

## **JOINT PRESS STATEMENT THE SEVENTH AFTA COUNCIL MEETING Brunei Darussalam, 6 September 1995**

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1. The Seventh Meeting of the AFTA Council was held on 6 September 1995 in Bandar Seri Begawan.
2. The Meeting was attended by H. E. Pehin Dato Abdul Rahman Taib, Minister of Industry Primary and Resources, Brunei Darussalam, H.E.Prof.Dr. S. B. Joedono, Minister of Trade, Republic of Indonesia; H. E. Dato Seri Rafidah Aziz, Minister of International Trade and Industry, Malaysia; H. E. Cesar Bautista, Undersecretary, Department of Trade and Industry, Philippines; H. E. Mr. Yeo Cheow Tong, Minister for Trade and Industry, Singapore; H. E. Dr. Surakiart Sathirathai, Minister of Finance, Thailand; H. E. Sub. Lt. Pairote Suwanchavee, Deputy Minister of Commerce, Thailand; H. E. Mr. Anusorn Wongwan, Deputy Minister of Industry; H. E. Mr. Mai Van Dau, Vice Minister Ministry of Trade, Vietnam; and H. E. Dato' Ajit Singh, Secretary-General of ASEAN. The Chairman welcomed Vietnam's participation in this Meeting for the first time.
3. The Seventh AFTA Council met to discuss progress in the implementation of AFTA, to prepare Vietnam's participation in AFTA starting in 1996 and to propose new trade initiatives for Fifth ASEAN Summit scheduled in Bangkok, Thailand this December. The Meeting of the AFTA Council was preceded by a preparatory meeting of the ASEAN Senior Economic Officials on 4-5 September 1995 in Bandar Seri Begawan.

### **Progress in the Implementation of AFTA**

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4. The Council noted the rapid expansion of intra-regional trade which grew by nearly 41% between 1993 and 1994. Total trade among the ASEAN countries was \$ 79.1 billion in 1993 and grew to \$111.1 billion in 1994 ([see Table 1](#)). Intra-regional trade in CEPT products grew even faster at 44% from \$ 64.4 billion in 1993 to \$ 92.6 billion in 1994. Intra-regional trade now accounts for a little over 20% of all ASEAN countries' trade ([see Table 2](#)). By sector, the growth in intra-regional trade was most pronounced for electrical appliances and machinery which grew by nearly 64% and which now comprises nearly 60% of all intra-regional trade. Among the other fast-growing sectors were base metals and articles of base metals, plastics, and chemicals ([see Table 3](#)). The AFTA Council also noted the country structure of intra-ASEAN trade. Singapore ranks first with a little over half of intra-regional trade; Malaysia ranks second with a little over 23% of intra-regional trade; and Thailand ranks third with about 14% of intra-regional trade.
5. The AFTA Council endorsed the new tariff reduction schedule for products in the Common Effective Preferential Tariff (CEPT) Scheme which will start its implementation on 1 January 1996. There are a total of 40,960 tariff lines in the CEPT Inclusion List for 1996 representing nearly 90% of all tariff lines in ASEAN. All these shall have their tariff rates reduced to the range 0-5% by the year 2003. The AFTA Council noted the reduction in average tariff rates for those products in the Inclusion List from an ASEAN average of 7.76% in 1996 to 2.95% in-2003 ([see Figure 1](#)). The CEPT Product List, which contains the list of these products and the corresponding tariff reduction program, will be available November 1995.
6. The Council noted that ASEAN Countries are in the process of legally enacting their various tariff reduction commitments and preparing the CEPT Concessions Exchange Manual. It has been agreed that the 1996 package of tariff reductions shall be legally enacted and the CEPT Concession Exchange Manual (CEM)

completed by 30 November 1995.

7. The Council also endorsed the inclusion of unprocessed agricultural products into the CEPT Scheme. Nearly 1,358 tariff lines representing 68% of all unprocessed agricultural items are to be included into the CEPT Scheme by 1 January 1996. Another 402 tariff lines representing 20% of unprocessed agricultural products will be included within the next seven years. The remainder will be subject to a special arrangement which will involve commitments that are better than ASEAN countries' commitments in the World Trade Organization (WTO)

8. The Council approved the first installment of products transferred from the Temporary Exclusion List (TEL) of the CEPT Scheme into the Inclusion List. It had been agreed that products in the TEL are to be included in five equal installments beginning 1 January 1995 and ending by 1 January 2000. There was a total of 682 tariff lines transferred from the TEL into the Inclusion List. Some of the products in the first installment included inorganic and organic chemicals, and plastics, which are among the fastest growing traded products in ASEAN ([see Table 4](#)). The Council noted that the inclusion of TEL products is bound to further accelerate the growth of intra-regional trade.

9. The AFTA Council also discussed the progress made in eliminating NTBs in ASEAN. The Council observed that most NTBs affecting intra-ASEAN trade were technical measures and customs surcharges. In eliminating, technical measures as NTBs, the Council emphasised the need to achieve greater transparency, harmonisation and mutual recognition and observed that various action plans have already been formulated to achieve this. The schedule for undertaking these activities should be completed by November 1995.

10. The AFTA Council also noted the progress made in harmonisation of tariff nomenclature, customs procedures and customs valuation systems in ASEAN. In this regard, the AFTA Council welcomed the initiative of the ASEAN Directors-General of Customs to come up with an accelerated customs lane i.e. Green Lane for CEPT products which expedites the customs clearance for CEPT products. The Council also noted the revised ASEAN Customs Code of Conduct which calls for greater transparency, efficiency and simplicity of customs administrations, as well as provides for harmonisation of tariff nomenclature, customs valuation and customs procedures. In recognising the importance of customs cooperation to support the CEPT Scheme for AFTA, the Council agreed to the formulation of an ASEAN Agreement on Customs Cooperation by December 1995 which will be based on the existing Code of Conduct. The Council further endorsed the workplan by ASEAN to harmonise tariff nomenclature at the HS 8-digit level in ASEAN by the year 1997. The Council directed customs officials to take the necessary steps to implement the GATT Valuation Agreement in 1997 instead of the year 2000.

11. The Seventh AFTA Council agreed that the PTAs will be phased-in to the CEPT scheme effective 1 January 1996. The Margins of Preference of PTA products in the Temporary Exclusion; Sensitive and General Exception Lists will be maintained through the use of the CEPT Certificate of Origin. To operationalise this, the AFTA Council agreed to change the rule of origin for PTA to that of the CEPT.

12. In acceding to the CEPT Scheme, Vietnam agreed, on a reciprocal basis, to grant MFN and National Treatment to ASEAN, promote transparency in her trade regime. Vietnam also agreed to an initial package of tariff reduction starting 1 January 1996 and ending in 2006. Vietnam also agreed to submit an indicative list of tariff reduction by September 1995. The AFTA Council noted that measures were being undertaken to facilitate Vietnam's accession into the CEPT Scheme as she fulfills all her trade liberalisation commitments under the Scheme. The Council emphasised the need for closer coordination and greater cohesiveness in international fora.

### **Preparations for the Fifth Summit**

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13. In its preparation for the forthcoming Fifth ASEAN Summit in Bangkok this December, the AFTA Council discussed the possibility of accelerating the attainment of a free trade area in the region. The Council noted that by the year 2000, 90% of all products in CEPT Inclusion List or roughly 75% of all tariff lines in ASEAN would have a tariff rate of between 0-5%. In this respect, the Council asked Member Countries to study the acceleration of the tariff reduction schedule from 0-5% to 0% by the year 2003 and to increase the number of items that could be reduced to 0-5% by the year 2000. In addition, the Council also agreed to look into new areas of economic cooperation, such as financial services, in support of closer economic integration in the region.

14. Given the closer economic cooperation among countries in the region, the Council agreed that an umbrella Dispute Settlement Mechanism (DSM) applicable to all areas of ASEAN economic cooperation activities should be formulated. In addition to that, the Council also agreed that a specific DSM for the CEPT Agreement should be established by December 1995.

15. The AFTA Council also discussed the amendments to the 1992 Framework Agreement on Enhancing ASEAN Economic Cooperation and the Agreement on the Common Effective Preferential Tariff (CEPT) Scheme under the ASEAN Free Trade Area to reflect, among other things, the acceleration of the time frame for AFTA and the inclusion of unprocessed agricultural products into the CEPT Scheme. The protocols amending these two agreements will be signed in Bangkok this December.