
Nineteenth Meeting of the ASEAN Economic Ministers, Singapore, 9–11 July 1987

Joint Press Release

1 The 19th Meeting of the ASEAN Economic Ministers was held in Singapore on 9–11 July 1987. The Meeting was formally opened by H.E. Mr Lee Kuan Yew, the Prime Minister of the Republic of Singapore, and was preceded by a Preparatory Meeting of the ASEAN Senior Economic Officials on 6–7 July 87.

2 The Meeting was attended by H.E. Pengiran Dato Seri Laila Jasa, Dr Ismail Bin Pengiran Haji Damit, Minister of Development of Brunei Darussalam; H.E. Prof Dr Ali Wardhana, Minister Coordinator for Economy, Finance, Industry and Development Supervision of Indonesia; H.E. Mr Rachmat Saleh, Minister of Trade of Indonesia; H.E. Mr Hartarto, Minister of Industry of Indonesia; H.E. Prof Dr Subroto, Minister of Mining and Energy of Indonesia; H.E. Datin Paduka Rafidah Aziz, Minister of Trade and Industry of Malaysia; H.E. Mr Jose S Concepcion Jr, Secretary of Trade & Industry of the Philippines; H.E. Mrs Solita Collas-Monsod, Secretary of Economic Planning and Director-General, National Economic & Development Authority of the Philippines; Hon. Miss Lilia R Bautista, Undersecretary of Trade & Industry of the Philippines; Hon. Sostenes Campillo, Undersecretary of Tourism of the Philippines; Hon. Mr Roberto Ansaldo, Undersecretary of Agriculture & Food of the Philippines; H.E. Brig-Gen (Res) Lee Hsien Loong, Minister for Trade & Industry of Singapore; H.E. Dr Lee Boon Yang, Minister of State for National Development of Singapore; H.E. Dr Chirayu Isarangkun Na Ayuthaya, Minister Attached to Prime Minister's Office of Thailand; H.E. Mr Prachuab Chaiyasan, Deputy Minister, Ministry of Commerce of Thailand; and H.E. Dr Supachai Panitchpakdi, Deputy Minister, Ministry of Finance of Thailand; and their delegations.

3 H.E. Mr Roderick Yong, the Secretary-General of the ASEAN Secretariat, and members of his staff were also present.

4 The Prime Minister of the Republic of Singapore, H.E. Mr Lee Kuan Yew, in his keynote address stated that ASEAN had done well as a regional grouping of economies. However, the strong protectionist pressures in the U.S. and Europe had aggravated the difficulties faced by the ASEAN economies. ASEAN should therefore set an example of an open and fair trading system to press the industrial countries to do likewise. ASEAN should now work out the next steps in

economic cooperation within ASEAN and with dialogue partners to further encourage investment and trade in this region.

5 Referring to the preparation for the Third ASEAN Summit, the Prime Minister stated that the Economic Ministers had a crucial role in making the Summit a success and that their deliberations should throw up substantial proposals that would improve the climate for investment and growth in ASEAN.

6 H.E. Brigadier-General Lee Hsien Loong, Leader of the Singapore Delegation and H.E. Dr Chirayu Isarangkun Na Ayuthaya, Leader of the Thai Delegation, were elected Chairman and Vice-Chairman of the Meeting respectively.

7 In preparation for the Third Summit in December 1987, the Ministers considered the recommendations submitted by the five ASEAN Economic Committees on new initiatives to enhance ASEAN economic cooperation. More specifically, the Ministers agreed to submit the following recommendations to the Summit:—

- a) The ASEAN Industrial Joint Venture (AIJV) Scheme shall be improved in the following ways:—
 - i) The margin of preference (MOP) will be deepened from 75 percent to 90 percent;
 - ii) The ceiling on non-ASEAN equity in the AIJV project will be raised to 60 per cent for applications submitted before 31 December 1990;
 - iii) The maximum waiver period for non-participating countries shall be 8 years. However, at any time after the first 4 years, a non-participating country can enjoy the MOP granted by participating countries as soon as it extends the same MOP itself. If a non-participating country does not wish to grant such MOP, then the waiver period shall be extended beyond the first 4 years for as long as the non-participating country maintains this position, subject to a maximum waiver period of 8 years;
 - iv) COIME will prepare a pre-approved list of AIJV products and any valid AIJV entity which produces such products will be automatically designated an AIJV project; and
 - v) AIJV products will be given local content accreditation in all participating countries.
- b) An ASEAN Investment Guarantee Agreement for the promotion and protection of intra-ASEAN investments will be drawn up.
- c) As a long term goal, ASEAN would work towards placing a substantial share of the number and value of traded items under the Preferential Trading Arrangement (PTA). The most practical and immediate steps would be for ASEAN to improve the PTA and implement the following specific measures over the next 5 years:—
 - i) Reduce exclusion lists of individual member countries to not more than 10 per cent of the number of traded items and achieve a greater harmonisation of the exclusion lists. Items remaining in the exclusion lists should not account for more than 50 per cent of intra-ASEAN trade value;
 - ii) Apply a minimum 25 per cent MOP on new items phased into the PTA. Individual member countries are to prepare a programme for phasing in the items into the PTA before the Summit;
 - iii) Deepen MOP to 50 per cent for existing items in the PTA;
 - iv) Reduce the ASEAN content requirement in the rules of origin from 50 per cent to 35 per cent for 5 years on a case-by-case basis, after which there should be a review with a view to revert the ASEAN content requirement to the original levels; and
 - v) Implement standstill of NTBs immediately and negotiate rollback.

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- d) Recognising the threat of depressed commodity prices and reduced market opportunities to the well being of the ASEAN economies, there is a need to enhance intra-ASEAN cooperation and to deal with current commodity problems through joint efforts in production, marketing and research.
- e) Enhance intra-ASEAN economic cooperation in the following areas:
- i) In tourism, the year 1992 is to be proclaimed "Visit ASEAN Year" to commemorate the 25th Anniversary of ASEAN.
 - ii) In Finance and Banking, an ASEAN Reinsurance Corporation is to be established.
 - iii) In transport and communication, air, shipping and land transport links among ASEAN countries are to be strengthened.

8 To finalise these initiatives and to discuss the new initiatives from all the ASEAN Economic Committees, including the G14 recommendations, the Ministers felt that there is a need for an informal meeting of the Ministers. The Meeting will be held on 29–30 October 1987 in Singapore.

9 On the ASEAN-U.S. Dialogue, the Ministers noted with concern the strong protectionist mood in the U.S. Congress and the numerous outstanding trade problems faced by ASEAN, such as anti-dumping actions, countervailing duty petitions, GSP petitions, farm subsidies and "buy America" campaigns. These developments would make the access to the U.S. market less predictable. The Ministers noted the decision reached at the ASEAN Post-Ministerial Conference with the U.S. that the AUI could serve as a framework for the long-term economic relationship between ASEAN and the U.S. The Ministers welcomed Secretary Shultz's announcement to appoint Undersecretary of State for Economic Affairs, Mr Allen Wallis as the Coordinator to work out the agenda for the AUI with the ASEAN Coordinator. The Ministers noted that the ASEAN Foreign Ministers would appoint the ASEAN Coordinator for the AUI.

10 The Ministers were concerned with the smear campaign mounted by the American Soyabean Association against tropical oils. They agreed that it is important for ASEAN to counter the campaign and urged the U.S. to refrain from adopting discriminatory laws and regulations which restrict the entry of palm oil, palm kernel oil and coconut oil into the U.S. market.

11 The Ministers had an informal meeting with the Deputy US.TR, H.E. Mr Michael Smith where the following items, which are of concern to ASEAN, were discussed:—

- i) U.S. Trade Legislation;
- ii) ASEAN-U.S. Initiative (AUI);
- iii) U.S.-GSP;
- iv) Sector-Specific Restrictive Measures;
- v) Shipping; and
- vi) Matters Related to Uruguay Round

12 On the ASEAN-Japan Dialogue, the Ministers welcomed the Japanese announcement at the recent ASEAN Post Ministerial Conference, to establish a Fund to assist in ASEAN's economic cooperation and development. They agreed that the proposal should aim at promoting joint ventures among the private sectors of ASEAN and between ASEAN and Japan. The Ministers further agreed that the High Level Steering Committee (HLSC) should work out the details of the Fund with Japan.

13 The Ministers also reiterated ASEAN's request that Japan should make greater efforts to arrange for "buy-back" of Japanese manufactures in ASEAN.

14 On ASEAN's Dialogue with the European Community (EC), the Ministers noted that no decision was made at the recent EC Summit on the proposed levy on vegetable oils. As the levy constitutes a breach of the Punta Del Este Ministerial Declaration and is detrimental to vegetable oil exporting countries, the Ministers agreed that an ASEAN Ministerial delegation led by Malaysia should make strong representation to the EEC to drop the proposal completely.

15 On the ASEAN-Australia Dialogue, the Ministers were concerned that ASEAN's views were not taken into consideration by Australia in revising its anti-dumping legislation and also that Australia's post-1988 Textile, Clothing and Footwear Programme would be more restrictive.

16 On the ASEAN-New Zealand Dialogue, the Ministers noted that New Zealand had reinstated developing country tariff rates to all products of export interest to ASEAN.

17 On the ASEAN-Canada Dialogue, the Ministers expressed the need to pursue consultations on various specific trade issues raised by ASEAN.

18 The Ministers noted that the Uruguay Round of Multilateral Trade Negotiations was launched at the GATT Ministerial Meeting at Punta del Este in September 1986. The Ministers were pleased to note that issues of critical interest to ASEAN, such as tropical products and agriculture, have been included in the negotiations, and called on all parties to work for substantial and expeditious progress in these sectors. The Ministers urged all Contracting Parties to the GATT to help strengthen the framework of GATT, and to uphold the principle of special and differential treatment for developing countries in these negotiations.

19 The Ministers agreed to hold the 20th AEM Meeting in Thailand in June 1988.

20 The Delegations of Brunei Darussalam, Indonesia, Malaysia, Philippines and Thailand expressed appreciation to the Government and people of the Republic of Singapore for the warm hospitality extended to them and the excellent arrangements made for the Meeting.

21 The Ministers held their Meeting in the traditional spirit of ASEAN cordiality and solidarity.

SOURCE: Ministry of Foreign Affairs Government of the Republic of Singapore.

New Directions for ASEAN Economic Co-operation

Summary Record of the Second ASEAN Roundtable, Kuala Lumpur, 20–21 July 1987

Jointly Sponsored by Malaysian Institute of Economic Research (MIER), Institute of Strategic and International Studies (ISIS), Malaysia, Institute of Southeast Asian Studies (ISEAS), Singapore

1. Preamble

The Malaysian Institute of Economic Research (MIER), the Institute of Strategic and International Studies (ISIS) Malaysia, and the Institute of Southeast Asian Studies (ISEAS) convened the "Second ASEAN Roundtable: New Directions for ASEAN Economic Co-operation" in Kuala Lumpur on 20–21 July 1987.

The objective of the ASEAN Roundtable series of discussions is to review major developments in ASEAN and to explore new directions for ASEAN economic co-operation in the light of the changing global economic environment, as well as in terms of the emerging domestic economic situation and needs.

In view of recent developments in the region and the significance and topicality of the issues involved, the Second Roundtable specifically sought to examine the various proposals available for ASEAN co-operation, especially with regard to trade and related matters. The recommendations of the 19th ASEAN Economic Ministers Meeting held in Singapore on 9–11 July 1987 were also discussed.

Thirty-one individuals from the public and

private sectors, academia, and the mass media — all acting in their personal capacities — participated in the Second Roundtable. The Agenda of the Roundtable was:

- to review the proposals for ASEAN co-operation focusing on trade and related matters, including those put forward by various groups and committees;
- to examine ways and means of effective implementation of ASEAN co-operation, including various proposals advanced;
- to consider problems and possibilities ahead.

Discussion focused primarily but not exclusively, on trade and industry. Attention was also given to proposals developed in turn by the ASEAN Committee on Trade and Tourism (COTT); by Dr Seiji Naya of the East-West Center, Honolulu; by the ASEAN Chamber of Commerce and Industry's Group of Fourteen; and by the ASEAN Economic Research Unit (AERU) of the Institute of Southeast Asian Studies, Singapore.

In addition, the Roundtable discussed ASEAN co-operation in banking and finance, the management of ASEAN's external relations, and institutional arrangements required

for strengthening ASEAN machinery for economic co-operation.

2. ASEAN Trade Co-operation

The Roundtable welcomed the AEM's proposals to enhance existing Preferential Trading Arrangements (PTA) as steps in the right direction. Particular attention was also paid to:

a) *Exclusion Lists*

The proposal that 90 per cent of all traded items should be included within the PTA within five years and that the remaining 10 per cent of items not included within the PTA should not amount to more than 50 per cent of the intra-ASEAN trade value was regarded as a significant and positive achievement. The Roundtable felt that, in general, the use of safeguard mechanisms (PTA article 12) is preferable to the exclusion lists maintained by each country. However, one of the main concerns of the Roundtable was that the safeguard provisions contained in Article 12 of the PTA should not be applied extensively and permissively, as this would negate the purpose of the trade liberalization measures proposed.

b) *Margins of Preference*

The deepening of the margins of preference (MOPs) from a minimum of 25 to 50 per cent over five years was also regarded as positive by the Roundtable, although the 50 per cent maximum is considerably less than that recommended by several groups.

c) *Local Content Requirement*

The Roundtable welcomed the proposal to reduce the local content requirement in the rules of origin. However, reservations were expressed regarding the process of deciding on the products that would qualify for a lower 35 per cent local content as proposed by the AEM. It was felt that this should not be a cumbersome, discretion-

ary, and lengthy case-by-case process. A smaller across-the-board reduction in the local content requirement with automatic qualification of all products fulfilling the criterion was thought to be preferable to case-by-case decisions. In any case, it was recommended that the rule-of-origin requirement should be easy to administer and should not be excessively time-consuming.

3. ASEAN Industrial Co-operation

a) *Margin of Preference for AIJVs*

The Roundtable also endorsed the proposed measures to further ASEAN industrial co-operation. The decision to increase the MOP of ASEAN Industrial Joint Ventures (AIJV) products from 75 to 90 per cent — just short of free trade in those products — was viewed as a major contribution of the AEM meeting. However, some participants expressed concern that the expectations regarding the economic impact of AIJVs might be too high.

b) *Pre-approved List of Potential AIJVs*

There was considerable discussion on the proposal that a pre-approved list of products be drawn up. The Roundtable felt that it would be important to draw up such a list before the forthcoming Summit. While endorsing the need for such a pre-approved list, it was also stressed that the administrative process of approving products for inclusion as AIJVs should be as simple and quick as possible and should not require excessive "political" bargaining. Administrative procedures for the approval and implementation of AIJVs should be streamlined. In general, it was felt that the process of approving AIJV status should operate on the principle of automatic qualification on the basis of pre-determined criteria rather than on a case-by-case discretionary basis.

c) *Complementarity*

The main incentive for the private sector

to engage in AIJV schemes was thought to be the preference margin. Thus, unless other incentives in equity and/or loan financing were provided by the AIJV schemes, they would lose their attraction as the PTA was extended. In the extreme of a fully implemented PTA scheme they would even become redundant. The Roundtable recommended a review of both incentive systems.

4. ASEAN Co-operation in Banking and Finance

Participants pointed to the need to develop strong financial institutions for trade and project financing purposes. There was general agreement that there was need for a more active and participative role for the ASEAN Finance Corporation (AFC). To this end, the Roundtable took note of some recent and important organizational changes that had taken place in the AFC.

5. Managing ASEAN's External Relations

While taking note of the active role played by ASEAN in its external economic relations, especially with its dialogue partners, and in multilateral forums, such as GATT, it was felt this aspect of ASEAN could be further developed, that is, in terms of how best to minimize weaknesses and maximize strengths and possibilities.

6. Strengthening ASEAN Institutions

On institutional issues, the Roundtable was especially pleased with the trend towards greater co-operation between officials responsible for political affairs and those in charge of economic affairs. Suggestions were made that some "issues" committees [see G-14 Report for this], such as COIME and COTT, should be reorganized to optimize division of labour.

It was strongly felt, too, that there should be adequate provisions for the strengthening of the research capability of ASEAN and the ASEAN Secretariat, so that decisions on ASEAN economic co-operation would not have to be based on insufficient information.

Likewise, as intra-ASEAN trade grows, ASEAN would need to have an effective mechanism for dispute settlements.

7. Problems and Possibilities

a) Automaticity

In general, it was strongly felt that greater automaticity in the application of measures to the private sector should be preferred to lengthy approval procedures on a case-by-case basis.

b) Protectionism

The Roundtable clearly and firmly registered its concern over the continuing danger of protectionism, and the need for ASEAN to collectively counter it without complacency.

c) External Relations

The Roundtable was optimistic of the opportunity for ASEAN to play a significant role in the GATT system. It emphasized the need to increase efforts to promote European investments in ASEAN and called for a new era of more fruitful relations with Japan.

d) Outward-Looking Orientation

ASEAN countries owe their economic prosperity to trade and investment links with the outside world. Measures in the name of regional integration that discriminate against more efficient producers can undermine this. ASEAN must continue to maintain its outward-looking orientation and remain competitive in world markets. Measures that would erode ASEAN's dynamic efficiency should be avoided. Hence, the improved PTA must be coupled with greater liberalization *vis-à-vis* the outside world.