An Overview Of

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ASEAN FREE TRADE AREA (AFTA)

24 July 2003

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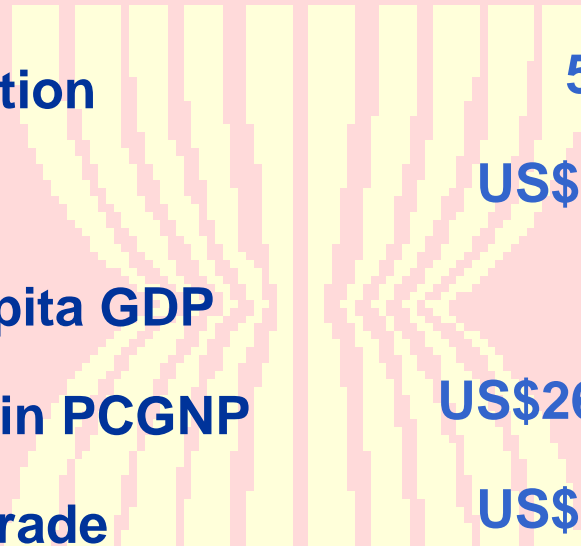
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ASEAN: Economic Expansion

Original 5 Members
Indonesia, Malaysia, Philippines,
Singapore & Thailand – 1967

Brunei Darussalam – 1984
Vietnam – 1995
Laos & Myanmar -1997
Cambodia – 1999

From mere geo-political security concerns to
economic security to economic expansion

ASEAN : A Regional Economic Space

Area	4476 sq km
Population	502 million
GNP	US$737 billion
Per Capita GDP	US$1164
Range in PCGNP	US$260-$30,170
Total Trade	US$650 billion

Objective of ASEAN is to increase the region's competitive edge as a production base geared for the world market

AFTA : Initiatives for Economic Integration

◆ Common Effective Preferential Tariff (CEPT) Scheme for AFTA

◆ ASEAN Framework Agreement on Services (AFAS)

◆ E-ASEAN Agreement

◆ ASEAN Investment Area (AIA)

◆ ASEAN Industrial Cooperation (AICO)

◆ Initiative of ASEAN Integration (IAI)

◆ ASEAN Integration System of Preferences (AISP)

AFTA

COMMON EFFECTIVE PREFERENTIAL TARIFF (CEPT) SCHEME

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Common Effective Preferential Tariff (CEPT) Scheme for AFTA

- Overview & Objectives

- Criteria

- Benefits

- Implementation Status & Impact

- Business Models

CEPT Scheme - *Overview*

- ◆ Launched 1993

- ◆ Reduction of high tariffs - 0-5% tariff rates for ASEAN-6 by 2003
  (V -2006, LM -2008 & C – 2010)

- ◆ Abolition of Quantitative restrictions & Non-tariff barriers

- ◆ Cover all products (classified under 4 categories)

- ◆ Elimination of all import duties by 2010 for ASEAN-6 and 2015 with flexibility for CLMV

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CEPT Scheme - *Objectives*

- Increase intra-ASEAN trade

- Increase region's competitive edge

- Attract more foreign direct investment

CEPT Product Coverage

CEPT PRODUCT LIST

Covers manufactured & agricultural products

67,231 tariff lines

Inclusion List

- **0-5% tariff by ASEAN-6**
- **QRs eliminated immediately**
- **NTBs abolished within 5 years**

60,487 tariff lines

Temporary Exclusion List
- **phased in by 2000**
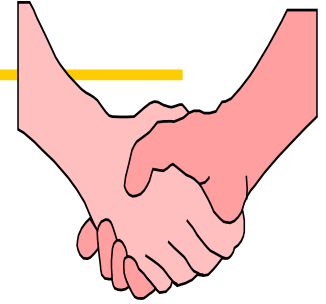
Highly Sensitive & Sensitive Lists
- **unprocessed agriculture products e.g. rice, sugar, garlic, meat etc**

General Exception List

- **permanently excluded due to national security, public morals, health e.g. arms, ammunition, narcotics etc**

687 tariff lines

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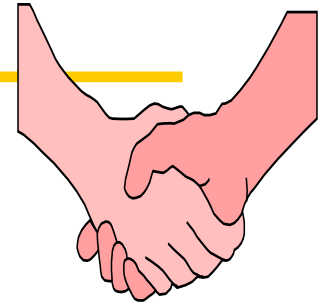
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Criteria for CEPT Scheme

1. **Product must be included in Inclusion List of both exporting and importing ASEAN countries**

Criteria for CEPT Scheme

Rules of Origin

2. **40% Single Country or Cumulative Rule of Origin**

40% Country Content = $\dfrac{\text{(Materials Cost + Direct Labour Cost + Direct Overheads + Profit)}}{\text{FOB Price}}$ **X 100%**
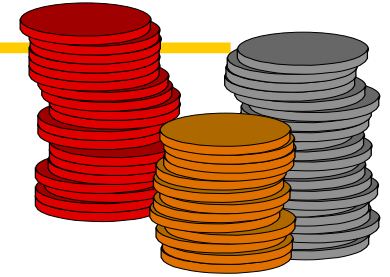
Certificate of Origin

3. Product must have Certificate "Form D"

1. Goods consigned from (exporter's business name, address, country)	Reference No.
	ASEAN COMMON EFFECTIVE PREFERENTIAL TARIFF SCHEME **(Combined Declaration and Certificate)** **FORM D**
2. Goods consigned to (consignee's name, address, country)	Issued in Singapore
	See notes overleaf
3. Means of transport and route (as far as known) Departure Date Vessel's Name/Aircraft etc. Port of Discharge	4. For official use Preferential Treatment Given Under ASEAN Common Effective Preferential Tariff Scheme Preferential Treatment Not Given (Please state reason/s) .... Signature of Authorised Signatory of the Importing Country

5. Item number	6. Marks and numbers of packages	7. Number and kind of packages; description of goods (Including quantity where appropriate and HS number of the importing country)	8. Origin criterion (see notes overleaf)	9. Gross weight or other quantity	10. Number and date of invoices

| 11. **Declaration by the exporter**
The undersigned hereby declares that the above details and statements are correct; that all the goods were produced in
....
(country)
and that they comply with the origin requirements specified for those goods in the ASEAN Common Effective Preferential Tariff Scheme for goods exported to

....
(importing country)
....
.Place and date, signature of authorized signatory | 11. **Certification**
It is hereby certified, on the basis of control carried out, that the declaration by the exporter is correct.

....
Place and date, signature and stamp of certifying authority |

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BENEFITS - What are the Tariff Savings?

Example:

Export of Thinners to Malaysia - HS 3814.00.200

CIF Value:	S$1,000
MFN Rate:	15%
CEPT Rate:	5%
With Form D:	S$50
Without Form D:	S$150
Savings:	S$100

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Implementation Status

Realization of AFTA for ASEAN-6

On 1 Jan 2003

Total No of Tariff Lines = **44,900**

Inclusion List = **44,361 (98.8%)**

No. of Tariff Lines at 0-5% = **44,160 (99.6%)**

Others (Tariff >5%) = **201 (0.4%)**

Average Tariff Rate = **2.38%**

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Realization of AFTA for CLMV

On 1 Jan 2003

Total No of Tariff Lines	**= 22,331**
Inclusion List	**= 16,126 (72.2%)**
No. of Tariff Lines at 0-5%	**= 8,977 (55.6%)**
Others (Tariff >5%)	**= 7,149 (4.43%)**
Average Tariff Rate	**= 6.08%**

Individual Countries Breakdown

Number of Tariff Lines in the Tentative 2003 CEPT Package

Country	Number of tariff Lines					Percentage				
	IL	TEL	GEL	SL/HSL	Total	IL	TEL	GEL	SL	Total
Brunei D.	6,337	-	155	-	6,492	97.61	-	2.39	-	100
Indonesia	7,206	-	68	11	7,285	98.92	-	0.93	0.15	100
Malaysia	10,116	218	53	8	10,395	97.32	2.1	0.51	0.08	100
Philippines	5,632	-	16	10	5,658	99.54	-	0.28	0.18	100
Singapore	5,859	-	-	-	5,859	100	-	-	-	100
Thailand	9,211	-	-	-	9,211	100	-	-	-	100
ASEAN-6	44,361	218	292	29	44,900	98.80	0.49	0.65	0.06	100
Cambodia	3,115	3,523	134	50	6,822	45.66	51.64	1.96	0.73	100
Lao PDR	2,533	856	74	88	3,551	71.33	24.11	2.08	2.48	100
Myanmar	4,182	1,224	48	18	5,472	76.43	22.37	0.88	0.33	100
Viet Nam	6,296	-	139	51	6,486	97.07	-	2.14	0.79	100
CLMV	16,126	5,603	395	207	22,331	72.21	25.09	1.77	0.93	100
Total ASEAN	60,487	5,821	687	236	67,231	89.97	8.66	1.02	0.35	100

Individual Countries Breakdown

Number of Tariff Lines at 0-5% in the Tentative 2003 CEPT Package

Country	Number of Tariff Lines				Percentage			
	0 - 5 %	> 5 %	Other [1]	Total	0 - 5 %	> 5 %	Other	Total
Brunei D.	6,285	28 [2]	24	6,337	99.18	0.44	0.38	100
Indonesia	7,206	-	-	7,206	100	-	-	100
Malaysia	10,041	-	75	10,116	99.26	-	0.74	100
Philippines	5,565	23 [3]	44	5,632	98.81	0.41	0.78	100
Singapore	5,859	-	-	5,859	100	-	-	100
Thailand	9,204	-	7	9,211	99.92	-	0.08	100
ASEAN-6	44,160	51	150	44,361	99.55	0.11	0.34	100
Cambodia	238	2,877	-	3,115	7.64	92.36	-	100
Lao PDR	1,357	1,176	-	2,533	53.57	46.43	-	100
Myanmar	3,262	920	-	4,182	78.00	22.00	-	100
Viet Nam	4,120	1,439	737	6,296	65.44	22.86	11.71	100
CLMV	8,977	6,412	737	16,126	55.67	39.76	4.57	100
Total ASEAN	53,148	6,463	887	60,487	87.85	10.68	1.47	100

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Average CEPT Rates

ASEAN 6		New Members	
1993	12.76%		
2001	3.22%	2001	7.17%
2002	2.93%	2002	6.67%
2003	2.38%	2003	6.08%
		2006	4.08%
		2008	3.31%
		2010	4.62%

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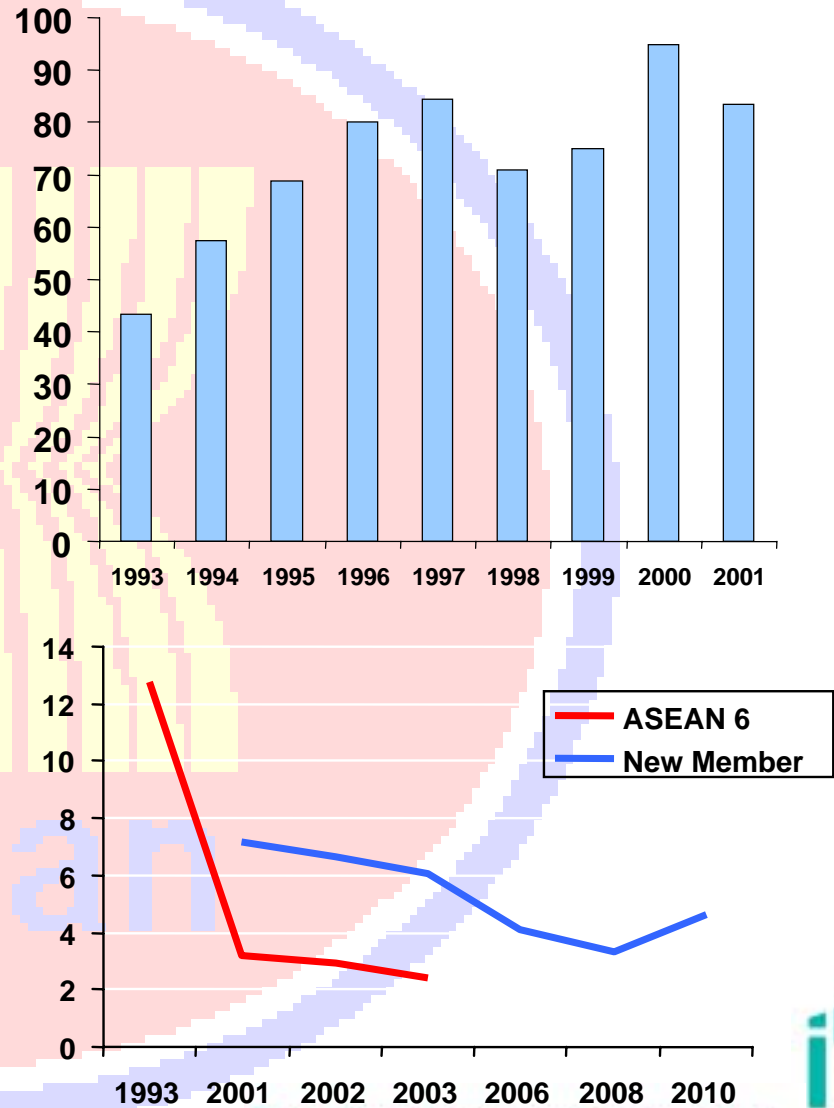
Singapore

Elimination of Tariffs

- **60% of all ASEAN-6 tariff lines at 0% by 2003**
- **Currently, 48.8% (21,626 tariff lines) at 0%**

Number of Tariff Lines at 0% by 2003 for ASEAN-6
(Based on the Tentative 2003 IL)

Country	Number of Tariff Lines			Percentage		
	0%	> 0%	Total	0%	>0%	Total
Brunei D.	5,110	1,233	6,337	80.64	19.46	100
Indonesia	3,938	3,268	7,206	54.65	45.35	100
Malaysia	6,100	4,016	10,116	60.30	39.70	100
Philippines	215	5,417	5,632	3.82	96.18	100
Singapore	5,859	0	5,859	100.00	0.00	100
Thailand	404	8,807	9,211	4.39	95.61	100
Total ASEAN-6	21,626	22,741	44,361	48.75	51.26	100

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Impact of CEPT Scheme

- **Increased intra-ASEAN exports from US$44 bn in 1993 to US$83 bn in 2001**

- **Average trade growth was 8.26% p.a.**

- **Average tariffs tariff rate for ASEAN-6 dropped to 2.38%**

Basic Information

- **Identify the Harmonized System (HS) Code of the product for exports**

- **Determine the country of export interest**

- **Visit ASEAN Secretariat website to check the tariff rates for the product**

- **Compare MFN and CEPT rates**

- **Apply for Registration**

Relevant Websites

ASEAN CEPT Tariff Reduction Schedule available for download:
http://www.aseansec.org//12025.htm
(Consolidated CEPT Package and Legal Enactments)

Application for Factory Registration:
http://www.tradenet.gov.sg/trdnet/index.jsp?catName=9&artName=10&url=/html/3_Certificate_of_Origin_Procedures.html
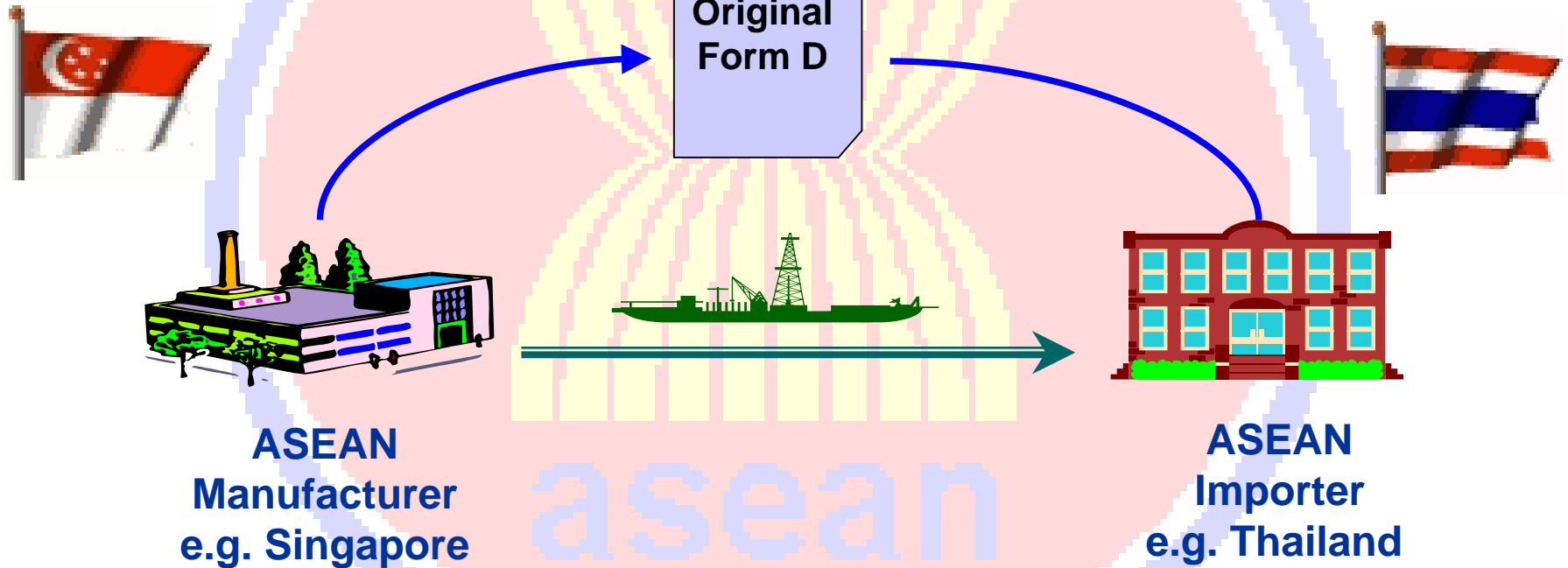
Manufacturing Cost Statement for CEPT:
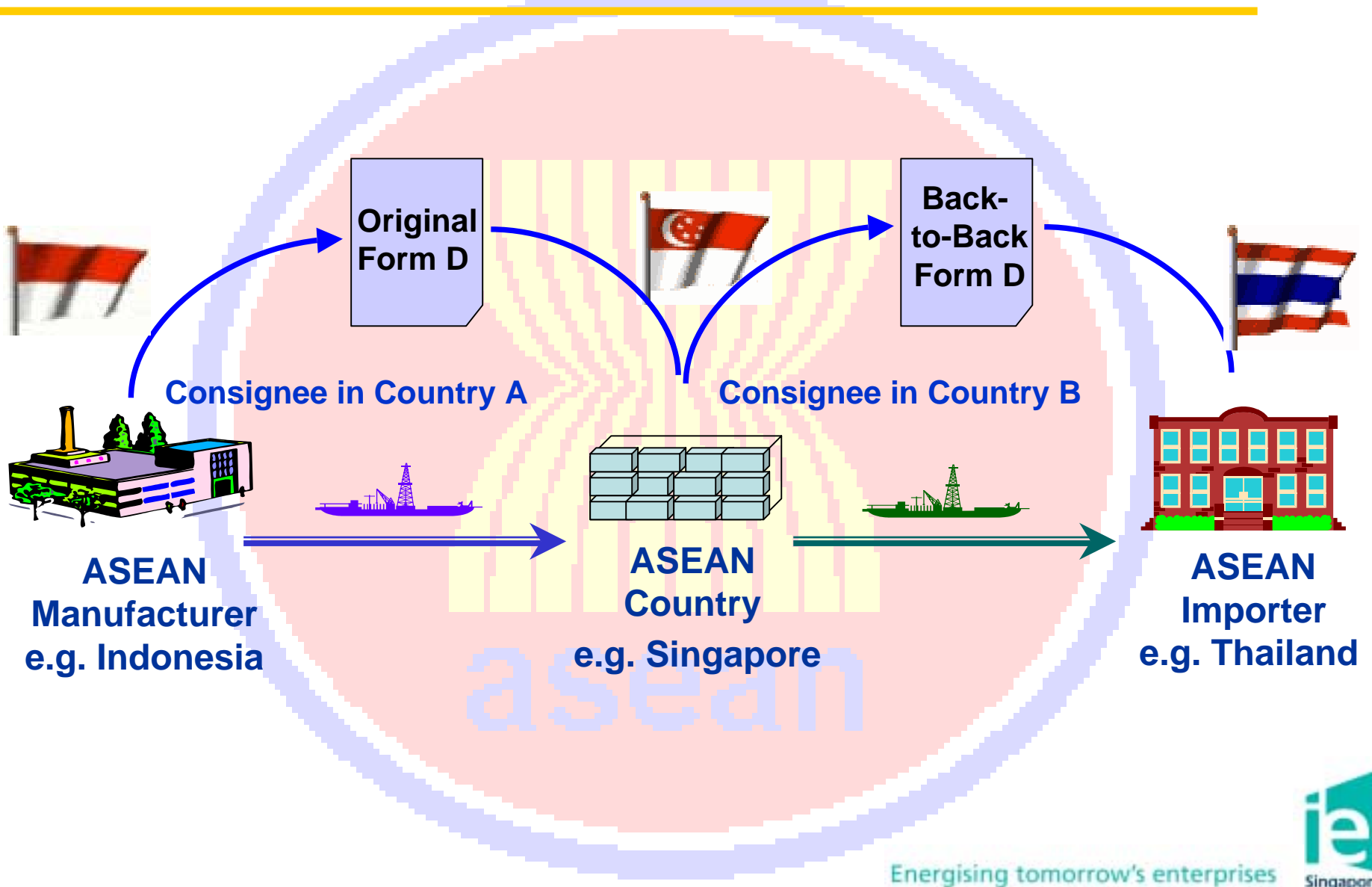http://www.tradenet.gov.sg/trdnet/index.jsp?catName=9&artName=10&url=/html/7_List_of_Annexes.html

Business Models

Normal Form D & Direct Shipment

Original Form D

ASEAN
Manufacturer
e.g. Singapore

ASEAN
Importer
e.g. Thailand

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Back-to-Back Form D

Thank you