

# The ASEAN Free Trade Area: Reaching Its Target Opening Remarks of H. E. Rodolfo C. Severino, Secretary-General of the Association of Southeast Asian Nations, at the AFTA 2002 Symposium

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I have the great honour of welcoming all of you to this conference on the ASEAN Free Trade Area.

We are gathered here today to take a look at AFTA — its significance, where it is today, where it is headed, and what more it should do.

I am sure that I speak for all of us, particularly for the ASEAN Secretariat and the other sponsors of our conference, when I express my deepest gratitude to Her Excellency President Megawati Soekarnoputri for the great honour of her presence, for giving us her time, and for graciously consenting to share with us her thoughts on AFTA and Indonesia's perspective on it. I thank His Excellency Minister George Yeo for coming all the way from Singapore to give us his usual sharp insights into AFTA and the state — and the imperatives — of regional economic integration.

Ten years ago, on the occasion of the fourth ASEAN summit meeting in Singapore, ASEAN's economic ministers signed the agreement on the Common Effective Preferential Tariffs for the ASEAN Free Trade Area. The agreement embodied the commitment of the then six ASEAN member-states to set up a free trade area in the region within fifteen years. This meant reducing most tariffs on trade within the region to 0–5 per cent, in accordance with an agreed schedule. This act signified a remarkable prescience on the part of ASEAN's member-states. They knew even then that they must integrate their economies if they were to be competitive, if they were to stand a chance of flourishing, of withstanding competition, in an increasingly competitive world. And this was at the height of the Southeast Asian countries' economic surge, before globalization became the buzzword that it is today.

Before long, ASEAN found fifteen years to be too conservative. The world was not going to stand still for AFTA. So, in 1995 ASEAN moved the target year forward by five years, to 2003. Faced with the challenge of the financial crisis of 1997–1998, the ASEAN leaders decided to advance the target further, to the beginning of 2002.

The first of January this year, therefore, marked a big milestone for AFTA and in ASEAN's history. The first six signatories to the AFTA agreement — Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand — which are Southeast Asia's leading trading nations, have dropped

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tariffs to 0–5 per cent on most of the products traded among them, in accordance with the tariff-cutting schedules to which they had previously committed themselves. The lowering of tariffs to minimal levels was accompanied by a massive expansion of intra-regional trade — from US\$44.2 billion in 1993 to US\$97.8 billion in 2000. The average tariff on intra-ASEAN trade is now down to 3.2 per cent. In 1999, ASEAN's leaders agreed to eliminate all import duties among the first six members by 2010 and by 2015 for the newer members.

ASEAN's newer members — Cambodia, Laos, Myanmar and Viet Nam — acceded to the CEPT/AFTA agreement upon their membership in ASEAN. They are at various stages in their respective tariff-reduction schedules.

ASEAN responded to the 1997–1998 financial crisis not by backtracking on AFTA, as some commentators hastily predicted, but by accelerating it. And ASEAN is dealing with the current global economic downturn by staying the course. It is meeting the competitive challenge from China, India and others by more deeply integrating the regional economy through AFTA and other schemes and by more closely engaging those surging economies and, in general, remaining open to the global economy.

To be sure, AFTA could do more — and should do more — to free up trade in agricultural products. It should have stuck to the timetable for liberalizing trade in automobiles in the region. But these shortcomings have to do with small parts of the total trade in ASEAN, and they are temporary. Tariffs on sensitive agricultural products will still fall to 0–5 per cent. Tariffs on automobiles will drop to 0–5 per cent for all ASEAN members, although a little later than originally scheduled. It is important to stress that these adjustments were made according to established ASEAN rules and international norms. In any case, no free trade area can be free of the need for flexibility in dealing with difficult and sensitive sectors.

AFTA is the centerpiece of ASEAN's work toward regional economic integration, and integration gives Southeast Asia the strength more deeply to engage its neighbours — China, Japan, Korea, and Australia and New Zealand — as it is doing now, for the benefit of all.

The participation in this conference of Her Excellency President Megawati and His Excellency Minister Yeo and, I am sure, what they have to say demonstrate the central importance that the leaders of ASEAN give to AFTA. ASEAN's leaders clearly recognize the fact that the impact of regional economic integration goes beyond economics; it has everything to do with peace and stability in Southeast Asia. The ASEAN Secretariat and I are deeply grateful to you, Madame President, and to you, Minister Yeo.

The representatives of the international business community who form our discussion panel this morning will shed light on how AFTA benefits business and the enormous work that remains to be done. I thank them, as I thank our sponsors, the Jakarta Post, the US-ASEAN Business Council, Ford Motor Company, PT Fluor Daniel, PT Freeport Indonesia, Daimler-Chrysler, and Goodyear Indonesia. Their support is much appreciated.

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