

2003 JOINT MEDIA STATEMENT OF THE 35TH ASEAN ECONOMIC MINISTERS' MEETING

Issued in Phnom Penh, Cambodia on 2 September 2003

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1. The Thirty-Fifth Meeting of the ASEAN Economic Ministers was held on 2 September 2003 in Phnom Penh, Cambodia. The Meeting was preceded by a Preparatory ASEAN Senior Economic Officials Meeting (SEOM), the Sixth ASEAN Investment Area (AIA) Council Meeting and the Seventeenth ASEAN Free Trade Area (AFTA) Council Meeting.

OPENING CEREMONY

2. The Meeting was formally opened by the Right Honourable Samdech HUN SEN, the Prime Minister of the Kingdom of Cambodia. In his Opening Address, he welcomed the ASEAN Economic Ministers and all delegates. He highlighted that Cambodia was at a very important period of transition, just after a fair, free and democratic elections held on 27 July 2003, and is now working to solve the differences among political parties to serve in the National Assembly, based on the principles of democracy, respect for the rights and will of the people and the existing laws, particularly the Constitution of the Kingdom of Cambodia.
3. The Prime Minister also highlighted the following in his Opening Address:
 - (a) Last year, the ASEAN Leaders considered the formation of an ASEAN Economic Community, as the end-product of the implementation of the Road Map for ASEAN Integration and the Vision 2020. He personally believed that these are very important and promising initiatives, and looked forward to the presentation of the Ministers' findings and recommendations at the 9th ASEAN Summit next month in Bali.
 - (b) He also believed that the deepening integration of ASEAN countries must be accompanied by technical and development cooperation to bridge the gaps within ASEAN so that benefits of ASEAN integration are shared among all ASEAN members.
 - (c) ASEAN need to seriously consider the final report and recommendations of the ASEAN Competitiveness Study and act accordingly.
4. He recommended several measures for the consideration of AEM:
 - (a) Extend a "Comprehensive" AISP to CLMV at a zero rate across all sectors by 2004 and onwards.
 - (b) Maximize the use of regional (ASEAN) branding in producing competitive ASEAN products and develop "Made in ASEAN" brand products where parts could be produced in different ASEAN countries, then transported duty- and tax-free to other ASEAN countries for final assembly. The ideal arrangement would be that inputs, parts or components are produced in the developed ASEAN countries and the final products are assembled and completed in the less-developed ASEAN members.

- (c) Developed ASEAN countries must assist in production, trade facilitation and export promotion.
5. He welcomed the continued efforts towards adding breadth and depth to ASEAN's external economic relations and encourage the work currently being undertaken in support of the ASEAN-China Free Trade Area, the ASEAN-Japan Comprehensive Economic Partnership, the ASEAN+3 (China, Japan and Korea) Framework and the "Closer Economic Partnerships" with the "CER" countries and the Comprehensive Economic Cooperation with India.
 6. In conclusion, the Prime Minister was of the view that economic cooperation will only be successful with the full involvement of all parties concerned, including the private sector. In this regard, he encouraged the AEM to continue to engage the private sector.

ECONOMIC PERFORMANCE

7. Amid an expected weak global recovery and underutilized capacity in the region, the overall economic growth in ASEAN last year turned out much better than expected to register a 4.4 percent growth from 3.2 percent in 2001.
8. Until the first half of 2003, the global economic outlook remains relatively subdued. Despite the quick end of the war in Iraq and reduction in oil prices back to their normal range, the pace of post-war economic activity did not pick up convincingly. Global imbalances seemed to have persisted, with the US economy still experiencing tepid growth and Germany and Japan stagnating. On-going concerns over potential terrorist attacks and other geopolitical risks further contributed to the uncertain outlook. Recently the global economic activity was also threatened by the spread of Severe Acute Respiratory Syndrome (SARS) which undermined the pace of recovery in Asia. Although the outbreak appeared to be largely under control in mid-June, initial estimates suggest that the negative impact of SARS will be felt most in the second quarter this year, where economic growth is seen to slow down significantly in some of the most affected economies. Despite these adverse conditions, ASEAN economies are projected to grow between 4-4.7% in 2003.
9. FDI flows to the region declined for the third consecutive year, by 18%, from \$15.2 billion in 2001 to \$12.4 billion in 2002. FDI flows to the manufacturing sector declined more than the services sector, while flows to the primary sector increased marginally. Global economic factors, competition and significant repayments of intra-company loans were the main reasons behind the continued fall in FDI flows to ASEAN. However, there were some exceptions as some Member Countries received higher flows as compared to 2001. Flows from Japan, some European countries and the Asian New Industrialized Economies (ANIEs) increased, and along with a stable intra-ASEAN investment helped mitigate the decline. Strong reinvested earnings, a component of FDI, also assisted in reducing the fall.
10. The outlook for an increase in FDI flows to the region in 2003 is cautiously optimistic on the basis of stronger flows from Japan, ANIEs and intra-ASEAN investment. The regional integration process will remain an important influence on corporate consolidation, expansion and industrial adjustments. Regional production network will continue to play a role in this process and in supporting regional integration. The outlook for 2004 is encouraging against a stronger global economic growth, better regional economic development and an improved development in corporate investment.

11. ASEAN trade performance for 2002 started to show signs of recovery following the weak performance of the previous year. Based on the available data for 2002 from eight Member Countries, total ASEAN exports increased by 2.9% from US\$ 370.55 billion in 2001 to US\$ 381.39 billion; total ASEAN imports likewise increased by 2.5% from US\$ 317.23 billion in 2001 to US\$ 325.31 billion in 2002.
12. The trend in 2002 continued up to the first quarter of 2003. Based on data submitted by seven member countries, total ASEAN exports grew by 15.65% from US\$ 75.02 billion for the first quarter of 2002 to US\$ 86.76 billion for the same period in 2003. Total ASEAN imports also grew by 13.85% from US\$ 67.06 billion to US\$ 76.35 billion during the same period.
13. Intra-ASEAN trade performance for the period 2001-2002 were also on the positive side although the growth rates among the ASEAN members whose trade data were made available tended to vary. Over-all, intra-ASEAN exports increased slightly, that is, by 2.2% from US\$ 84.49 million in 2001 to US\$ 86.34 million in 2002. Intra-ASEAN imports as a whole increased by 8.1% or from US\$ 67.64 million in 2001 to US\$ 73.12 million in 2002.
14. For Q1 2003, the United States (US), the European Union (EU), Japan, China (excluding Hong Kong) and Republic of Korea remained to be ASEAN largest trading partners. However, in terms of percentage growth, the highest growth rates were experienced with Russia, New Zealand, Australia and China which grew 80.49%, 37.78%, 33.13% and 30.29%, respectively. ASEAN trade with India, the US and Canada, on the other hand, contracted by 50.2%, 4.79% and 2.54%, respectively.

ASEAN ECONOMIC COMMUNITY

15. The Ministers approved the recommendation of the High Level Task Force (HLTF) on Economic Integration to formalize the ASEAN Economic Community (AEC) as the end-goal of ASEAN economic integration as outlined in the ASEAN Vision 2020. As an AEC, ASEAN would be a single market and production base, characterized by the free flow of goods, services, investment and skilled labour, and freer flow of capital by year 2020. The AEC would be realized by strengthening existing initiatives and building new initiatives to enhance economic integration on a progressive basis but with clear timelines.
16. In addition to specific measures to eliminate the remaining impediments to intra-ASEAN trade in goods and services, as well as investments in ASEAN, the Ministers endorsed two key recommendations to ensure concrete progress towards the AEC: (i) institute an effective dispute settlement system by end-2004; and (ii) accelerate the integration of eleven priority sectors in which ASEAN as a whole enjoy competitive advantages.
17. The Ministers stressed that the realization of the AEC entails more than building a free market of goods, services and investments as it should encompass other areas necessary to realize a Community. Towards this end, the Ministers agreed that the HLTF continue with its work on other areas leading to the realization of the AEC.

EFFECTIVE DISPUTE SETTLEMENT SYSTEM

18. An effective dispute settlement system comprising of advisory, consultative, and adjudicatory mechanisms will help improve Member Countries' compliance to ASEAN economic initiatives and achieve expeditious resolution of trade disputes between ASEAN Member Countries. The Ministers agreed to establish the following new mechanisms for this purpose: (i) a legal unit within the ASEAN Secretariat to provide legal advice on trade disputes (advisory mechanism), (ii) an ASEAN Consultation to Solve Trade and Investment Issues (ACT) modelled after the EU SOLVIT mechanism to provide speedy resolution to operational problems in ASEAN economic agreements (consultative mechanism), and (iii) an ASEAN Compliance Body modelled after the WTO Textile Monitoring Body to make use of peer pressure to resolve trade disputes (adjudication mechanism). The Ministers also agreed to revise the existing ASEAN Dispute Settlement Mechanism (DSM) to ensure that binding decisions can be made expeditiously and based solely on legal considerations for intra-ASEAN trade disputes (adjudication mechanism).

PRIORITY INTEGRATION SECTORS

19. Pursuant to the mandate given by the Special Informal AEM on 12-13 July 2003 to give priority to integrating 11 sectors, all country coordinators had convened their consultative meetings with the industry players of ASEAN. The Ministers were satisfied with the initial efforts taken by country coordinators. The selected industries for priority integration and country coordinators are as follows:

- (a) Indonesia: Wood-Based Products and Automotives
- (b) Malaysia: Rubber-Based Products; Textiles and Apparels
- (c) Myanmar: Agro-Based Products and Fisheries
- (d) Philippines: Electronics
- (e) Singapore: e-ASEAN and Healthcare
- (f) Thailand: Air travel and Tourism

20. Beginning next year, steps will be taken to grant special incentives like zero tariffs, harmonization of product standards, and faster customs clearance and simplified customs procedures.

21. The Ministers received the final report of the ASEAN Competitiveness Study from McKinsey and Company and agreed that the recommendations will be considered together with the deliberations on the AEC next year.

INDUSTRIAL COOPERATION

22. The Ministers noted that as of 3 July 2003, 114 out of 169 AICO applications have been approved. Based on the data available at the time of application, these approved AICO arrangements is estimated to generate US\$ 1,191 million trade transactions per year. The Ministers agreed to extend the waiver on the 30 percent national equity requirement for AICO applications until 31 December 2004.

AGREEMENTS SIGNED

23. The Ministers agreed to sign the Protocol to Amend the ASEAN Framework Agreement on Services that would enable the application of the ASEAN-X formula in the implementation of Member Countries' services commitments. Under this formula, countries that are ready to liberalise a certain service sector may proceed do so without having to extend the concessions to non-participating countries.
24. The Ministers also signed the Agreement on ASEAN Harmonized Cosmetic Regulatory Scheme.

ASEAN EXTERNAL ECONOMIC RELATIONS

25. The Ministers were satisfied with the progress of the ASEAN-China negotiations. The Ministers noted the completed Early Harvest Packages and parties concerned are now finalizing domestic procedures to implement the Early Harvest by January 2004.
26. The Ministers discussed and noted the progress in the talks on an ASEAN-India Framework Agreement on Closer Economic Partnership.
27. The Ministers endorsed the draft Framework for Comprehensive Economic Partnership (CEP) between ASEAN and Japan which will be submitted to the Leaders for their consideration and signing at the ASEAN-Japan Summit in Bali, Indonesia in October 2003. The draft Framework is comprehensive incorporating measures for immediate implementation, facilitation and cooperation and also the aspect of liberalization for trade in goods, services and investment. The Ministers noted that the CEP between ASEAN and Japan would further promote bilateral trade and investment between the two parties. They agreed to recommend to the Leaders that ASEAN and Japan should proceed with the implementation of the elements of the CEP as soon as possible by 2012, taking into account the economic levels and sensitive sectors of each country, including allowing additional five years for the newer ASEAN member countries.

WTO

28. The Ministers expressed their deep concern over the present impasse and missed deadlines in the current multilateral negotiations. In particular, the Ministers noted the pressing need for progress on a wide range of core agenda and issues – such as agriculture, non-agricultural market access, special and differential treatment, implementation-related issues and concerns, and the understanding on dispute settlement. However, the Ministers were encouraged by recent positive developments in negotiations in the areas of agriculture, non-agricultural market access, and special and differential treatment for developing countries. The Ministers likewise welcomed the

adoption of the Decision implementing Para. 6 of the Doha Decision on TRIPs and Public Health concerning access for developing countries to medicine.

29. The Ministers re-emphasized the need to take full account of developing countries' special needs and development concerns to better integrate the development dimensions into the multilateral trading system. In this context, the Ministers gave due recognition to the importance of WTO capacity building as a means to better enable developing countries to reap the full benefits of their WTO membership. The Ministers pledged to work with all members of the WTO at the Cancun Conference and ensure the successful conclusion of the DDA negotiations by 1 January 2005.
30. The Ministers looked forward to welcoming Cambodia as a member of the WTO in Cancun. They reiterated their support for an early entry to WTO of other ASEAN Member Countries who have not yet gained WTO accessions.

APEC

31. The Ministers congratulated Thailand as the APEC host for 2003 and pledged their support to ensure the success of the APEC Economic Leaders' Summit to be held in October 2003.
32. Pursuant to the decision of the Leaders at the 8th ASEAN Summit in Phnom Penh last November, an ASEAN Showcase will be presented at the APEC 2003 CEO Summit in Thailand. The event will be held from 16-21 October 2003 to highlight ASEAN's investment potential. A direct marketing kit containing promotional materials would be given to Summit participants and at other relevant APEC events.

ASEAN BUSINESS AND INVESTMENT SUMMIT 5-7 OCTOBER 2003, BALI

33. ASEAN's first major business and investment summit, will be held on 5-7 October 2003 in Bali, Indonesia, back-to-back with the ASEAN Summit. The ASEAN Business and Investment Summit (ASEAN-BIS) will be geared towards encouraging trade and investment transactions.
34. The ASEAN-BIS will feature exhibitions of ASEAN's fastest growing industries and most attractive investment destinations, as well as dialogues between ASEAN governments and business leaders. Dialogues and discussions at the ASEAN-BIS will focus on the ASEAN business climate, its growth areas and integration efforts, opportunities in ASEAN regional partnerships, industry-specific integration in ASEAN, a forum on ASEAN's global competitiveness, the partnership of ASEAN-China, and a trade and investment outlook for the region.
35. In addition to exhibitions focused on ASEAN Industries and attractive investment destinations, the summit will feature trade and investment opportunities in each of ASEAN's 10 member nations. Fast-growing autonomous regencies in the host country, Indonesia, will be also be showcased. Throughout the exhibitions and dialogues, the ASEAN-BIS will be focused upon encouraging ASEAN and other businessmen to appreciate ASEAN business and investment opportunities, develop joint-ventures, make investment decisions, and to make transactions in goods and services.

LIST OF ASEAN ECONOMIC MINISTERS

1. **H.E. Mr. Cham Prasidh**, Minister of Commerce, Cambodia; Chairman AEM
2. **H.E. Pehin Dato' Abdul Rahman Taib**, Minister of Industry and Primary Resources, Brunei Darussalam
3. **H.E. Ms. Rini M.S. Soewandi**, Minister of Industry and Trade, Indonesia;
4. **H.E. Mr. Soulivong Daravong**, Minister of Commerce, Lao PDR;
5. **H.E. Dato' Seri Rafidah Aziz**, Minister of International Trade and Industry, Malaysia;
6. **H.E. U Khin Maung Win**, Deputy Minister of Foreign Affairs, Myanmar;
7. **H.E. Mr. MAR Roxas**, 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. Truong Dinh Tuyen**, Minister of Trade, Viet Nam;
11. **H.E. Mr. Ong Keng Yong**, Secretary-General of ASEAN.