

GENERAL AGREEMENT ON TARIFFS AND TRADE

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ASEAN PREFERENTIAL TRADING ARRANGEMENTS

Report Submitted by the Member States of ASEAN

The delegation of Singapore on behalf of the member States of ASEAN has submitted the following report on the operation of the ASEAN Preferential Trading Arrangements.

1. The Governments of the Republic of Indonesia, Malaysia, the Republic of the Philippines, the Republic of Singapore, and the Kingdom of Thailand which together form the member States of the Association of South-East Asian Nations (ASEAN) concluded an Agreement on ASEAN Preferential Trading Arrangements (PTA) on 24 February 1977. The Agreement on ASEAN PTA was concluded with the intention to promote economic development through a continuous process of trade expansion among the member countries of ASEAN.
2. In its decision of 29 January 1979, the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade decided that notwithstanding the provisions of Article I of the General Agreement, the member countries of ASEAN may implement the Agreement on ASEAN PTA.
3. At the thirty-fifth session in November 1979, the CONTRACTING PARTIES adopted the Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries (the Enabling Clause), which inter alia applies to "Regional or global arrangements entered into amongst less-developed Contracting Parties for the mutual reduction or elimination of tariffs and, in accordance with criteria or conditions which may be prescribed by the CONTRACTING PARTIES, for the mutual reduction or elimination of non-tariff measures, on products imported from one another" notwithstanding the provisions of Article I of the General Agreement.
4. As the Committee on Trade and Development has the primary responsibility for the supervision of the implementation of the Enabling Clause, the member States of ASEAN accordingly submit the following report on the operation of the Agreement on ASEAN PTA.
5. The implementation of the PTA is done through the Trade Preferences Negotiating Group (TPNG) of the ASEAN Committee on Trade and Tourism (COTT). This body constitutes the forum where member countries conduct negotiations and exchange preferences on products to be covered by the PTA.
6. The preferentially-traded products include agricultural products such as dairy produce, edible vegetables and fruits, spices, sugar confectionery and fruit juices; mineral products like metallic ores and mineral fuels;

products of the chemical industries including antibiotics, insecticides and organic chemicals; textiles and textile articles; optical and photographic apparatus; and electrical machinery. Some of the major items enjoying preferences under the PTA are paraffin wax, glass ampoules, phosphoric acids, twine cordage, ropes/cables of manila, gas compressors, cocoa powder (unsweetened), rice vermicelli, leather purses/handbags, garments and sugar confectionery. The trade preferences granted on these products are mainly in the form of preferential rates of customs duties with the quantum of the margin of preference on existing rates ranging from 10 per cent to 33 1/3 per cent. The value of trade generated under the PTA was US\$63 million and US\$117 million in 1978 and 1979, respectively.

7. Since the coming into force of the Agreement on ASEAN PTA, the number of preferences exchanged has totalled 8,563 items. ASEAN's total global imports increased from US\$36 billion in 1978 to US\$64.8 billion in 1980. Since the Agreement on PTA was signed, the number of items exchanged per country has been progressively raised from 50, 100, 150 and to 400.

8. ASEAN considers that the Agreement is of importance as it has provided a possible basis for expansion of intra-ASEAN trade. It is the intention of ASEAN to further improve and expand the tariff preferences provided for under the Agreement and to expand the number of preferences exchanged.

9. The PTA also serves as an aid towards the acceleration of industrial development in the region. Products of approved ASEAN industrial projects such as the ASEAN Urea Project (Indonesia), ASEAN Urea Project (Malaysia), ASEAN Rock Soda-Ash Project (Thailand) and ASEAN Copper Fabrication Project (Philippines) as well as products identified and allocated to ASEAN member countries under the ASEAN Industrial Complementation Scheme (AIC) qualify for tariff preferences under the PTA. For example, an initial across-the-board tariff cut of 50 per cent has been given to products in an AIC package. Additional tariff cuts to this initial cut is to be negotiated in the COTT. Non-tariff preferences are also extended to these products subject to negotiations between member countries on a bilateral basis.

10. In a move to accelerate intra-ASEAN, an across-the-board cut of 20-25 per cent on all items already under the PTA was implemented on 1 February 1982.

11. An additional batch of about 4,500 items whose import trade values in 1978 were equal to or less than US\$50,000 was also automatically accorded a 20 per cent tariff cut under the PTA. This new approach would substantially increase the number of commodities for which the member countries extended tariff preferences to each other and further accelerate the intra-ASEAN trade. On 1 July 1982, the ceiling was raised to US\$1 million.

12. Copies of the existing list of concession exchanges have been submitted to the GATT for reference by interested contracting parties.

13. The growth of intra-ASEAN imports under the PTA is shown in Table I.

TABLE I

INTRA-ASEAN IMPORTS UNDER
THE PREFERENTIAL TRADING ARRANGEMENTS

(Value in US\$'000)

Country	Import Value of Intra-ASEAN Trade under PTA	
	1978	1979
Indonesia	NA	NA
Malaysia	419	108
Philippines	13,151	13,780
Singapore	49,208	100,937
Thailand	245	2,242
ASEAN TOTAL	63,023	117,067
% Increase/Decrease	--	85.8 %

At the same time, ASEAN has also increased its imports from the outside world. Please see Table II.

TABLE II

ASEAN IMPORTS FROM THE WORLD, 1977-1979

(Value in US\$ million)

Country	ASEAN Global Import Value		
	1977	1978	1979
Indonesia	6,229.0	6,690.0	7,226.0
Malaysia	4,547.0	5,928.0	7,562.0
Philippines	3,914.8	4,732.2	6,141.7
Singapore	10,471.0	13,061.0	17,886.0
Thailand	4,615.1	5,358.7	7,211.0
ASEAN TOTAL	29,776.9	35,769.0	46,026.7
% Increase/Decrease	--	20.1 %	28.7 %