

DOCUMENTATION

The Eleventh AFTA Council Meeting Subang Jaya, Malaysia, 15 October 1997 JOINT PRESS STATEMENT

1. The Eleventh Meeting of the ASEAN Free Trade Area (AFTA) Council was held on 15 October 1997 in Subang Jaya, Malaysia.
2. The Eleventh AFTA Council met to review progress in the implementation of the Common Effective Preferential Tariff (CEPT) Scheme for AFTA since the last AFTA Council Meeting held in September 1996 in Jakarta, Indonesia. The AFTA Council Meeting was preceded by a meeting of the ASEAN Senior Economic Officials on 13–14 October 1997.

Attendance

3. The Meeting was attended by:
 - a. H.E. Dato' Seri Rafidah Aziz, Minister of International Trade and Industry, Malaysia, and Chairman of the AFTA Council;
 - b. H.E. Pehin Dato Abdul Rahman Taib, Minister of Industry and Primary Resources, Brunei Darussalam;
 - c. H.E. Mr T. Ariwibowo, Minister of Industry and Trade, Indonesia;
 - d. H.E. Mr Bounlit Kennavong, Vice Minister of Finance, Lao PDR;
 - e. H.E. Brigadier General David O. Abel, Minister for National Planning and Economic Development, Myanmar;
 - f. H.E. Mr Cesar B. Bautista, Secretary, Department of Trade and Industry, the Philippines;
 - g. H.E. Mr Lee Yock Suan, Minister for Trade and Industry, Singapore;
 - h. H.E. Mr Thawachwong Na Chiengmai, Deputy Minister of Finance, Thailand;
 - i. H.E. Ms. Le Thi Bang Tam Hung, Vice Minister of Finance, Vietnam;
 - j. H.E. Dato' Ajit Singh, Secretary-General of ASEAN; and
 - k. their respective delegations.
4. H.E. Mr Keat Chhon, Senior Minister in Charge of Rehabilitation and Development and Minister of Economy and Finance, Cambodia and his delegations were in attendance as an Observer.

The Recent Currency Volatility

5. The Ministers agreed that the recent currency fluctuations have made the implementation of AFTA and ASEAN economic cooperation activities even more important. Ministers re-affirmed their commitment to realize the ASEAN Free Trade Area by the year 2003 or earlier. The Ministers also agreed that recent depreciation in the region's currencies has created favourable conditions for further expanding ASEAN exports both within and outside the region. It has also created a window of opportunity for the region's industries to enter a period of consolidation and to make necessary adjustments to increase their competitiveness in the long run.

6. The Ministers also agreed that transient economic and exchange rate fluctuations experienced by some Member Countries recently would not affect the sound underlying economic fundamentals of the region's economies. The Ministers shared the view that the implementation of AFTA would facilitate long term adjustment of their economies to enhance ASEAN's resilience towards external volatility, and further expressed optimism at the long term economic prospects of the region as well as the region's attractiveness to foreign direct investments.

7. The Ministers reviewed the progress made in the implementation of the CEPT Scheme and preparations for implementing the CEPT package for the coming year. The AFTA Council endorsed the CEPT packages submitted by the new Members, examined the growth of intra-ASEAN trade, strengthened the CEPT Agreement by making its emergency provision consistent with the WTO and examined the progress made in the elimination of NTBs and harmonization of customs.

Accession of Laos and Myanmar to the CEPT Agreement

8. The Council welcomed Laos and Myanmar [representatives] who were attending the meeting of the AFTA Council for the first time. Laos and Myanmar had acceded to the CEPT Agreement in July 1997 when they joined ASEAN and had agreed to begin implementing their CEPT commitments on 1 January 1998 and complete it within 10 years. The Council noted that both countries had submitted their final CEPT package — Inclusion, Temporary Exclusion, Sensitive and General Exception Lists.

9. The Council noted that Laos had a total of 533 tariff lines (15% of her total tariff lines) in her Inclusion List; 2,820 tariff lines (79.4% of total tariff lines) in the Temporary exclusion List; 96 tariff lines (2.7% of total tariff lines) in the Sensitive list; and 102 tariff lines (2.9% of total tariff lines) in the General Exception List. All the products in the Inclusion List have tariff rates of 5%. The detailed breakdown of the Lao CEPT Package appears in Annex 1 [all annexes not published in the *Bulletin* — Ed.].

10. The Council noted that Myanmar had submitted 2,355 tariff lines (43% of her total tariff lines) in her Inclusion List; 2,987 tariff lines (54.6% of total tariff lines) in the TEL; 21 tariff lines (0.4% of total tariff lines) in the Sensitive List; and 108 tariff lines (2% of total tariff lines) in her General Exception List.

11. About 1,682 tariff lines in the Inclusion List, representing 71.4% of all the tariff lines in her Inclusion List, already have tariff rates in the 0–5% category. The average CEPT tariff rate of products in the Inclusion List is 4.47%. The detailed breakdown of the Myanmar CEPT Package appears in Annex 2.

12. The Council also noted that that both Laos and Myanmar have informed that the products in the Inclusion List have no quantitative restrictions.

13. To facilitate the new Members' fulfilment of their obligations under the CEPT Agreement, the Council agreed to provide technical assistance to Laos and Myanmar in such areas as:

- i. Setting up a trade database containing up-to-date export/import data,
- ii. Compilation of information on Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade (TBTs);

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- iii. Building up the technical capacity for standards development, laboratory testing and conformity assessment;
 - iv. Implementation of Rules of Origin including know-how on calculation of ASEAN content;
 - v. Implementation of the ASEAN Harmonized Tariff Nomenclature (AHTN);
 - vi. Implementation of the GATT Valuation Agreement;
 - vii. Human Resource Development; and
 - viii. Trade Policy Issues.

CEPT Tariff Rate Falls to 2.55% by the Year 2003

14. The Council noted that the average CEPT tariff rate of products in the Inclusion List had fallen to 6.38% in 1997 from about 12.76% in 1993 at the start of the tariff reduction program and is scheduled to fall to 2.55% by the year 2003.

15. The Council also noted that apart from the products in the Inclusion List submitted by Laos and Myanmar, the number of tariff lines in the 1998 CEPT package will be expanded with the transfer of products from the Temporary Exclusion Lists of other Member Countries. The Council agreed that 1998 package would be finalized by 15 November 1997.

Intra-ASEAN Exports of CEPT Products Grew by 11.26% in 1996

16. The Council noted that while world merchandise exports reached \$5.1 trillion in 1996 growing at about 3.7% from 1995 levels, intra-ASEAN trade grew at more than twice this rate. Total ASEAN exports expanded from \$296.7 billion in 1995 to \$323.4 billion in 1996 which represents a 8.99% increase. Excluding intra-ASEAN trade, ASEAN's total exports grew from \$228 billion to \$245.6 billion representing a 7.7% increase. This is double the growth of world trade and shows ASEAN's strong fundamentals. The Council also noted the following trends (details appear in Annex 3:

i. Total ASEAN Exports

- a. Total ASEAN exports expanded from \$296.7 billion in 1995 to \$323.4 billion in 1996 which represents an 8.99% increase, more than double the growth in world trade

ii. Intra-ASEAN Exports

- b. As a result of the successful implementation of the CEPT Scheme, intra-ASEAN trade continued to expand much faster than Member Countries' total trade. Intra-ASEAN exports grew from \$68.7 billion in 1995 to \$77.8 billion in 1996 representing a 13.4% increase. This represents an absolute increase of about \$9.1 billion.
- c. The Member Countries which experienced the highest percentage growth rate are Indonesia (28.7%), Philippines (25.9%) and Malaysia (23.8%).
- d. In absolute terms, the Member Countries which experienced the highest growth in intra-ASEAN exports are Malaysia (\$4.3 billion), Singapore (\$2.5 billion) and Indonesia (\$1.8 billion)

iii. CEPT Exports

- e. Intra-ASEAN exports of CEPT products grew even faster at 11.3% from \$56.3 billion in 1995 to \$62.6 billion in 1996. This represents an absolute increase of about \$6.3 billion.
- g. The Member Countries which experienced the largest percentage growth are Philippines (27%), Indonesia (23.6%) and Malaysia (12.4%).
- h. In absolute terms, the Member Countries which experienced the highest growth in intra-

ASEAN exports of CEPT products are Singapore (\$2.2 billion), Malaysia (\$1.9 billion) and Indonesia (\$1.3 billion).

- iv. *Share of CEPT Products in Intra-ASEAN Exports*
 - i. The share of CEPT products in intra-ASEAN exports in 1996 reached 80.4% (\$62.6 billion of out \$77.9 billion) of intra-ASEAN trade compared to 62.6% in 1995.
- v. *Share of Intra-ASEAN Exports to Total ASEAN Exports*
 - j. Intra-ASEAN exports accounted for 24.1% of total exports in 1996

1998 CEPT Package

17. The Council endorsed the CEPT package that Member Countries will begin implementing in 1998 that will consist of 45,603 tariff lines (81.89% of total tariff lines) in the Inclusion List; 8,789 tariff lines (15.83% of total tariff lines) in the Temporary Exclusion List; 379 tariff lines (0.68% of total tariff lines) in the Sensitive List and 892 tariff lines (1.6% of total tariff lines) in the General Exception List. The details of the package appears in Annex 4.

18. The Inclusion List has increased as a result of the transfer of products from the TEL as well as the new submissions by Laos and Myanmar. Member Countries are in the process of finalizing the third instalment of TEL products and the second instalment of unprocessed agricultural products from the TEL for inclusion into the CEPT Scheme on 1 January 1999. All countries have submitted their required instalments.

Emergency Measures Strengthened

19. The Council agreed to further strengthen the CEPT Agreement by modifying the provisions of Article 6 (Emergency Measures) of the CEPT Agreement to specify more precisely under what conditions it can be invoked. The Council agreed that the use of emergency measures in the CEPT Agreement must be fully consistent with the WTO Agreement on Safeguards.

Notification Procedures

20. To complement the modification of Article 6, the Council took note of a set of notification procedures which requires Member Countries to inform 60 days in advance any changes to measures that may: (i) impair or nullify the benefits of the CEPT Agreement or (ii) impede the attainment of any of its objectives. The Council noted that these procedures will be finalized for signing at the Informal AEM in 1998.

Progress in Elimination of NTBs

21. The Council noted that all customs surcharges products in the Inclusion List were removed by the end of 1996 as mandated by the Tenth AFTA Council.

Harmonized Standards will be Implemented by 2001

- 22. The Council adopted twenty (20) product groups for standards harmonization which include:
 - a. Air-Conditioners;

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- b. Refrigerators;
 - c. Radio;
 - d. Telephone;
 - e. Television;
 - f. Video Apparatus;
 - g. Printed Circuits;
 - h. Monitor and Generators;
 - i. Monitor and Keyboard;
 - j. Mounted Piezo-Electric Crystal;
 - k. Parts of TV and Radio;
 - l. Loudspeakers and Parts,
 - m. Inductors;
 - n. Capacitors;
 - o. Resistors;
 - p. Switches and Cathode-Ray Tubes;
 - q. Rubber Condoms and Rubber Gloves.

The Council mandated that this exercise would be completed by the year 2000.

Mutual Recognition Arrangements (MRAs)

23. In recognizing the important role of MRAs in eliminating TBTs, the Council agreed that a Roadmap to the establishment of MRAs in ASEAN should be developed. In view of the important role that MRAs assume in the elimination of technical barriers to trade, the Council agreed on an umbrella agreement to provide the basis for the development of specific [*sic*] among ASEAN Member Countries.

Other Barriers to Trade

24. The Council also agreed that barriers to trade, including bureaucratic and administrative barriers, delays in decisions, etc. should be eliminated to support the AFTA process. In this regard, the Council agreed to request the ASEAN Chambers of Commerce and Industry and ASEAN private sectors to identify these barriers for reporting to the next AFTA Council meeting with the view to possible elimination.

Inclusion of Unprocessed Agricultural Products

25. The Council noted the progress made in finalizing the Special Arrangement for Sensitive Unprocessed Agricultural products. The Council welcomed the submission by Member Countries of indicative lists of sensitive products that would begin phasing in during the years 2001, 2002 and 2003.

Cooperation in Customs

26. The Council noted the progress made in cooperation in customs, in particular the harmonization of tariff nomenclature and customs procedures. The Council noted that these activities would avoid potential confusion for traders at the border.

27. The Council agreed that the GATT Valuation Agreement (GVA) would be implemented by 1997 or early 1998. Laos, Myanmar and Vietnam would be implementing it latest by the year 2000.

SOURCE: ASEAN Secretariat World Wide Web site <http://www.asean.or.id/economic/afta/eco_ac11.htm>.