION

It reviewed the potential of customs regulatory process towards ASEAN customs integration and the preparation of Malaysia as a chairman for ASEAN Economic Community (AEC) 2015. This potential of customs regulatory process will be adapted into the ASEAN regional especially when AEC 2015 is implemented in December 2015 based on the previous qualitative interview with several related department. Besides that, in this result and analysis chapter would be the content analysis study made as to build strong potential regulation process in the way to smooth the process of customs in trade and boost trading among the ASEAN country.

There are several characters that are important in order to form a standards customs regulation technically. In order to integrate ASEAN customs regulation in ASEAN region, all of these characters need to play their role. The important character is Royal Malaysia Customs (RMC), Ministry of International Trade and Industry (MITI) asEAN secretariat and stakeholders. All of this important character will be working together to achieve AEC 2015 mission and at the same time grab the opportunity that serve by AEC 2015. For example by implementing of AEC 2015 free movement of trade among the ASEAN country can be more effective and can increase the economic growth of the ASEAN country itself.

Based on Fig. 6 shows that the important characters who is needed one to another in grab the opportunity of AEC 2015 implementation. Ministry of International Trade and Industry (MITI) will be the organizations who are take action to attract stakeholders, manufacturer, producer or business man to take the opportunity provided when the AEC 2015 had been implemented. The action had been taken by the MITI in order to create awareness among the Malaysian business man is by doing awareness programs besides make announcements through electronic tools and engage with media so that Malaysia business man can aware and realize about the opportunity to expand their business beyond the domestics market. Until 2014,

Table 6: The preparation RMC for the potential customs integration

To what extent Malaysia preparation for dealing with the implementation of customs integration among ASEAN countries?

| Encik Mokhtar Idham Musa; Ministry of International Trade and Industry | Puan Sity Zaleha Binti Hashim; Royal Malaysia Customs |
|---|---|
| 2015 is a guideline towards achieving the AEC blueprint. Achievement of current 2014, all ASEAN countries is 83.1%. Blueprint achievement in 2015 was 90% and achieving an estimated 100% in 2016 | RMC are ready for AEC 2015 implementation and will give full commitment to achieve AEC 2015 mission |

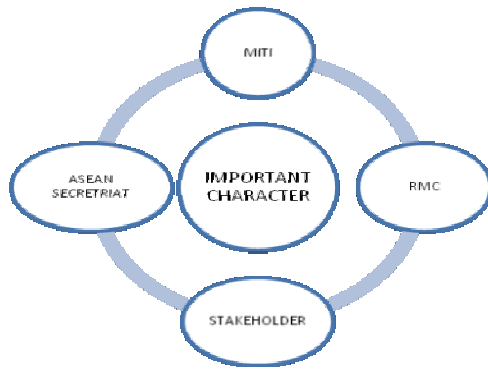


Fig. 6: The relation of important character in customs standard procedure

MITI had been run 131 capacity building program which is physical interaction with the stakeholder to open their eye and see the potential business that they can make. The government hopes to have this awareness programmes can helps the business man from Malaysia explore the opportunity and take this advantage to expand their business in any country in the ASEAN region. MITI together with the agencies under MITI such as MATRADE, SME Corp, SME Bank and other agencies will helps Malaysia business man to get market in the ASEAN region. For example, MATRADE will helps in promoting and guide the business man so that they can expand their business in the ASEAN region. SME Bank will helps Small and Medium Enterprise business to get funding so that they can have some capital to expand their business beyond the domestics market. This is because, when they only limit their business in domestics' area, the profit that they can gain also limited. That's why government want to helps this business man to go further beyond the border and spread their products in open market in the context of ASEAN. Royal Malaysia Customs Department (RMC) are the organisations that are responsible to ensure all trade activity either export or import will follow the procedures which had been specified. All of goods or trade activity which wants to go through Malaysia border must been check and allowed by customs department in order to ensure the safety level of Malaysia country is in the best level. This procedure been implemented to protect Malaysia people either by trading or lifestyle. For example if customs department do not run the procedure properly it will give harm to the Malaysia

safety because people can easily trade any substances or products that can give threat to the national safety like firearms and explosive substances.

Table 6 shows the answer given by two panels which is from Ministry of International Trade and Industry (MITI) and Royal Malaysia Customs Departments. Based on the answer given, Malaysia government especially customs department are ready and prepared for the implementation of AEC 2015. This is because as a third country that are rely on trade in the world, Malaysia see the ASEAN is a best platform to expand the economic growth. As a trade country, this is the best opportunity to Malaysia to take change in order to expand the market in the ASEAN regional. Negotiation makes by customs department from all of the ASEAN country time by time to create integration of customs procedures and documentation. The integration of customs procedures and documentation make by customs department from all ASEAN country to facilitate trade among the ASEAN country. When the customs procedures and documentation had been integrate, there are only single documentation needed to trade products from one ASEAN country to another and checking can be done only once which is before goods ready to trade.

Through the implementation of the AEC in 2015, all legislation, procedures and documents related to trade will be harmonizing including customs legislation among the ASEAN countries. This is to facilitate the movement of goods either imports or exports from ASEAN country to another ASEAN country. The implementation AEC 2015 which will provide free movement of trade in ASEAN regional need to be harmonize in term of standards and quality, products testing, procedure, documentation and so on to ensure that the product can be accepted by other country in ASEAN when it is produced. When this entire thing had been harmonize, producer country can export the product to the majority of country in ASEAN. The profit can be gain from the trade and economic growth will be increase. It will give a positive impact towards economic growth, social lifestyle and other positive elements towards ASEAN country. The ASEAN nation will not recreate a single customs regulation because to take care of the importance of each country in ASEAN nation. What ASEAN did is integrate the procedures, documentation and all related elements in trade and harmonize it so that it will profitable to all ASEAN

Table 7: PESTLE analysis of ASEAN countries that can be relate to the potential customs regulatory process towards ASEAN customs integration

| PESTLE | Analysis |
|-------------|---|
| Politic | All ten ASEAN countries agreed to implement AEC 2015 and integrate the standards, procedures and documentation to achieve AEC 2015 mission |
| Economy | AEC 2015 implementation will open the market to business development around ASEAN region. Besides that, it will increase the national income and profit to the stakeholder |
| Social | The growth of new manufacturer and company as an impact to the AEC 2015 implementation will create job opportunity to the community. Free mobility contained in AEC 2015 will increase lifestyle of community |
| Technology | AEC 2015 implementation will change trading process from using a lot of work to the electronic system. ASEAN create a portal that can access around the ASEAN nation named as "ASEAN Trade Repository (ATR)" |
| Environment | ASEAN highlighting the concept of mutually beneficial agreement for all ten ASEAN countries. Closer ties among ten ASEAN countries will benefits resulting in the development of the country |
| Legal | ASEAN working policy based on approval and not applying commission. The agreement among the ASEAN countries based on consensus respective countries not based on centralized enforcement legislation |

country. AEC 2015 implementation will use on the basis of agreement and not through force commission. This means, all the agreement among the ASEAN countries not subject to the central legal enforcement but through national consensus. Countries in the ASEAN region approach to help protect the interest of partners around the ASEAN region thus helping in term of economic growth especially for CLMV (Cambodia, Lao's, Myanmar and Vietnam) countries.

Based on Table 7 shows the analysis of ASEAN countries that can be relate to the potential customs regulatory process towards ASEAN customs integration. All ten ASEAN countries had been agreed to implement AEC 2015 and integrate the standards, procedures and documentation to achieve AEC 2015 mission. All of the trading standards, procedures and documentation need to be integrate in the ASEAN regional to facilitate the movements of goods, services, skilled labour, investment and capital. ASEAN integration goal is to become a single production base where goods can be manufactured everywhere in ASEAN region and distributed efficiently to anywhere around the region. To achieve these goals, the integration of the standards and quality products are very important. It is to ensure the goods or products had been produced will be accepted by all ASEAN countries or otherwise the manufactured or producer will be indemnify because cannot enter into the ASEAN market impact from did not achieve certain standards and quality needed by consumer from other countries in the ASEAN region. Next, the integrations of procedures like customs procedures and documentation also important and need to be implemented in the ASEAN region in order to facilitate trading among the ASEAN countries. Integration among ASEAN countries will facilitate and accelerate the process of trade between countries in the ASEAN region.

Through the economic sectors, AEC 2015 implementation will open the wide market to business development around ASEAN region where the stakeholders can build a company in his/her country and open the manufactured in other country in the ASEAN region. This will increase the national income and profit to

the stakeholder. The stakeholder can increase their production of goods and exports around the ASEAN region. By cross border trade among the ASEAN countries, producer can choose any ASEAN countries that are rich with raw material needed for the products and get the lower price of labour wages. From that, producer can decrease their running cost; produce products in maximum capacity and maximum the profit. The growth of new manufacturer and company as an impact to the AEC 2015 implementation will create job opportunity to the community. Free mobility contained in AEC 2015 will increase lifestyle of community. The growth of new manufactured or company from ASEAN countries will open widely job opportunity to unemployment people to get jobs and change their lifestyle. AEC 2015 implementation will reduce the unemployment rate in ASEAN countries. In a social ways, it will help the community from third country to get a better lifestyle indirectly improve their economic scale. AEC 2015 implementation will change trading process from using a lot of studywork to the electronic system. ASEAN create a portal that can access around the ASEAN nation named as "ASEAN Trade Repository (ATR)". ATR will be one-stop online trade system which is ASEAN traders and government can access trade laws and procedures for all member states. The ATR will allowed traders easy to access and better compliance with prescribe regulation, reducing time necessary and cut trading cost for each transaction. This system will be more effectively than enforced compliance. The establishment of the user-friendly and comprehensive ATR will facilitate trade by ensuring that all ASEAN trade rules are available through single site.(Walter Hekala, 2011). This ATR system targeted full operate on 2015 when AEC 2015 is implemented.

ASEAN highlight the concept of mutually beneficial agreement for all ten ASEAN countries. Closer ties among ten ASEAN countries will benefits resulting in the development of the country. All ten ASEAN countries will be wake up together as an ASEAN and produced product by the name of ASEAN that can be trade not only among

the ASEAN market but also in the global market. The strengthening of relations among the ASEAN countries as a regional country will become the ASEAN a region developing and developed in the future with increased levels of economic growth, raising living standards and reducing the number of unemployed in the ASEAN countries. ASEAN working policy based on approval and not applying commission. The agreement among the ASEAN countries based on consensus respective countries not based on centralized enforcement legislation. This is because ASEAN want to secure the important of each ASEAN countries. If there is one of the ASEAN countries did not agreed with the ideas, regulation, procedures or any related elements, it will not be dealt. The deal can only be achieved if all of ten countries agreed with the elements presented.

Integration defined as the process 'whereby political actors in several, distinct national settings are persuaded to shift their loyalties, expectation and political activities towards a new centre whose institutions process or demand jurisdiction over the pre-existing national states'. This definition is broad definition where it includes first, social process which is the shifting of loyalties and secondly, political process which is negotiation and decision making process about the construction of new political institution above the participating member states with a direct say in at least a part of the member states affairs. ASEAN customs integration is an integration made by ASEAN member state to consolidation the procedures, documentation, standards, testing and other elements of customs and trading in order to achieve ASEAN Economic Community 2015 mission. Integration means significant cooperation in specific areas to promote economic ASEAN countries. The integration between ASEAN countries facilitates business development thus promoting economic ASEAN countries. ASEAN countries are very comparative product when compared with other countries, especially Europe. Malaysia is a trading nation whose trade ratio large GDP of around 140% and external trade dependency is very high. If Malaysia is to limit the market to the domestic market, Malaysia not able to achieve in terms of revenue growth is easy to state, employment, economic growth and so on. Therefore, Malaysia took the opportunity to use the platform partners around the country Malaysia of a geographical region to join in ASEAN as a single market itself, namely a single market and production base. For the movement of goods to overseas markets require cost. These costs can arise because the rules are not the same standards, regulations, acquisitions and the opening of the company are not the same and some procedures are not the same between countries resulted in an increase in the cost of

goods or services. Therefore, the needs for regional countries ASEAN integrate all rules and procedures so that everyone can enjoy the benefits. For example, manufacturers can reduce costs and thus lower prices can be given to the end user the impression of the production costs are much lower than before it is integrated. All ten ASEAN countries may use AEC 2015 as a platform production without much technical requirements, testing and so on.

Among the procedural has been done by Malaysia through MITI towards ASEAN integration is to involve internal or domestic stakeholders (producers, manufacturers, dealers) to ensure they are ready in terms of the ability to confront and take the opportunity provided by AEC 2015. MITI has been providing capacity building programs through agencies under it as SME Corp to develop Small and Medium Enterprises (SME), SME Bank for funding purposes, Matrade Malaysian businessmen to carry out the other ASEAN countries. For the long term, MITI wanted university students are aware of the ASEAN community and the impact that they will gain from the implementation of the ASEAN. For import and export, RMC will provide the necessary facilities in line with other customs jurisdictions approved the ASEAN countries for the approval of other relevant customs procedures to facilitate the movement of trade in goods and are still focused on national security. Based on a study in 2012, three major countries that are heavily dependent on trade in the world is Hong Kong, Singapore and Malaysia. ASEAN is the site most convenient to move as rich in raw materials and tastes almost the same population. This can promote economic growth among ASEAN countries as well as the assistance provided by the government through its agencies in terms of import and export and the use of public warehouses, customs warehouses and the like.

The government expects to increase the growth of new companies as it will open up employment opportunities for the population and positive impact in terms of economic growths. Income in the country will increase in terms of the collection of taxes, duties and so on. Moreover, people's lifestyles will increase the purchasing power of the community and is also increasing movement of workers from one ASEAN country to another ASEAN country. Even though ASEAN is not as easy as the EU in terms of movement from one state to another state in which the EU adopted the use of the passport and visa abolition for EU community but at least open to ASEAN partners to another. The implementation of the AEC in 2015 to contribute to the elimination of quotas in terms of goods, while the service is subject to the domestic needs of ASEAN countries themselves.

ASEAN Single Window (ASW) to facilitate the movement document preferential trade agreement (tariff) between ASEAN countries and other ASEAN countries where the movement is done electronically and is still safe because a secure line for ASW. ASW exercise will make lower cost producers, higher margins, higher profits and offering cheaper prices. Besides that asW will integrate coding (HS Code) among ASEAN countries to facilitate movement of goods. All ASEAN countries receive a low tariff rate where all six original ASEAN countries have opened approximately 99.65% of goods zero tariff status while CMLV countries, starting January 1, 2015 have been reducing or eliminating the 93% tariff on goods of their country and a surplus of 7% take until 2018 to switch to a zero tariff status.

Generally asEAN member states should implement the commitments that all customs regulations and requirements relating to inclusion in a portal which uses English as a lingua franca as a medium to deliver information to all traders and government. The ATR portal system will allowed traders easier to access and better compliance with prescribe regulation and reducing time necessary for each transaction made in ASEAN region. This improvement in customs and trading system will reduces cost of trading at the same time; government can get benefits from ATR system as voluntary compliance of traders is more effective than enforced compliance. According to the ASEAN Trade in Goods Agreement (ATIGA), Article 13 of ASEAN Trade Repository stated that, ATR containing trade and customs laws and procedures of all Member States shall be established and made accessible to the public through internet. The ASEAN Secretariat shall maintain and update the ATR system based on the notifications submitted by Member State as set out in Article 11 in this Agreement. This system are very important to be successful in AEC 2015 because it will improve the trading and customs system among ASEAN countries and it is very helps in gaining economic growth among the ASEAN countries.

CONCLUSION

Association of Southeast Asian Nation (ASEAN) has been seen as a regional which has a potential to be a successful region and can compete with other leading regional countries in the world such as the EU. The combination and integration of ASEAN countries will transform ASEAN region to the new environment of ASEAN which is more competitive towards AEC 2015 mission. There are several steps had been formulate among the ASEAN members to realize the ASEAN Economic Community 2015 which know will be give

benefits to the entire ASEAN nation. Until 2014, the achievement of entire ASEAN countries of origin preparation is 83.5% to achieve AEC 2015. Trade between ASEAN countries will be more favourable when many things in the ASEAN can be integrated such as customs procedures, product standards, accounting standards, standards, documentation, accreditation of workers, testing on a range of goods and services and trade-related element in realizing the ASEAN as a single production base. When all these elements are integrated between the ten ASEAN countries, it is could indirectly stimulate economic growth for all ASEAN countries as well as to help the country CMLV towards developing countries. After integration among ASEAN countries conducted through the implementation of the AEC in 2015, the elements concerned should in harmonizing so that all countries in the ASEAN region will receive interest at an optimal level. Customs integration through the integration of ASEAN countries have also helped to realize the AEC in 2015 in order to facilitate the movement of goods and services to the rest of ASEAN countries. ATR as customs integration through the medium of communication of information among ASEAN countries is helping to build ASEAN as a regional trade. This is because the ATR can be a liaison to the ASEAN countries to trade portal which facilitates the government's Trade and trade-related information in the ASEAN region such as tariff and non-tariff on an item. In term of modernising Customs operation among ASEAN countries, Information and Communication Technology had been introduced in customs clearance of trade goods in all member states in accordance with international standards in ASEAN region. The technology will be applied through the AEC in 2015 to reduce costs and shorten delivery time of goods from point of origin to the point of destination. The customs administration also works together in partnership with traders and industries in order to strengthen and improved the level of service and compliance. This partnership will facilitate the movements of trade among ASEAN member state and improve trades in ASEAN region thereby increasing economic growth of the ASEAN countries.

RECOMMENDATIONS

The recommendation of this research is to ensure the maximum preparation of each country in ASEAN region before December 2015 because the AEC 2015 will be implemented on the December 2015. Each ASEAN country need to be well prepared either in strengthen their local businesses capability and manufactured before the

implementation of AEC 2015 because by well preparation, all ten ASEAN countries can gain maximum benefits from the implementation of AEC 2015. Next, the ASEAN nation need to keep using the same regulation and harmonize it so that it can be followed by each ASEAN countries when AEC 2015 was implemented on December 2015. The purposes that ASEAN countries need to keep using the same regulation because the regulations that are used currently will secure the interest of each country. However, it is need to be harmonizing so that others countries in ASEAN regional can follow the rule and regulation fixed for the countries.

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