

# 2002 JOINT PRESS STATEMENT OF THE 34<sup>TH</sup> ASEAN ECONOMIC MINISTERS' MEETING

*Issued in Bandar Seri Begawan, Brunei Darussalam on 12 September 2002*

1. The Thirty-Fourth Meeting of the ASEAN Economic Ministers was held on 12 September 2002 in Bandar Seri Begawan, Brunei Darussalam. The Meeting was preceded by a Preparatory ASEAN Senior Economic Officials Meeting (SEOM), the Fourth ASEAN Investment Area (AIA) Council Meeting and the Sixteenth ASEAN Free Trade Area (AFTA) Council Meeting.

## OPENING CEREMONY

2. In his Opening Address, His Majesty Sultan and Yang Di-Pertuan of Negara Brunei Darussalam, emphasized that the most pressing item of business on our regional agenda was economic progress. He said that ASEAN should move rapidly to secure higher living standards for its people. He affirmed that ASEAN possessed immense potential in its abundant natural resources and productive, skilled peoples. He said that he looked forward to seeing specific measures drawn up with clear timelines that focus on bridging the development gap within ASEAN, enhancing further economic cooperation, and achieving deeper economic integration.
3. His Majesty Sultan and Yang Di-Pertuan of Negara Brunei Darussalam added that the initiatives being implemented under the Framework Agreement on Enhancing ASEAN Economic Cooperation should be reviewed for their effectiveness and modified where necessary. He urged the Ministers to obtain inputs from the private sector and ASEAN's trading partners to add breadth and depth to ASEAN's external economic relations. He concluded by saying that it was critical for ASEAN to unite, with a renewed sense of purpose, by intensifying its momentum, towards a freer flow of trade and investment in the region, and enhancing its competitiveness in attracting foreign direct investments.

## ECONOMIC PERFORMANCE

4. The Ministers noted that world trade contracted by 0.2% in 2001 after surging by 12.4% in 2000. This year, the IMF, in its World Economic Outlook, has predicted that world trade will rebound by 2.3%, but this is still lower than the 6.6% average growth in the past eight years (1992-1999).
5. The Ministers were of the view that ASEAN economies achieved a fair performance given the less than favourable global economic scenario. The Ministers were encouraged by the total FDI flows into ASEAN, which had bucked the declining trend, with a positive growth of 13% in 2001. Based on the balance-of-payment data, FDI flows to ASEAN in 2001 increased to US\$13 billion from US\$ 11.5 billion in the year 2000.
6. The Ministers expressed concern on the impact of the global economic downturn and the continued weakness of the U.S. economy that slowed down growth in ASEAN. The U.S. second quarter GDP growth of 1.1% was below expectations. The Ministers warned that if the U.S. economy, which accounts for 40% of global GDP growth in recent years, suffered a relapse, the prospects for global economic recovery would be at risk.

## **ASEAN COMPETITIVENESS STUDY**

7. Committed to maintaining Southeast Asia's economic competitiveness, ASEAN has commissioned an independent consultant to examine and identify measures for maximizing specific industry potential, creating opportunities for faster growth, and undertaking regional initiatives and enabling measures to boost international trade and investment. These initiatives are expected to accelerate ASEAN's integration as a region and its timetable towards realising a single market for goods and services. The consultancy firm will identify a short list of high priority issues for further consideration.
8. The consultant briefed the Ministers on their findings from Phase 1 of the Study, which highlighted (1) the size of the unrealized potential available to ASEAN countries through economic cooperation (2) the barriers that currently exist to realizing that potential, and, (3) a 'bold new direction' for ASEAN to make a 'step-change' in integration and collaboration. The Ministers instructed the consultancy firm to proceed with Phase 2 of the study.

## **INITIATIVES FOR ASEAN INTEGRATION**

9. In response to the Initiative on ASEAN Integration (IAI) launched by the ASEAN Leaders during the Fourth ASEAN Informal Summit in Singapore in 2000, the Ministers welcomed the decision of the 16<sup>th</sup> AFTA Council to expedite the implementation of the ASEAN Integration System of Preferences (AISP). AISP is a unilateral and voluntary tariff reduction being extended by the older members of ASEAN to the newer members since January 2002. It covers about US\$400 million worth of exports of CLMV countries per year. The Ministers endorsed the guidelines for more effective implementation of the AISP and agreed that the newer members of ASEAN could submit additional products for AISP by the first of June of each year for inclusion the following year.
10. The Ministers expressed support for the implementation of the Initiative of ASEAN Integration (IAI) Work Plan for CLMV containing 44 programmes and projects with a total budget of US\$ 57.5 million to assist the newer members of ASEAN in four priority areas, namely infrastructure, human resource development, information and communications technology, and regional economic integration.

## **ROADMAP FOR THE INTEGRATION OF ASEAN (RIA)**

11. To enhance the implementation of the Roadmap for the Integration of ASEAN (RIA), the Ministers agreed to identify ways to address the gaps in the implementation of the Hanoi Plan of Action, including specific milestones and timeframes toward the establishment of an ASEAN Economic Region by the year 2020.
12. The Ministers recalled the discussions at the AEM Retreat in Genting Highland early this year that the 10-X principle should be applied to services liberalization, investment, e-ASEAN, air services liberalization and MRAs. The Ministers considered the draft RIA and agreed that the 10-X principle should be applied to more areas and sectors of ASEAN economic cooperation. The Ministers tasked the Senior Economic Officials together with the respective sectoral bodies to examine the applicability of the 10-X principle and work out specific parameters to guide its implementation.

13. In charting the strategic direction of ASEAN, the Ministers agreed to establish a task force of high-ranking officials to discuss and recommend initiatives to deepen and strengthen the region's economic integration beyond AFTA. The group will be requested to submit its recommendations to the Ministers for consideration at the next AEM Retreat in 2003.
14. The Ministers recognized the need for a permanent body/unit to monitor and help to ensure compliance with the CEPT/AFTA Agreement and other ASEAN agreements pertaining to ASEAN economic integration. The Ministers tasked the Senior Economic Officials to come up with the terms of reference for such a body.

## **SERVICES**

15. The Ministers endorsed a set of parameters that would govern the application of the 10-X principle to services liberalization under the ASEAN Framework Agreement on Services (AFAS). These parameters will allow, among other things, two or more countries to move ahead with services liberalization, and the others to join in at a later date when they are ready. The Ministers tasked the officials to complete the necessary procedures to give effect to the agreed parameters, including necessary amendments to the AFAS.

## **STANDARDS AND CONFORMANCE**

16. The Ministers endorsed the proposed Agreement on ASEAN Harmonized Cosmetic Regulatory Scheme, covering the ASEAN Mutual Recognition Arrangement (MRA) of Product Registration Approvals and the ASEAN Cosmetic Directive to be signed at the margins of the ASEAN Summit in Cambodia in November this year.
17. The Ministers welcomed the progress made in recognition of test reports and certification for electrical and electronic equipment under the ASEAN Sectoral MRA signed in April 2002.
18. The Ministers called for the conclusion of more sectoral MRAs in order to facilitate the movement of goods within ASEAN. They agreed that such MRAs could, if necessary, be based on the 10-X principle.
19. The sectoral MRAs are designed to allow products tested in one ASEAN country to be sold in other ASEAN countries without duplicating the testing and certification already done in the first country. For those products subjected to product registration approval, the sectoral MRAs would allow them to be marketed in the other ASEAN countries if the products have been registered accordingly in one ASEAN country.

## **INDUSTRIAL COOPERATION**

20. The Ministers were pleased to note that, under the ASEAN Industrial Cooperation scheme (AICO), 98 AICO applications have been approved generating a trade transaction amounting to US\$ 1.15 billion per year. The Ministers noted that the AICO Scheme has been well received by companies operating in the region. To make the AICO Scheme relevant beyond 2002, the Ministers noted that for new approvals, the AICO rate would be set at zero percent by 1 January 2003 for Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia and Singapore. The Ministers agreed to extend the waiver on the 30 percent national equity requirement for AICO applications until 31 December 2003.
21. AICO aims to promote market sharing and increase the competitive position of ASEAN's manufacturing industries by means of production integration across borders facilitated by tariff preferential rate of no more than 5 percent.

## **ASEAN EXTERNAL ECONOMIC RELATIONS**

22. The Ministers were satisfied with the progress of the ASEAN-China negotiations and considered the draft Framework Agreement on ASEAN-China Comprehensive Economic Co-operation. The framework agreement would commit ASEAN and China to negotiate an FTA, investment and services liberalization and facilitation as well as other areas of cooperation within the next year. The agreement is expected to be signed at the ASEAN-China summit in November this year in Cambodia.
23. The Ministers endorsed the draft AFTA-CER Ministerial Declaration to be issued during the AEM consultation with the trade ministers of Australia and New Zealand on 15 September 2002. The ministerial declaration aims to enhance trade, investment and technical cooperation between the two sides.
24. The Meeting looked forward to the proposed closer economic partnership between ASEAN and Japan and commended the ASEAN-Japan CEP Expert Group for its efforts.
25. The Ministers also looked forward to initiating economic consultations with India.

## **INTERNATIONAL AND REGIONAL ECONOMIC ISSUES**

26. The Ministers welcomed the launch of the World Trade Organization (WTO) Doha Development Agenda (DDA) and renewed their commitment to strengthen the rules-based multilateral trading system. They welcomed the development focus of the DDA, especially the provision on trade-related technical assistance and capacity building, and expressed determination to continue to focus on the needs and interests of developing countries.
27. The Ministers re-affirmed their support for the expeditious accession of Cambodia, Laos and Viet Nam into the WTO and urged that appropriate assistance be extended by the WTO to facilitate their accession.

## ASEAN TRADE FAIR 2002

28. The Ministers expressed support for the ASEAN Trade Fair (ATF) 2002, which will be held on 14-20 October 2002 in Bangkok, Thailand. Aimed at promoting ASEAN export products and services to the world market and forging partnership among ASEAN industries, the Fair is expected to attract 120,000 visitors.

### LIST OF ASEAN ECONOMIC MINISTERS

1. **H.E. Pehin Dato Abdul Rahman Taib**, Minister of Industry and Primary Resources, Brunei Darussalam; Chairman of the 34<sup>th</sup> AEM; and
2. **H.E. Mr. Cham Prasidh**, Minister of Commerce, Cambodia;
3. **H.E. Mr. Dorodjatun Kuntjoro-Jakti**, Coordinating Minister for Economy, Indonesia;
4. **H.E. Mr. Soulivong Daravong**, Minister of Industry and Handicrafts, Lao PDR;
5. **H.E. Dato' Seri Rafidah Aziz**, Minister of International Trade and Industry, Malaysia;
6. **H.E. Brigadier General David O. Abel**, Minister at the Office of the Chairman of the State Peace and Development Council, Myanmar;
7. **H.E. Mr. Manuel A. Roxas II**, Secretary of Trade and Industry, the Philippines;
8. **H.E. B.G. (NS) George Yeo**, Minister for Trade and Industry, Singapore;
9. **H.E. Dr. Adisai Bodharamik**, Minister of Commerce, Thailand;
10. **H.E. Mr. Luong Van Tu**, Vice Minister of Trade, Viet Nam;
11. **H.E. Mr. Rodolfo C. Severino, Jr.**, Secretary-General of ASEAN.