

The Twenty-First Meeting of the ASEAN Free Trade Area (AFTA) Council Makati City, Philippines, 23 August 2007

Joint Media Statement

1. The Twenty First Meeting of the ASEAN Free Trade Area (AFTA) Council was held on 23 August 2007 in Makati City, the Philippines.

2. The Meeting was attended by Ministers from Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam. The Secretary-General of ASEAN was also in attendance. The Meeting was chaired by H.E. Peter B. Favila, Secretary of Trade and Industry of the Philippines. The AFTA Council Meeting was preceded by a meeting of the ASEAN Senior Economic Officials on 19 August 2007.

3. The Ministers discussed, among others, the progress made in the implementation of the Common Effective Preferential Tariff (CEPT) Scheme for AFTA, elimination of non-tariff barriers, reform of the Rules of Origin for AFTA and enhancement of the CEPT Agreement.

Realisation of the ASEAN Free Trade Area

4. AFTA is very close to its full realisation. 98.58% of the total products in ASEAN have been brought into the CEPT Inclusion list (IL), and tariffs of 93.67% of these products have been reduced to within 0-5%. Tariffs on 98.67% of the products in the IL of ASEAN-6 have been brought down to the 0-5% range. As of this date, products in the IL which continue to have tariffs above 5% are those which have been transferred from the Sensitive Lists (SL), Highly Sensitive List (HSL) and General Exception Lists (GE). The CLMV Countries are also contributing to this progress as 97.32% of their products have been brought into the IL and tariffs on 86.21% of these items have already been reduced to the 0-5% band.

5. Contributing to the achievement, Cambodia transferred the last remaining TEL items into IL on 14 August 2007, and Myanmar transferred her un-processed agriculture products from TEL and SL into the IL on 23 November 2006, as committed under the Protocol on their respective Accession to the CEPT Agreement. With this, there are no more products in the TEL of the CEPT. The products remaining in the SL of Cambodia, Lao PDR and Myanmar account for only 0.51%, 1.90% and 0.25% of their respective tariff lines.

6. The process of full tariff elimination is also progressing well as expected. Malaysia has eliminated tariffs for 80% of her products in accordance with the target for ASEAN 6 stipulated in the Roadmap for the Integration of ASEAN (RIA). The 80% also includes tariff elimination for the products under the Priority Integration Sectors. All ASEAN 6

Ministers reassured their commitment of achieving the 80% target of tariff elimination under RIA as well as tariff elimination for the Priority Integration Sectors by end of 2007, while Singapore does not apply tariffs on any of her products. With this, as of today, tariffs on 71.44% of the products in the IL of ASEAN-6 have been eliminated. The average tariff for ASEAN-6 under the CEPT Scheme is now down to 1.59 % from 12.76% in 1993, while the average CEPT rate for CLMV is 4.4%, down from 4.65% in 2006.

7. The Ministers re-emphasised the commitment to realise integration of the priority sectors and the need to ensure benefits for the ASEAN business sector. As such, the Ministers agreed that the effective implementation of tariff elimination would be made retroactive to 1 January 2007, and that any overpaid duties between 1 January 2007 and the date of the tariff elimination enactment would be refundable.

Elimination of Non-Tariff Barriers

8. The Ministers endorsed the modality for the elimination of non-tariff barriers, which would serve as guidelines for the deliberations on NTB elimination. Verifications and cross-verifications are currently being undertaken on the Non-Tariff Measures (NTMs) in ASEAN with a view to identifying measures that are barriers to trade. The Ministers noted the on-going identification of Non-Tariff Barriers to be eliminated by January 2008 as part of the first package in the ASEAN NTB elimination work programme. The Ministers reiterated the importance they attached to the work in eliminating NTBs so as to ensure the realisation of free flow of goods, as one of the key pillars of the ASEAN Economic Community and encouraged the officials to continue their work on the matter.

Enhanced CEPT Rules of Origin (ROO)

9. The Ministers noted the progress made in developing the alternative substantial transformation rules for the remaining CEPT products, which is expected to further facilitate the integration process in the region to become a single production base and to enhance ASEAN competitiveness. The Ministers further noted the substantive progress made in enhancing the Rules of Origin for CEPT-AFTA and its Operational Certification Procedures, which is aimed to clarify, simplify and update the rules to be adapted to changes in the current business arrangement within ASEAN, particularly as ASEAN negotiates Free Trade Agreements with Dialogue Partners. The Ministers tasked the ASEAN Task Force on Rules of Origin to finalise both the development of substantial transformation rules for the remaining CEPT products and the revised CEPT Rules of Origin and its Operational Certification Procedures by end of 2007 for effective implementation by early 2008.

Enhancement of CEPT Agreement

10. The Ministers agreed to enhance the CEPT Agreement to make it a comprehensive Trade in Goods (TIG) Agreement applicable to ASEAN's current needs for accelerated economic integration towards 2015. The Agreement would bring AFTA into a rules-based system, which would enhance the confidence of the business community as well as foreign

investors. The Ministers directed the officials to ensure the relevance of CEPT in the existence of the various ASEAN FTAs with Dialogue Partners and tasked the officials to finalise the TIG Agreement for consideration of the Ministers by the 40th AEM Meeting in 2008.

Customs Cooperation

11. The Ministers took note of the status of the ASEAN Harmonised Tariff Nomenclature (AHTN) 2007 implementation and the continuous effort in modernising customs techniques for trade facilitation. The Ministers also noted the on-going revisions to the draft Protocol 2 of the ASEAN Framework Agreement on the Facilitation of Goods in Transit and the development of the customs transit system. The Ministers encouraged the customs officials to continue their work in further facilitating trade to support the establishment of the ASEAN Economic Community

Standard and Conformance

12. The Ministers took note of the development of the ASEAN Guideline on Good Regulatory Practice, which is expected to reduce the regulatory barriers to trade in ASEAN by ensuring the consistency and transparency of technical regulations. The Ministers also noted the implementation of the Mutual Recognition Arrangement on Electrical and Electronic Equipment as well as the progress in the harmonisation of standards and technical regulations in various sectors. Post Marketing Alerts for products of Medical Device, Traditional Medicines and Health Supplements, Pharmaceuticals and Cosmetics have been established to enhance the cooperation between the concerned regulatory authorities in ASEAN in preventing unsafe and substandard products in the region.

ASEAN Trade Performance

13. ASEAN's global trade in 2006 totalled to US\$1.41 trillion compared with US\$ 1.23 trillion in 2005. For 2006, total ASEAN exports expanded by 16.5% from US\$ 650.63 billion in 2005 to US\$ 758.04 billion in 2006. An increase of 13.0 % was registered in total ASEAN imports, i.e. from US\$ 579.64 billion in 2005 to US\$ 654.88 billion in 2006. Based on the available information, total ASEAN exports in the 1st quarter of 2007 amounted to US\$ 165.7 billion, an increase of 10.1% compared with the same period of 2006. The total ASEAN imports for the 1st quarter of 2007 was US\$ 144.57 billion, or increased by 7.0% compared with the same period of 2006.

14. Intra-ASEAN exports increased from US\$ 164.06 billion in 2005 to US\$ 189.12 billion in 2006, up by 15.3%. The growth in intra-ASEAN imports registered a 15.8 % increase from US\$ 141.42 billion in 2005 to US\$ 163.69 billion in 2006. The share of intra-ASEAN trade in ASEAN total trade remained relatively constant with a slight increase of 24.97% in 2006 as compared with 24.83 % in 2005 . For 2007, based on the available information, intra-ASEAN exports accounted for US\$ 43.27 billion in the 1st quarter of 2007 or increase of 10.8% compared with the same period of 2006. The intra-ASEAN imports for the 1st quarter 2007 registered US\$ 34.68 billion or an increased by 4.1% compared with the same

period of 2006.

15. Japan, the US, the European Union, China and Korea continued to be ASEAN's largest trading partners. The share of ASEAN trade (exports + imports) with these countries to overall ASEAN trade in 2006 was 11.55%, 11.52%, 11.43%, 9.97% and 3.73 %, respectively.

LIST OF MINISTERS

1. Dato Paduka Lim Jock Hoi, Permanent Secretary, Ministry of Foreign Affairs and Trade, Brunei Darussalam
2. H.E. Mr. Kong Vibol, First Secretary of State, Ministry of Economy and Finance, Cambodia
3. Mr. Herry Soetanto, Director-General of International Trade Cooperation, Ministry of Trade, Indonesia (representing H.E. Ms. Mari Elka Pangestu, Minister of Trade, Indonesia)
4. H.E. Mr. Nam Viyaketh, Minister of Industry and Commerce, Lao PDR
5. Dr. Rebecca Fatima Sta Maria, Deputy Secretary General, Ministry of International Trade and Industry of Malaysia, (representing H.E. Dato' Seri Rafidah Aziz, Minister of International Trade and Industry, Malaysia)
6. H.E. U Soe Tha, Minister for National Planning and Economic Development, Myanmar
7. H.E. Mr. Peter B. Favila , Secretary of Trade and Industry, the Philippines
8. H.E. Mr. Lim Hng Kiang, Minister for Trade and Industry, Singapore
9. H.E. Mr. Chalongphob Sussangkarn, Minister of Finance, Thailand
10. H.E. Mr. Vu Huy Hoang, Minister of Industry and Trade, Viet Nam
11. H.E. Mr. Ong Keng Yong, Secretary-General of ASEAN