

ASEAN FRAMEWORK AGREEMENT FOR THE INTEGRATION OF PRIORITY SECTORS

WE, the Heads of Government/State of Brunei Darussalam, the Kingdom of Cambodia, the Republic of Indonesia, the Lao People's Democratic Republic (hereinafter referred to as "Lao PDR"), Malaysia, the Union of Myanmar, the Republic of the Philippines, the Republic of Singapore, the Kingdom of Thailand and the Socialist Republic of Viet Nam, Member States of the Association of South East Asian Nations (hereinafter collectively referred to as "ASEAN" or "Member States" or singularly as "Member State");

RECALLING the Declaration of ASEAN Concord II (Bali Concord II) adopted during the 9th ASEAN Summit in Bali, Indonesia on 7 October 2003, pursuant to which ASEAN is committed to deepen and broaden its internal economic integration and linkages, with the participation of the private sector, to realise an ASEAN Economic Community;

REAFFIRMING that the ASEAN Economic Community shall be the end-goal of ASEAN economic integration as outlined in the ASEAN Vision 2020;

REITERATING that the ASEAN Economic Community will result in ASEAN becoming a single market and production base, turning the diversity that characterises the region into opportunities and business complementation to make ASEAN a more dynamic and stronger segment of the global supply chain and the world economy;

DESIRING to combine the economic strengths of Member States in key strategic sectors for regional cohesiveness and enhanced global competitiveness by accelerating the integration of the eleven priority sectors in the Bali Concord II and such other sectors as may be agreed upon as necessary,

HAVE AGREED AS FOLLOWS:

PART I OBJECTIVE, DEFINITION AND APPLICATION

ARTICLE 1 OBJECTIVE

The objective of this ASEAN Framework Agreement for the Integration of Priority Sectors (hereinafter referred to as the "Framework Agreement") is to identify measures to be implemented, with clear timelines, in a mutually beneficial manner, by Member States in respect of the priority sectors identified in paragraph I of Article 2 of this Framework Agreement so as to enable the progressive, expeditious and systematic integration of these sectors in ASEAN.

ARTICLE 2 DEFINITION

For the purposes of this Framework Agreement:

1. "priority sectors" means:

(a) the 11 sectors listed below:

- (i) agro-based products;
- (ii) air travel;
- (iii) automotives;
- (iv) e-ASEAN;
- (v) electronics;
- (vi) fisheries;
- (vii) healthcare;
- (viii) rubber-based products;
- (ix) textiles and apparels;
- (x) tourism;
- (xi) wood-based products; and

(b) such other sectors as may be identified by the Ministers responsible for ASEAN economic integration under Articles 19 and 20 of this Framework Agreement.

(c) Air travel shall be deemed to refer to air transport.

2. "ASEAN Sectoral Integration Protocol" means the individual integration protocol for each priority sector which identifies the common and specific measures for each priority sector.

3. "ASEAN-6" means Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand

4. "CLMV" means Cambodia, Lao PDR, Myanmar, and Viet Nam.

ARTICLE 3

APPLICABILITY TO THE ASEAN SECTORAL INTEGRATION PROTOCOLS

The provisions of this Framework Agreement shall apply to each priority sector and be deemed to be included in each ASEAN Sectoral Integration Protocol unless provided otherwise therein.

PART II LIBERALISATION

ARTICLE 4 TRADE IN GOODS

1. Member States shall eliminate all Common Effective Preferential Tariff for the ASEAN Free Trade Area (CEPT-AFTA) tariffs in relation to products (other than those in the sensitive, highly sensitive and general exception lists) covered by the individual ASEAN Sectoral Integration Protocols, except those listed in accompanying negative lists to the Protocols, which in total for each Member State shall not exceed

15% of the total product list appearing as Annex XII to this Framework Agreement, by:

- (a) 1 January 2007 for ASEAN-6; and
- (b) 1 January 2012 for CLMV

2. Member States shall implement the following actions in relation to non-tariff measures (hereinafter referred to as "NTMs") to ensure transparency, in accordance with the timelines indicated:

- (a) establish the database of ASEAN NTMs by 30 June 2004
- (b) establish criteria to identify NTMs that are barriers to trade by 30 June 2005; and
- (c) establish a definitive work programme for the removal of NTMs that are barriers to trade by 31 December 2005.

3. Member States shall adopt the WTO Agreement on Import Licensing Procedures and develop common implementation guidelines appropriate for ASEAN for this purpose by 31 December 2004.

4. Member States shall endeavor to expand the coverage of the ASEAN Integration System of Preferences (AISP) Scheme by including products in the priority sectors.

ARTICLE 5 TRADE IN SERVICES

Member States shall integrate trade in services by:

- (a) setting clear targets and schedules for progressive liberalisation for each round of negotiations towards achieving freer flow of trade in services earlier than 2020;
- (b) accelerating the service liberalisation for the priority sectors by 2010;
- (c) accelerating the development of Mutual Recognition Arrangements (hereinafter referred to as "MRAs") by 1 January 2008;
- (d) applying the ASEAN-X formula; and
- (e) promoting joint ventures and cooperation, including third country markets.

ARTICLE 6 INVESTMENT

Member States shall undertake the following measures:

- (a) Accelerate the opening up of sectors currently in the Sensitive List (hereinafter referred to as "SL") by transferring these sectors into the Temporary Exclusion List (hereinafter referred to as "TEL") under the Framework Agreement on the ASEAN Investment Area (AIA), using the ASEAN-X formula, beginning 2004.

(b) Reduce restrictive investment measures in the SL beginning 2004 and complete the progressive elimination of restrictive investment measures in the TEL by 31 December 2010 for ASEAN-6, 2013 for Viet Nam and 2015 for Cambodia, Lao PDR and Myanmar.

(c) Identify programmes and activities to promote investments in ASEAN by 31 December 2005.

(d) Promote manufacturing processes in ASEAN to take advantage of their comparative strengths through:

(i) the establishment of a network of ASEAN free trade zones to facilitate outsourcing activities beginning 2005; and

(ii) undertaking more efficient joint ASEAN facilitation and promotion measures to promote foreign direct investments on an ongoing basis.

(e) Promote and facilitate joint/cross border investments in manufacturing activities, on an ongoing basis, through:

(i) special incentives, where appropriate, to be given by CLMV for investments from ASEAN; and

(ii) special measures, where appropriate, to be given by ASEAN-6 to promote and facilitate relocation of investment to CLMV especially for labour intensive manufacturing activities.

PART III

TRADE AND INVESTMENT FACILITATION

ARTICLE 7

RULES OF ORIGIN

Member States shall, by 31 December 2004, improve the CEPT Rules of Origin by:

(a) making them more transparent, predictable and standardised, taking into account the best practices of other Regional Trade Agreements, including the rules of origin of the WTO; and

(b) adopting substantial transformation as an alternative criteria for conferring origin status.

ARTICLE 8

CUSTOMS PROCEDURES

Member States shall implement the following measures, in accordance with the timelines indicated, so as to expedite customs clearance and simplify customs procedures:

(a) Extend the application of the ASEAN Harmonised Tariff Nomenclature (AHTN) for extra-ASEAN trade on an on-going basis .

(b) Simplify, improve and harmonise customs declaration forms by 31 December 2005.

(c) Ensure full implementation of the Green Lane System for CEPT products or similar system at entry points of all Member States by 31 December 2004.

(d) Develop common implementation guidelines, by 31 December 2004, to fulfill the obligations of the WTO Agreement on Customs Valuation

(e) Each ASEAN customs authority to adopt a service commitment (client charter) by 31 December 2004; and

(f) Develop the Single Window approach, including the electronic processing of trade documents at national and regional level by 31 December 2005.

ARTICLE 9

STANDARDS AND CONFORMANCE

Member States shall take the following steps to accelerate the development of MRAs and harmonise product standards and technical regulations:

(a) Accelerate the implementation and where appropriate the development of sectoral MRAs for priority sectors beginning 1 January 2005.

(b) Encourage domestic regulators to recognise test reports issued by testing laboratories which are accredited by national accreditation bodies in ASEAN that are signatories to International Laboratory Accreditation Cooperation (ILAC) and Asia-Pacific Laboratory Accreditation Cooperation (APLAC) MRAs.

(c) Set, by 31 December 2005, clear targets and schedules for harmonisation of standards in the priority sectors wherever required. Where international standards are not available and when requested by industry, align national standards among Member States.

(d) Harmonise and/or develop technical regulations as appropriate, for national application by 31 December 2010.

(e) Ensure compliance with the requirements of the WTO Agreements on Technical Barriers to Trade and the Application of Sanitary and Phyto-Sanitary Measures.

(f) Explore the development of ASEAN policy on standards and conformance to further facilitate the realisation of the ASEAN Economic Community, beginning 2005.

ARTICLE 10

LOGISTICS SERVICES

Expedite the development of integrated transport logistics services within ASEAN through:

(a) Promotion of efficient door-to-door cargo transport and cross-border transport facilitation through the expeditious implementation of the ASEAN Framework Agreement on the Facilitation of Goods in Transit, and the ASEAN Framework Agreement on Multimodal Transport;