

PRESS STATEMENT THE THIRD AFTA COUNCIL MEETING Indonesia, 11 December 1992

1. The Third Meeting of the AFTA Council was held in Jakarta on 11 December 1992.
2. The Meeting was attended by H.E. Pehin Dato Abdul Rahman Taib, Minister of Industry and Primary Resources of Brunei Darussalam; H.E. Mr. J. Soedradjad Djiwandono, Junior Minister of Trade of Indonesia; H.E. Dato Seri Rafidah Aziz, Minister of International Trade and Industry of Malaysia; H.E. Mr. Rizalino S. Navarro, Secretary of Trade and Industry of the Philippines; H.E. Mr. Lim Boon Heng, Senior Minister of State for Trade and Industry of Singapore; H.E. Mr. Supachai Panitchpakdi, Deputy Prime Minister of Thailand; H.E. Mr. Rusli Noor, Secretary-General of the ASEAN Secretariat, and their respective delegations.
3. The Meeting was preceded by a preparatory meeting of ASEAN Senior Economic Officials (SEOM) on 9-10 December 1992.

4. The AFTA Council finalized the operational details of the CEPT Scheme for AFTA for implementation on 1 January 1993 as scheduled.
5. Implementation of the Scheme will create an ASEAN Free Trade Area for manufactured and processed agricultural products with the reduction of tariffs to 0-5% and the elimination of quantitative restrictions and other non-tariff barriers and foreign exchange restrictions which have the effect of restricting trade.
6. CEPT inclusions average 87% of ASEAN member countries' tariff lines. As a proportion of each country's total tariff lines, the figures range from 74% to 98% among the six member countries.
7. On the average, 10% of their tariff lines have been temporarily excluded by ASEAN member countries. As a proportion of tariff lines covered under the Scheme, such temporary exclusions range from 0% to 23% among the six member countries. As agreed, any excluded items not removed by the eighth year, (i.e. 31 December 2000) will be subject to review with a view to their inclusion in the Scheme.
8. The AFTA Council agreed to adopt two programs of tariff reduction under the CEPT Scheme: a Fast Track Program and a Normal Track Program.
9. The Fast Track Program applies to the 15 product groups identified at the Fourth ASEAN Summit. All member countries are committed to participate in the 15 product groups with minimum temporary exclusions. For such products, tariffs above 20% will be reduced to 0-5% within 10 years (i.e. 1 January 2003) and tariffs at 20% and below will be reduced to 0-5% within 7 years (i.e. by 1 January 2000).
10. Under the Normal Track, all tariffs with applicable ASEAN rates of 20% and below will be reduced to 0-5% within 10 years (i.e. by 1 January 2003). Tariffs above 20% under the Normal Track will be reduced in two stages: first, to 20% within 5 to 8 years; and subsequently to 0-5% in seven years according to an agreed schedule ending in 1 January 2008.
11. Thus, while the time frame stipulated in the CEPT Scheme for bringing tariffs down to 0-5% is 15 years, the presently agreed schedules of tariff reduction would bring tariffs down to such a level ahead of 15 years.
12. To maximise the beneficial impact of tariff liberalisation on intra-ASEAN trade and investment the Council agreed on a 40% local content requirement on a single country or ASEAN cumulation basis.
13. Drawing upon its experience with the ASEAN Preferential Trading Arrangements (PTA), the Council has drawn up improved operational procedures and documentation requirements which will be regularly reviewed in the light of changing circumstances with a view to improving the efficiency of the scheme.

14. The AFTA Council will oversee the implementation and operation of the CEPT Agreement. It will also provide the institutional mechanism to resolve disputes and provide immediate solution and settlement.
15. Member countries are confident that the establishment of AFTA will enhance intra-ASEAN trade and contribute to the openness of the ASEAN economy. AFTA will stimulate foreign and ASEAN investments through networking and complementation of industrial activities as well as improve the overall trade and investment prospects of all ASEAN countries. AFTA will also result in a significant improvement in the industrial efficiency level of the ASEAN countries.
16. AFTA is a GATT-consistent and an outward looking arrangement. No trade barriers are raised against non-ASEAN economies as a result of the formation of AFTA. Given the open structure of ASEAN economies, the expansion of production in an ASEAN regional market would enhance ASEAN's linkages with the world and generate greater opportunities for exporters outside the region. The provision in the CEPT Agreement which allows ASEAN member countries to reduce their tariffs to 0-5% even on an MFN basis is a unique principle of the CEPT Scheme for AFTA. Through this provision, AFTA encourages not just intra-ASEAN liberalisation on an MFN basis.