

## Box 1: ASEAN's Existing Initiatives for Economic Integration

- *ASEAN Free Trade Area (AFTA)*. Launched in January 1992, AFTA was to be established within 15 years. The Common Effective Preferential Tariff (CEPT) Scheme was introduced as the main mechanism for lowering intra-ASEAN tariffs to the 0%–5% range.\* Despite the slow pace of trade liberalization, the first six signatories—Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand—complied with the CEPT scheme in 2003. Viet Nam achieved its tariff elimination target in 2006, Lao PDR and Myanmar are expected to do so in 2008, and Cambodia in 2010. The six original signatories are expected to eliminate tariffs altogether by 2010 and Cambodia, Lao PDR, Myanmar, and Viet Nam (CLMV) by 2015. By then ASEAN as a whole will become a tariff-free FTA.
- *ASEAN Framework Agreement on Services (AFAS)*. Signed in December 1995, the AFAS aims to substantially eliminate intra-ASEAN restrictions to trade in services and facilitate free flow of services by 2015—by progressively improving market access and ensuring equal national treatment—and improve the efficiency and competitiveness of ASEAN services suppliers. The “ASEAN minus x” formula has been applied since September 2003 to allow member countries ready for liberalizing a certain service sector to proceed to do so without having to extend the concessions to non-participating members that may join at a later stage.
- *ASEAN Investment Area (AIA)*. Adopted in October 1998, the AIA aims to make ASEAN a competitive, conducive, and freer investment area through liberalizing investment rules and policies in protected sectors and promote greater flows of capital, skilled labor, professional expertise, and technology within the region. The AIA agreement has expanded to cover manufacturing, agriculture, mining, forestry, and fishery sectors, and services incidental to these sectors. Member countries will have to reduce or eliminate investment barriers and grant national treatment to ASEAN investors by 2010 and to all investors by 2020.

\* For products not covered by CEPT, the ASEAN Preferential Trading Arrangement (PTA) could be used.