

**THE TWELFTH MEETING OF THE ASEAN FREE TRADE AREA (AFTA)
COUNCIL
6 October 1998 Manila, Philippines**

JOINT PRESS STATEMENT

The Twelfth Meeting of the ASEAN Free Trade Area (AFTA) Council was held on 7 October 1998 in Manila, Philippines.

2. The Twelfth Meeting of the AFTA Council met to review the progress in the implementation of the Common Effective Preferential Tariff (CEPT) Scheme for AFTA since the last Council Meeting on 15 October 1997 in Kuala Lumpur, Malaysia. The AFTA Council Meeting was preceded by a meeting of the ASEAN Senior Economic Officials Meeting on 5-6 October 1998.

Attendance

3. The Meeting was attended by:

- a. H.E. Jose Trinidad Pardo, Secretary, Department of Trade and Industry, and Chairman of the AFTA Council;
- b. H.E. Pehin Dato Abdul Rahman Taib, Minister of Industry and Primary Resources, Brunei Darussalam;
- c. H.E. Mr. Rahardi Ramelan, Minister of Industry and Trade, Indonesia;
- d. H.E. Mr. Liane Thykeo, Vice Minister of Finance, Lao PDR;
- e. H.E. Tan Sri Asmat Kamaludin, Secretary-General, Ministry of International Trade and Industry, Malaysia;
- f. H.E. Brigadier General David O. Abel, Minister at the Chairman's Office of the State Peace and Development Council, Myanmar;
- g. H.E. Mr. Lee Yock Suan, Minister for Trade and Industry, Singapore;
- h. H.E. Dr. Supachai Panitchpakdi, Deputy Prime Minister and Minister of Commerce, Thailand;
- i. H.E. Nguyen Sinh Hung, Minister of Finance, Vietnam;
- j. H.E. Mr. Rodolfo C. Severino, Secretary-General of ASEAN; and their respective delegations.

4. A delegation from Cambodia was also in attendance as an Observer.

5. Noting the economic turbulence in the past year, the Council viewed that AFTA would enhance economic integration and strengthen resilience towards such external volatility. Increased trade interactions would help overcome the negative impact of unprecedented currency devaluation of ASEAN countries. Acknowledging the need to restructure economies, the Council noted that AFTA would create the appropriate impetus for economies to eliminate any inherent weaknesses, consolidate, readjust and strengthen economic fundamentals to improve competitiveness and engineer an export-led recovery. AFTA also creates a favourable investment climate for long term Foreign Direct Investments through the business opportunities accorded from an enlarged regional market. The Council therefore made important decisions below, particularly on the acceleration and implementation of AFTA, including other trade facilitating initiatives.

ASEAN Reaffirms Commitment and Agrees to Accelerate AFTA

6. ASEAN countries reiterated their commitment to implement the ASEAN Free Trade Area and further agreed to accelerate its implementation ahead of the original timetable of 0-5% tariff rates by the year 2003 (2006 for Vietnam and 2008 for Laos and Myanmar). ASEAN countries shall be maximising the number of tariff lines to be reduced to tariff rates of 0% by the year 2003, rather than the previous 0-5% ending tariff range. In addition, Member Countries have made substantial individual acceleration plans encompassing, among others, the following elements:

- a. identifying products which were previously temporarily excluded for tariff reductions in 1999, ahead of schedule;
- b. identifying products which were previously permanently excluded for tariff reductions in 1999;
- c. identifying sensitive and highly sensitive processed agricultural products for accelerated tariff reductions. These products had longer liberalisation timeframes;
- d. maximising products where tariff rates could be reduced to 0% rather than a tariff range of 0-5% in the year 2003 (2006 for Vietnam and 2008 for Laos and Myanmar);
- e. accelerating the tariff reductions of certain products already slated for liberalisation, to 0-5% by the year 2000;

7. Information on these individual acceleration plans appears in [ANNEX 1](#).

8. Recent misleading and negative press reports on ASEAN's commitment towards AFTA were noted. The Council reaffirmed Member Countries' commitments to the free trade area and agreed on the need for further acceleration since AFTA has been viewed as relevant and important, particularly in the light of the current financial and economic crisis. Efforts at acceleration has occurred despite the ASEAN countries already being relatively open under AFTA. A total of 85.2% of all products would already be at 0-5% tariff rates by the year 2000, representing approximately 88.1% of total intra-ASEAN imports¹. These efforts for acceleration were in addition to existing liberalisation programmes under AFTA. With a liberal economic environment, AFTA will ensure that the long term economic prospects for the region remained favourable and bright.

AFTA Implementation Remains on Track, New Package to be Issued in 1999

9. Substantial progress has been made to realising the implementation of AFTA during the past years. Besides efforts for acceleration, on-going liberalisation programmes have been progressing smoothly and on schedule. Liberalisation packages have been issued yearly to effect tariff reductions as well as to transfer products which were previously excluded for tariff reductions. The Council noted that for ASEAN-6², there existed two remaining installments for the phase-in of products which were previously excluded from tariff reductions, that is in 1999 and 2000. ASEAN reiterated its commitment that these products will be phased in on schedule.

10. For the 1998 tariff reductions, 82.8% of all products will already be included into the Scheme for trade liberalisation, representing 46,000 tariff lines. Average tariff rates for products under AFTA would be reduced from 5.37% in 1998 to 2.68% in 2003.

11. A new package of tariff reductions will be issued in 1999. The following will be elements of the new package:

- a. it will include the fourth installment of products which were previously temporarily excluded from tariff reductions as well as the third installment of unprocessed agricultural products in the same category;
- b. for Vietnam, it will include the first installment of products which were previously temporarily excluded;
- c. it will effect the acceleration plans of Member Countries for AFTA; and

d. it will have tariff reductions for the whole period up to 2003 and 2008 (for Laos and Myanmar).

AFTA Provisions Strengthened for Transparency and Predictability

12. Substantial progress has been made to strengthen AFTA provisions and enhance transparency of Member Countries' trade regimes. The aim would be to create a more predictable and rules-based free trade area within the region, thus creating a conducive environment for business and enterprise.

- a. a Protocol on Notification Procedures has been finalised by the Council to promote transparency. This will commit Member Countries to notify 60 days in advance any changes to measures which may nullify/impair the benefits of the AFTA Agreement or which may impede the attainment of its objectives. The Protocol will be signed by the ASEAN Economic Ministers at their 30th Meeting, and
- b. provisions under which Member Countries may take unilateral trade restricting actions during times of crisis has been strengthened, taking fully into account the WTO Agreement on Safeguards. Hence, procedures and conditions have been made more stringent for a Member Country to meet in order to apply any measures to protect an industry or to prevent a run on their foreign exchange reserves.

Customs Green Lane Treatment Expanded for ASEAN Products

13. The ASEAN Green Lane System for AFTA Products has been further expanded to cover all ASEAN products, in a bid to further simplify intra-ASEAN trade procedures and promote intra-ASEAN trade. The Green Lane previously accorded expeditious customs clearance for AFTA products through the presentation by importers of the CEPT Certificates of Origin (Form D). Now, procedures are being worked out by Member Countries to expand green lane treatment to cover more products in ASEAN. Customs authorities in ASEAN are in the midst of discussing this issue. The Council encouraged ASEAN Customs to expedite their finalisation of the expanded Green Lane for ASEAN products.

Mutual Recognition Arrangement Framework to be Finalised

14. A Framework Agreement on Mutual Recognition Arrangements (MRA) in ASEAN will be finalised to further facilitate trade. The Agreement provides a framework for MRAs to be created on individual products/sectors with the view to mutually recognise cross border test results thus reducing testing applications for product standards and requirements for imports, thus reducing transaction costs. The Agreement is scheduled for signing at the 6th ASEAN Summit in Hanoi, Vietnam on 15-16 December 1998. The following specific sectoral MRAs are being developed within ASEAN:

- a. an MOU on MRAs of Conformance Testing is undertaken by the ASEAN Telecommunication Regulators' Council (ATRC); and
- b. the ASEAN Harmonisation Scheme (or Directive) for Cosmetic Products for the harmonisation of ASEAN cosmetic regulations and for the possible recognition of equivalence or acceptance of registration and test results.

Standards Harmonisation Makes Headway

15. Much headway has been made in the area of standards harmonisation, Minimum Residue Limits (MRLs) of pesticides for two products i.e. cabbage and tomatoes and 5 priority pesticides have been harmonised in ASEAN. This list of pesticides for harmonisation will be expanded to include all vegetables, thus increasing the scope for greater intra-ASEAN trade. In the manufacturing sector, international standards for 20 products have been identified for alignment in ASEAN by 2000. These harmonisation activities will increase market access of ASEAN products to the international market.

Information on Technical Regulations Now Easily Accessible

16. Businesses can now access the ASEAN HomePage on Standards and Conformity Assessment, recently launched, to provide up-to-date information on standards and technical regulations in ASEAN. The Homepage is also linked to the HomePages of seven other countries, thus increasing transparency for businesses. The HomePage address is:
<http://www.aseansec.org>

Intra-ASEAN Exports increased by 4.7% in 1997³, Total Exports Continue to Rise Faster

17. Intra-ASEAN exports grew at 4.7% in 1997. Total ASEAN exports grew by 6.3% from US\$ 330.6 bn to US\$ 351.6 bn in 1997, whilst intra-ASEAN exports grew from US\$ 82.4 bn to US\$ 86.3 bn. Excluding Intra-ASEAN trade, ASEAN's total exports grew from US\$ 248.2 bn to US\$ 265.3 bn, representing a 6.9% increase. Total balance of trade fell by about US\$ 16 bn from a deficit of US\$ 31.5 bn in 1996 to US\$ 15.7 bn. The trade balance turned into a surplus of US\$ 7.7 bn in the first quarter of 1998. ASEAN's outward orientation continues to be reflected in these figures, although intra-ASEAN trade plays a role in enhancing ASEAN's export competitiveness. The following trends were further noted (details appear in [ANNEX 2](#))

Intra-ASEAN Exports

18. In intra-ASEAN exports, countries experiencing the highest growth rates are Philippines (15.7%), Thailand (12.6%) and Brunei Darussalam (11.2%). In absolute terms, Thailand experienced the highest growth (US\$ 1.48 bn) followed by Singapore (US\$ 1.39 bn) and Indonesia (US\$ 0.55 bn).

19. In sectoral terms, the sectors which contributed most to this increase are Antiques and Works of Art (119.4%), Machinery and Electrical Appliances (2.3%) and Chemicals.

20. Intra-ASEAN exports accounted for approximately 24.5% of total ASEAN exports in 1997, as compared to 24.9% in 1996.

Balance of Trade

21. ASEAN's deficit on balance of trade of US\$ 15.7 bn had decreased in 1997, even when compared to 1995 which had a deficit of US\$ 21.9 bn. Balance of trade with the rest of the world fell by US\$ 12.4 bn from US\$ 46.7 bn and US\$ 35.3 bn in 1996 and 1995 respectively to US\$ 34.3 bn. The deficit turned into a surplus in the first quarter of 1998 to US\$ 7.7 bn.

22. The AFTA Council reaffirmed that efficient and comprehensive networks of transport services among and between ASEAN Member Countries are of utmost importance to the fulfillment of AFTA's objectives.

¹ This includes only ASEAN-6, excluding Laos, Myanmar and Vietnam. Analysis from ASEAN Secretariat

² ASEAN-6 includes Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand

³ Figures exclude Laos and Myanmar