

# Tenth AFTA Council Meeting

## Jakarta, 11 September 1996

### JOINT PRESS STATEMENT

1. The Tenth Meeting of the ASEAN Free Trade Area (AFTA) Council was held on 11 September 1996 in Jakarta, Indonesia.
2. The Tenth AFTA Council met to follow-up mandates from the Fifth ASEAN Summit held in December 1995 in Bangkok. The Council also reviewed progress in the implementation of the Common Effective Preferential Tariff (CEPT) Scheme for AFTA since the Ninth AFTA Council held in April 1996 in Sentosa, Singapore.

#### **Attendance**

3. The Meeting was attended by H.E. Pehin Dato Abdul Rahman Taib, Minister of Industry and Primary Resources, Brunei Darussalam; H.E. T. Ariwibowo, Minister of Industry and Trade, Indonesia; H.E. Dato' Seri Rafidah Aziz, Minister of International Trade and Industry, Malaysia; H.E. Cesar B. Bautista, Secretary, Department of Trade and Industry, the Philippines; H.E. Yeo Cheow Tong, Minister for Trade and Industry, Singapore; H.E. Sermsakdi Karoon, Deputy Minister of Finance, Thailand; H.E. Amnuay Yossuck, Deputy Minister of Commerce, Thailand; H.E. Ho Te, Minister of Finance, Vietnam; and Dato' Ajit Singh, Secretary-General of ASEAN; and their respective delegations. The Meeting was chaired by H.E. T. Ariwibowo, Minister of Industry and Trade, Indonesia.

#### **Intra-ASEAN Exports of CEPT Products Grew by 18.68% in 1995**

4. The Council noted the following trends in intra-ASEAN trade, tables of which appear in ANNEX 1:
  - a) Intra-ASEAN exports of CEPT products grew at 18.68% from US\$47.4 billion in 1994 to US\$56.3 billion in 1995;
  - b) Intra-ASEAN exports of CEPT and non-CEPT products increased from US\$57.4 billion in 1994 to US\$68.8 billion in 1995;
  - c) Mechanical and Electrical Appliances, Plastics and Articles Thereof, Products of Chemical Industries and Base Metals and Metal Articles were the major sources of export growth for

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intra-ASEAN exports, both for all products (i.e. CEPT and non-CEPT) and for CEPT products alone. These sectors together accounted for 78.4% and 85.57% of intra-ASEAN exports of all products and for CEPT products respectively.

- d) The share of CEPT products in intra-ASEAN exports remained significant at 81.76% in 1995. The share of intra-ASEAN exports of total ASEAN exports accounted for 19.76% in 1995.

### **More Products to be Phased in for Liberalisation**

5. In line with the decision of the Fifth AFTA Council in September 1994 to phase in products which were temporarily excluded from tariff reductions into the Inclusion List in equal instalments of 20% beginning 1 January 1996, the Council mandated that the next instalment of products be submitted by the end of November 1996.

### **Emphasis on Trade Facilitation Programmes**

6. The Council emphasised that, besides tariff reductions and the elimination of non-tariff measures, trade facilitation programmes were also important to support the AFTA process. The Council noted the following progress made in these areas.

a) *Green Lane System for CEPT Products Accords Expeditious Customs Clearance*

7. The Council noted the review of the Green Lane System in Member Countries revealed that processing time at customs was substantially reduced. For example, reviews in Malaysia and Thailand depicted that processing time for CEPT products were reduced by 60% and 40% respectively as compared to non-CEPT products. The Green Lane System was launched at the Fifth ASEAN Summit to clear CEPT goods at customs more expeditiously. The Council mandated that the Green Lane be regularly reviewed with the view to further streamlining customs procedures for the benefit of importers and exporters. The Council noted the low utilisation of the Green Lane and tasked the ASEAN Directors-General of Customs to look into resolving this. The Council also called on all importers and exporters to take advantage of the benefits accorded by the Green Lane System.

b) *Finalisation of the ASEAN Agreement on Customs*

8. The Council noted that the ASEAN Agreement on Customs was finalised by the ASEAN Directors-General of Customs. The Agreement would provide a legal framework for customs cooperation work in ASEAN and covers the following areas:

- a) harmonisation of tariff nomenclature
- b) harmonisation of customs valuation
- c) harmonisation of customs procedures
- d) the Agreement espouses the following principles:
  - i) consistency;
  - ii) appeals channels;
  - iii) simplicity;
  - iv) transparency;
  - v) efficient procedures; and
  - vi) customs mutual assistance.

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*c) Adoption of the ASEAN Common Customs Form*

9. The Council noted that an ASEAN Common Customs Form has been finalised and will be targeted to be implemented by the Informal Summit in November 1996. The Form will be implemented on a “7 minus X” basis.

*d) Customs Cooperation Areas Make Substantial Progress*

10. The Council noted the substantial progress made in other areas of customs cooperation, in particular, the harmonisation of tariff nomenclature, customs valuation and customs procedures. These harmonisation endeavors were mandated by previous AFTA Council Meetings to facilitate trade in ASEAN.

11. The following progress was noted:

- a) On the harmonisation of tariff nomenclature, Member Countries are negotiating a draft ASEAN Harmonised Tariff Nomenclature to further facilitate intra-ASEAN trade. The Council agreed that the harmonisation of tariff nomenclature should be reduced to an acceptable level of 6,000 tariff lines and the harmonisation exercise should be completed by 31 December 1997;
- b) With respect to customs valuation, efforts are being made to accelerate the implementation of the GATT Valuation Agreement by 1997 (ASEAN Member Countries made a commitment in the Uruguay Round to implement the GVA by 2000); and
- c) Member Countries are exploring customs procedures harmonisation together with computerisation (Electronic Data Interchange).

*e) Elimination of Customs Surcharges*

12. The Council mandated that all customs surcharges of products in the Inclusion List be eliminated by 31 December 1996. The Agreement on the CEPT Scheme for AFTA provides that non-tariff barriers be eliminated within five years for products when they are phased into the CEPT Scheme.

*f) Standards Harmonisation Advanced*

13. The Council agreed to adopt standards for ten new animal vaccines and the Standard for Good Manufacturing Practices for Animal Vaccines. This would enable ASEAN Member Countries to mutually recognise their certification of some animal products. These vaccines are:

- a) vaccines for cattle;
- b) vaccines for dogs and cats; and
- c) vaccine for hogs.

14. The Council further agreed to expand the list of products for the harmonisation of sanitary and phytosanitary products.

15. The Council also mandated that more products in the manufacturing sector be prioritised for the harmonisation of product standards. The harmonisation of products standards would significantly enhance trade in ASEAN.

**Adoption of Alternative Rules of Origin for Textiles and Textile Products**

16. The AFTA Council agreed that textiles and textile products can be subjected to an alternative Rule of Origin in order to qualify for CEPT concessions. This would provide greater flexibility in the rules of origin of the CEPT and would enable textile and textile products to also benefit from the concessions

offered under AFTA. Currently, all products in the CEPT must be subjected to a 40% ASEAN content in value requirement. In the case of textiles and textile products, the Council mandated that these can alternatively be subjected to the substantial transformation process criterion wherein products which are "substantially transformed" through a number of specified processes shall be accorded CEPT status and hence shall be eligible for lower tariffs. The effect of this is to enable an exporter to select the existing 40% criterion of the CEPT or the process criterion when applying for the ASEAN CEPT Certificate of Origin.

17. The Council therefore adopted the CEPT Rules of Origin for Textiles and Textile Products which was formulated jointly by ASEAN Governments and the ASEAN Federation of Textile Industries (AFTEX). The Rules depict the provisions which govern the conditions for eligibility of concessions for these products. From this, an ASEAN Single List has been formulated. The List depicts the products and processes required for the conferment of origin and can be obtainable from the AFTA Unit in the ASEAN Secretariat, or the National AFTA Units in Member Countries.

### **Simplification of Legal Procedures to Effect Tariff Reductions**

18. In order to simplify tariff reductions under AFTA, the Council mandated that one legal enactment for these reductions be prepared to cover the entire period up to the year 2003 (or 2006 in the case of Vietnam). This would also create greater confidence on the part of the private sector on tariff reductions of Member Countries. Currently, some ASEAN Member Countries issue annual legal enactments to effect their tariff reductions. Such a procedure could cause delays in reducing tariffs in line with the schedules which have been prepared and finalised by Member Countries.

### **Preparations for the Accession of Cambodia and Lao PDR in AFTA**

19. The Council welcomed the impending Membership of Cambodia and Lao PDR into ASEAN and their participation in AFTA. The Council noted that this would further facilitate trade and investments between these two countries and ASEAN, as well as enlarge the ASEAN market further, making it more attractive to foreign direct investments. In order to ensure the smooth transition of these countries into AFTA, the Council agreed that adequate preparations will have to be made, and therefore tasked the Senior Economic Officials and the ASEAN Secretariat accordingly.

#### **ANNEX 1**

TABLE 1a  
Intra-ASEAN Exports (CEPT Products), 1993-95  
(US\$ Millions)

Country	1993	1994	Change	Change %	1994	1995	Change	Change %
Brunei Darussalam	434.86	464.70	29.84	6.86	464.70	526.30	61.60	13.26
Indonesia	4,354.86	5,157.25	802.48	18.43	5,157.25	5,600.86	443.61	8.60
Malaysia	11,227.22	13,036.18	1,808.96	16.11	13,036.18	15,209.77	2,173.59	16.67
Philippines	616.78	1,184.87	568.09	92.11	1,184.87	2,091.47	906.60	76.51
Singapore	14,631.58	23,836.71	9,205.13	62.91	23,836.71	27,633.38	3,796.67	15.93
Thailand	2,798.74	3,743.58	944.84	33.76	3,743.58	5,217.98	1,474.40	39.83
Vietnam	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
ASEAN	34,063.95	47,423.29	13,359.34	39.22	47,423.29	56,279.76	8,856.47	18.68

NOTE:

Vietnam data does not contain detailed transaction.

**TABLE 1b**  
**Intra-ASEAN Exports (All Products), 1993–95**  
**(US\$ Millions)**

Country	1993	1994	Change	Change %	1994	1995	Change	Change %
Brunei Darussalam	487.24	467.52	(19.72)	(4.05)	467.52	529.64	62.12	13.29
Indonesia	4,917.43	5,787.97	870.54	17.70	5,787.97	6,334.00	546.03	9.43
Malaysia	12,869.90	15,002.15	2,132.25	16.57	15,002.15	18,158.54	3,156.39	21.04
Philippines	795.19	1,425.12	629.94	79.22	1,425.12	2,361.32	936.19	65.69
Singapore	17,693.04	26,798.22	9,105.18	51.46	26,798.22	30,727.81	3,929.59	14.66
Thailand	6,008.40	7,991.37	1,982.97	33.00	7,991.37	10,721.43	2,730.06	34.16
Vietnam	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
ASEAN	42,771.20	57,472.35	14,701.16	34.37	57,472.35	68,832.74	11,360.38	19.77

NOTE:

Vietnam's detailed transaction data is not available for analysis.

**TABLE 2a**  
**Intra-ASEAN Imports (CEPT Products), 1993–95**  
**(US\$ Millions)**

Country	1993	1994	Change	Change %	1994	1995	Change	Change %
Brunei Darussalam	766.31	917.49	151.18	19.73	917.49	898.81	(18.68)	(2.04)
Indonesia	2,180.31	2,456.78	276.47	12.68	2,456.78	2,904.11	447.33	18.21
Malaysia	6,930.65	8,916.56	1,985.91	28.65	8,916.56	9,633.03	716.47	8.04
Philippines	1,100.94	1,411.67	310.73	28.22	1,411.67	2,311.39	899.72	63.73
Singapore	18,138.27	21,551.88	3,413.61	18.82	21,551.88	23,704.06	2,152.18	9.99
Thailand	2,407.78	3,416.58	1,008.80	41.90	3,416.58	4,313.02	896.44	26.24
Vietnam	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
ASEAN	31,524.26	38,670.96	7,146.70	22.67	38,670.96	43,764.42	5,093.46	13.17

NOTE:

Vietnam data does not contain detailed transaction.

**TABLE 2b**  
**Intra-ASEAN Imports (All Products), 1993–95**  
**(US\$ Millions)**

Country	1993	1994	Change	Change %	1994	1995	Change	Change %
Brunei Darussalam	886.28	983.37	97.09	10.95	983.37	1,012.62	29.25	2.97
Indonesia	2,642.23	3,230.84	588.60	22.28	3,230.85	4,109.54	878.68	27.20
Malaysia	8,374.62	10,891.23	2,516.61	30.05	10,891.23	12,476.30	1,585.07	14.55
Philippines	1,882.64	2,462.44	579.80	30.80	2,462.44	3,120.84	658.40	26.74
Singapore	18,627.94	21,999.39	3,371.45	18.10	21,999.39	19,105.06	(2,894.33)	(13.16)
Thailand	5,671.23	7,079.02	1,407.79	24.82	7,079.02	8,905.29	1,826.26	25.80
Vietnam	1,269.02	1,688.42	419.41	33.05	1,688.42	2,160.62	472.20	27.97
ASEAN	39,353.96	48,334.71	8,561.34	21.75	48,334.73	50,890.25	2,083.33	4.31

SOURCE: ASEAN Secretariat.

**TABLE 3**  
Share of CEPT Products Exports in Intra-ASEAN Trade  
(US\$ Millions)

	1993	%	1994	%	1995	%
CEPT	34,063.95	79.64	47,423.29	82.51	56,279.76	81.76
Non-CEPT	8,707.25	20.36	10,049.06	17.49	12,552.98	18.24
CEPT & Non-CEPT	42,771.20	100.00	57,472.35	100.00	68,832.74	100.00

NOTE:

Vietnam's detailed transaction data is not available for analysis

**TABLE 4**  
Share of Intra-ASEAN to Total Trade 1993–95  
(US\$ Millions)

	1993	1994	1995
Intra-ASEAN	80,855.99	104,118.64	122,565.17
Intra & extra-ASEAN	428,666.91	514,006.33	620,202.16
Share of Intra-ASEAN Trade	18.86%	20.26%	19.76%

NOTE: Vietnam's detailed transaction data is not available for analysis.

NOTE

1. Figures 1 and 2 in the original document were omitted. —Ed.

SOURCE: ASEAN Secretariat.