

## **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 9<sup>th</sup> 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 I 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 1 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 endeavour 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;
- (b) Improvement of land transport network infrastructures and services to achieve better inter-connectivity, inter-operability and inter-modality with the national, regional and international maritime and air transport gateways.
- (c) Strengthening intra-ASEAN maritime and shipping transport services; and
- (d) Establishment of enabling and conducive policy environment for increased private sector involvement and/or public-private partnerships in the development of transport infrastructure and the provision and operation of transport logistics facilities and services.

**Article 11**  
**Facilitation of Travel in ASEAN**

Member States shall:

- (a) harmonise procedures for the issuance of visas to international travelers in ASEAN by 31 December 2004; and
- (b) provide visa exemption for intra-ASEAN travel by ASEAN nationals by 2005.

**Article 12**  
**Movement of Business Persons, Experts, Professionals,  
Skilled Labour and Talents**

Member States shall, taking into account their respective domestic laws and regulations:

- (a) develop an ASEAN agreement to facilitate the movement of business persons, including the adoption of an ASEAN Travel Card, by 31 December 2005;
- (b) develop an ASEAN agreement to facilitate the movement of experts, professionals, skilled labour and talents by 31 December 2005; and
- (c) accelerate completion of MRAs to facilitate free movement of experts, professionals, skilled labour and talents in ASEAN by 31 December 2008.

**PART IV**  
**PROMOTION AND MONITORING**

**Article 13**  
**Trade and Investment Promotion**

Member States shall, beginning 2005 and on an ongoing basis, work in close cooperation with the ASEAN Business Advisory Council (ASEAN-BAC), the ASEAN Chambers of Commerce and Industry (ASEAN-CCI), and relevant industry clubs/associations to:

- (a) intensify joint intra-ASEAN and extra-ASEAN trade promotion efforts;
- (b) organise regular private sector driven ASEAN selling and buying missions;
- (c) assist CLMV in organising promotional activities; and
- (d) undertake more effective joint ASEAN facilitation and promotion measures and develop new sources of inward foreign direct investment, particularly from potential countries such as the People's Republic of China, India and the Republic of Korea.



**Article 14**  
**ASEAN Trade and Investment Statistics**

Member States shall establish an effective system to monitor ASEAN trade and investments through:

- (a) provision of updates to the ASEAN Secretariat of the latest trade (goods and services) and investment statistics; and
- (b) preparation of consolidated industry profiles, by the respective associations, which, *inter alia*, cover information such as production capacity and product range.

**PART V**  
**OTHER AREAS FOR INTEGRATION**

**Article 15**  
**Intellectual Property Rights**

Member States shall expand the scope of ASEAN intellectual property rights cooperation beyond trademarks and patents to include cooperation in copyrights information exchange and enforcement by 31 December 2004.

**Article 16**  
**Industrial Complementation**

Member States shall promote complementation among ASEAN manufacturers, as applicable, through:

- (a) identification and development of specialisation of production processes, research and development (R&D), and testing facilities based on comparative advantage of individual Member State; and
- (b) development of guidelines on promoting outsourcing arrangements among Member States, as applicable.

**Article 17**  
**Human Resource Development**

Member States shall cooperate to develop and upgrade skills and capacity building through joint training and workshops.

**PART VI  
GENERAL PROVISIONS**

**Article 18  
General Exceptions**

Nothing in this Framework Agreement shall prevent any Member State from taking actions and adopting measures which it considers necessary for the protection of its national security, the protection of public morals, the protection of human, animal or plant life and health, and the protection of articles of artistic, historic and archaeological value.

**Article 19  
Institutional Arrangement**

1. The Ministers responsible for ASEAN Economic Integration, with the assistance of the Senior Economic Officials (SEOM), shall oversee, monitor and/or coordinate the implementation of this Framework Agreement.
2. The ASEAN Secretariat shall:
  - (a) provide support to the Ministers and the SEOM for supervising, coordinating and reviewing the implementation of this Framework Agreement; and
  - (b) monitor and regularly report to the SEOM on the progress in the implementation of this Framework Agreement.
3. Member States shall cooperate with the ASEAN Secretariat in the performance of its duties.

**Article 20  
Review**

The Ministers responsible for ASEAN Economic Integration shall meet as and when necessary to review this Framework Agreement for the purpose of considering further measures and/or other sectors for priority integration or any other relevant matters as may be agreed.

**Article 21**  
**Sectoral Integration Protocols and Annexes**

The ASEAN Sectoral Integration Protocols attached to this Framework Agreement as Annexes (I) to (XI) and the total product list attached as Annex (XII) shall form an integral part of this Framework Agreement.

**Article 22**  
**Consultations**

Member States shall accord adequate opportunity for consultations regarding any representations made by another Member State with respect to any matter that would affect the implementation of this Framework Agreement.

**Article 23**  
**Dispute Settlement**

The provisions of the ASEAN Protocol on Enhanced Dispute Settlement Mechanism, done at Vientiane, Lao PDR on the 29<sup>th</sup> day of November 2004, shall apply to disputes arising under this Framework Agreement.

**Article 24**  
**Relation to other Agreements**

1. Except as provided in paragraph 2 hereof, this Framework Agreement or any action taken under it shall not affect or nullify the rights and obligations of a Member State under existing agreements or international conventions to which it is also a party.
2. The provisions in this Framework Agreement shall prevail over the rights and obligations in other relevant ASEAN agreements to the extent that the same subject matter is governed by this Framework Agreement.

**Article 25**  
**Final Provisions**

1. The provisions of this Framework Agreement may be modified through amendments mutually agreed upon in writing by all Member States.
2. This Framework Agreement shall be deposited with the Secretary-General of ASEAN, who shall furnish a certified copy to each Member State.

**Article 26**  
**Entry into Force**

1. This Framework Agreement shall enter into force on 31 August 2005. Notwithstanding the specified date of entry into force, Member States undertake to carry out the obligations which arise prior to the date of entry into force of this Framework Agreement in accordance with the timelines indicated herein and the Roadmaps attached to the ASEAN Sectoral Integration Protocols as Appendices.
2. Member States undertake to complete their internal procedures of ratification for the entry into force of this Framework Agreement.
3. Each Member State shall upon the completion of its internal procedures of ratification of this Framework Agreement notify the ASEAN Secretariat in writing.

**IN WITNESS WHEREOF**, WE have signed this ASEAN Framework Agreement for the Integration of Priority Sectors.

**DONE** at Vientiane, Lao PDR this 29<sup>th</sup> day of November 2004, in single copy, in the English Language.

**For Brunei Darussalam**

**HAJI HASSANAL BOLKIAH**  
Sultan of Brunei Darussalam

**For the Kingdom of Cambodia**

**SAMDECH HUN SEN**  
Prime Minister

**For the Republic of Indonesia**

**DR. SUSILO BAMBANG YUDHOYONO**  
President

**For the Lao People's Democratic Republic**

**BOUNNHANG VORACHITH**  
Prime Minister

**For Malaysia**

**DATO' SERI ABDULLAH AHMAD BADAWI**  
Prime Minister

**For the Union of Myanmar**

**LIEUTENANT GENERAL SOE WIN**  
Prime Minister

**For the Republic of the Philippines**

**GLORIA MACAPAGAL-ARROYO**  
President

**For the Republic of Singapore**

**LEE HSIEN LOONG**  
Prime Minister

**For the Kingdom of Thailand**

**DR. THAKSIN SHINAWATRA**  
Prime Minister

**For the Socialist Republic of Viet Nam**

**PHAN VAN KHAI**  
Prime Minister

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