

THE SEVENTEENTH MEETING OF THE ASEAN FREE TRADE AREA (AFTA) COUNCIL

**1 September 2003, Phnom Penh
Cambodia**

Joint Media Statement

1. The Seventeenth Meeting of the ASEAN Free Trade Area (AFTA) Council was held on 1 September 2003 in Phnom Penh, Cambodia.
2. The Meeting was attended by Ministers from Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. The Secretary-General of ASEAN was also in attendance. The Meeting was chaired by H. E. Mr. Kong Vibol, Secretary of State of Economy and Finance and Vice-Chairman of the Council for the Development of Cambodia. The AFTA Council Meeting was preceded by a meeting of the ASEAN Senior Economic Officials on 30-31 August 2003.
3. For this Meeting, the Ministers discussed, among others, various issues related to the implementation of the Common Effective Preferential Tariff (CEPT) Scheme and the realization of the ASEAN Free Trade Area (AFTA), the implementation of the ASEAN Integration System of Preference (AISP), the liberalization of ICT goods under the e-ASEAN Framework Agreement, the transfer of products from the Sensitive List to the CEPT Inclusion List, the elimination of non-tariff barriers, the CEPT Rules of Origin, and some implementation problems relating to the CEPT-AFTA Scheme.

REALIZATION OF AFTA

4. The Ministers were pleased to note that, after finally after ten years, the AFTA has been virtually realized as regional tariffs on 99.60% of products in the CEPT Inclusion List (IL) of ASEAN 6 – Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand – are now within the 0-5% range, compared to 96.24% in 2002. The Ministers noted that, with the completion of the transfer of products from the Sensitive Lists to the IL by this year, only 247 tariff lines or 0.50% of all products traded in the region would remain out of the CEPT Scheme. The average CEPT rate for ASEAN 6 has gone down from 12.76% in 1993 to 2.39% in 2003.
5. CLMV, or Cambodia, Lao PDR, Myanmar and Viet Nam, are also keeping apace with the older members in implementing their CEPT commitments. Their Inclusion Lists now comprise 72.22% of their total number of tariff lines, in contrast to 64.27% last year. In terms of tariffs, CEPT rates on 60.64% of products they trade in the region are already within the 0-5% tariff band. The average CEPT rate for CLMV now stands at 6.22% from 6.77% in 2002.
6. The Ministers welcomed the signing of the Protocol to Amend the Agreement on the Common Effective Preferential Tariff (CEPT) Scheme for the ASEAN Free Trade Area (AFTA) for the Elimination of Import Duties by the ASEAN Economic Ministers in January 2003. The Ministers are encouraged by the efforts of Member Countries, despite current economic difficulties, to comply with their commitments to eliminate tariffs on 60% of products in their IL by this year. They noted that Brunei Darussalam, Malaysia and Singapore have already reached their Year 2003 targets and that Thailand will achieve their target within the year. They also noted that Indonesia, which currently has more than 56% of items in their CEPT Inclusion List with zero tariffs, will complete their 60% target by next year. The Philippines is facing some legal constraint in implementing this commitment although majority of the items in their CEPT Inclusion List are levied 1% tariffs but will endeavour to meet the target.

7. The Meeting noted that the Philippines and Singapore have successfully concluded the signing of the Agreement on Compensatory Adjustment Measures relating to the suspension of concession on 11 petrochemical products by the Philippines. The Agreement was signed on 31 August 2003.

ELIMINATION OF NON-TARIFF BARRIERS

8. The Ministers expressed their serious concern over the slow progress in the work on the elimination of unnecessary and unjustifiable non-tariff measures (NTMs). Now that the AFTA has been realized, the Ministers gave a strong mandate to accord priority attention to the removal of non-tariff barriers (NTBs). Member Countries were urged to complete the process of verifying known NTMs, notifying import licensing procedures and cross-notifying other members' NTMs. The Ministers also tasked to finalize a work programme and recommend a deadline for the elimination of NTBs by the next AFTA Council Meeting.

9. The Ministers underscored the importance of private sector involvement in this exercise. They called on the business people to make known to the ASEAN governments, through the National AFTA Units in the ASEAN Member Countries and the AFTA Unit at the ASEAN Secretariat, any NTB they encounter in doing business in the region. In order to promote transparency, the Ministers called on the ASEAN Secretariat to make publicly available the verified lists of NTMs submitted by Member Countries.

10. The Ministers noted that aside from the non-tariff measures, the private sector also encounters problems related to the implementation of the CEPT Scheme. While most of the identified NTBs has been resolved through time-consuming process, the Ministers requested their officials to look into instituting a quick-response/reaction system to resolve the implementation problems.

STRONGER RULES OF ORIGIN

11. The Ministers lauded the Task Force on the CEPT-AFTA Rules of Origin for their work in improving and strengthening the CEPT Rules of Origin, which the Ministers emphasized was vital in promoting greater utilization of the CEPT Scheme. The Ministers endorsed the revised CEPT Rules of Origin, which now clearly defines the method of calculating local content and provides the principles and guidelines for determining the cost of ASEAN origin. The Ministers have likewise endorsed the revised Operational Certification Procedures for the CEPT Rules of Origin. The Meeting highlighted that the revised Operational Certification Procedures would now allow third party re-invoicing by multinational companies (MNCs). The Ministers expressed optimism that with these strengthened rules and procedures, the business sector in the region would be encouraged to avail themselves of the CEPT Scheme.

12. The Ministers agreed to adopt substantial transformation as an alternative criterion in determining origin. They instructed the Task Force on the CEPT Rules of Origin to commence work on putting in place the CTH (change in tariff heading) rule as a general alternative rule applicable to all products which cannot comply with the 40% local/ASEAN content requirement, giving priority to sectors subject of private sector requests and those sectors prioritized by the AEM for accelerated integration.

STANDARDS AND MUTUAL RECOGNITION ARRANGEMENTS

13. The Ministers commended the ASEAN Coordinating Committee on Standards and Quality (ACCSQ) for the substantial progress that has been made in implementing the ASEAN Framework Agreement on Mutual Recognition Arrangements (MRAs) and the harmonization of technical regulations and product standards, which they viewed, were important in facilitating the movement of goods under AFTA. The Ministers welcomed the possible signing of the Agreement on ASEAN Harmonized Cosmetic Regulatory Scheme, covering the ASEAN Mutual Recognition Arrangement of Product Registration Approvals for Cosmetics the ASEAN Cosmetic Directive.

14. The Ministers also welcomed the completion of the work on harmonizing standards for the 20 product groups consisting of 59 international standards of the ISO and IEC (International Electrotechnical

Commission). They noted that ACCSQ has set 2004 as the target for completing the harmonization of 72 standards for safety and 10 standards for Electromagnetic Compatibility (EMC).

ASEAN INTEGRATION SYSTEM OF PREFERENCES (AISP)

15. The Ministers noted the progress made in the implementation of the ASEAN Integration System of Preferences (AISP), which they reiterated was crucial in accelerating the integration of CLMV into the regional market for trade in goods. The Ministers were happy to note that around 1,196 tariff lines from Cambodia, Lao PDR, Myanmar and Viet Nam are now eligible for tariff preferences in Brunei Darussalam, Indonesia, Malaysia, the Philippines and Thailand. The Ministers encouraged CLMV countries to make use of the AISP Scheme in order to maximize the benefits offered by the said Scheme.

LIBERALIZATION OF ICT PRODUCTS

16. The Ministers were pleased to note that tariffs on some 1,193 ICT products in the first tranche of ASEAN 6 will be liberalized within this year.

THE 2004 CEPT PACKAGE

17. The Ministers looked forward to seeing more improvement in the CEPT Package of ASEAN Member Countries for the coming year as the CLMV countries continue to transfer products that were previously excluded from tariff reductions to their IL. They noted that by 2004, the IL of CLMV would cover 76.81% of all their tariff lines and of these, 66.74% would have tariffs within the 0-5% band. Overall, the IL of ASEAN 10 would be 92.07% of the tariff lines and 91.10% would have tariffs ranging from 0-5%.

ASEAN'S TRADE PERFORMANCE

18. ASEAN's trade performance for 2002 started to show signs of recovery following the weak performance of the previous year. Available data showed that total ASEAN trade expanded by 2.75%, i.e. from US\$ 687.77 billion in 2001 to US\$ 706.70 billion in 2002. The Ministers were pleased to note that this trend continued up to the first quarter 2003, where data comparing the trade figures for Q1 of 2002 and 2003 show that total ASEAN trade increased by 15.29%, i.e. from US\$ 161.56 billion to US\$ 186.25.

19. Intra-region trade performance for the period 2001-2002 was also on the positive side as intra-ASEAN trade grew much faster than over-all trade. The annual data showed that intra-ASEAN trade grew by 4.82% in 2002, i.e. from US\$ 152.13 billion to US\$ 159.46. Intra-ASEAN trade continued to expand in 2003. The data for Q1 of 2003 showed that intra-ASEAN trade increased by 5.77%, i.e. from US\$ 37.73 billion in Q1 2002 to US\$ 39.90 billion in Q1 2003.

20. Intra-ASEAN trade as a percentage of total ASEAN trade experienced a marginal increase of 1.99%, i.e. from 22.12% in 2001 to 22.56% in 2002. The region's largest trading partners are still the United States (US), Japan, the European Union (EU), China and the Republic of Korea.

21. The Ministers also noted the trade performance under the CEPT Scheme. They corrected their perception that the CEPT Scheme is under-utilized as reports showed that much of the products traded in the region have CEPT rates that are equal to the MFN rates. Recognizing the potential of greater liberalization in expanding intra-ASEAN trade, the Ministers agreed on the need for officials to undertake further assessment on how to make the CEPT Scheme more effective and attractive to businesses situated in the region.



LIST OF ASEAN FREE TRADE AREA COUNCIL MINISTERS

- (i) **H.E. Pehin Abdul Rahman Taib**, Minister of Industry and Primary Resources, Brunei Darussalam;
- (ii) **H.E. Mr. Kong Vibol**, Secretary of State of Economy and Finance, Vice Chairman of the Council for the Development of Cambodia, Cambodia;
- (iii) **H.E. Mr. Pos M. Hutabarat**, Director-General for International Trade, Ministry of Industry and Trade, Indonesia;
- (iv) **H.E. Mr. Soulivong Daravong**, Minister of Commerce, Lao PDR;
- (v) **H.E. Dato' Seri Rafidah Aziz**, Minister of International Trade and Industry, Malaysia;
- (vi) **H.E. U Khin Maung Win**, Minister at the Office of the Chairman of the State Peace and Development Council, Myanmar;
- (vii) **H.E. Mr. Manuel A. Roxas II**, Secretary of Trade and Industry, the Philippines;
- (viii) **H.E. B.G. (NS) George Yong-Boon Yeo**, Minister for Trade and Industry, Singapore;
- (ix) **H.E. Dr. Kitti Limskul**, Vice Minister for Finance, Thailand;
- (x) **H.E. Mr. Truong Chi Trung**, Vice Minister for Finance, Viet Nam; and
- (xi) **H.E. Mr. Ong Keng Yong**, Secretary-General of ASEAN.