

BASIC AGREEMENT ON ASEAN INDUSTRIAL COMPLEMENTATION

THE THIRTEENTH MEETING OF THE COMMITTEE ON INDUSTRY, MINERALS  
AND ENERGY (COIME) HELD IN KUALA LUMPUR ON 15-17 JANUARY 1981  
AGREED TO RECOMMEND TO THE ASEAN ECONOMIC MINISTERS THAT THIS  
AGREEMENT BE APPROVED AND INITIALLED AT THE ELEVENTH MEETING  
OF AEM IN INDONESIA FOR SUBSEQUENT SIGNING BY THE ASEAN FOREIGN  
MINISTERS IN MANILA ON JUNE 1981

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THE GOVERNMENTS OF THE REPUBLIC OF INDONESIA, MALAYSIA, THE REPUBLIC OF THE PHILIPPINES, THE REPUBLIC OF SINGAPORE AND THE KINGDOM OF THAILAND:

MINDFUL of the Declaration of ASEAN Concord signed in Bali, Indonesia on 24 February 1976, which provides that Member States shall take cooperative action in their national and regional development programmes, utilizing as far as possible the resources available in the ASEAN region to broaden the complementarity of their respective economies;

REAFFIRMING their desire to collaborate for the acceleration of economic growth in the region, to promote the greater utilization of their agriculture and industries, the expansion of their trade and improvement of their economic infrastructure for the mutual benefit of their peoples;

CONVINCED that pursuing industrial complementation can greatly contribute to strengthening and broadening the base of the industrial sectors of their respective economies, promoting the greater utilization of their industries and expansion of their trade;

NOTING the suggestions on industrial complementation which have been advanced by the ASEAN-Chambers of Commerce and Industry (ASEAN-CCI), and the confidence demonstrated by the ASEAN-CCI in the viability of ASEAN industrial complementation;

AFFIRMING that in the economies of the ASEAN countries, the private sector shall continue to be encouraged to play the major role in most of the economic activities, including industry and trade;

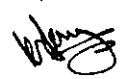
DESIRING to provide the guidelines and institutional framework within which the ASEAN Governmental machinery and the private sector through the ASEAN-CCI may collaborate to identify opportunities, formulate programmes, design projects and agree on measures, for pursuing industrial complementation on the basis of mutual and equitable benefits for the member countries, and increased industrial production for the region as a whole;

DO HEREBY AGREE to pursue the ASEAN Industrial Complementation (AIC) as stipulated by the following provisions:

ARTICLE I  
GENERAL PROVISIONS

1. ASEAN Industrial Complementation (AIC) packages shall consist of organized complementary trade exchanges of specified processed or manufactured products as agreed among the ASEAN member countries, guided by the principle of cooperation for mutual and equitable benefits.
2. An ASEAN Industrial Complementation (AIC) product shall be an industrial product manufactured or to be manufactured in an ASEAN member country and allocated to that particular country as its participation in the AIC package. The product thus produced shall be entitled to enjoy the privileges herein provided for products in an AIC package.

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3. A participating country in an AIC package is an ASEAN country allocated a specific product or products in such an AIC package. There should be at least four participating ASEAN countries in an AIC package, unless otherwise recommended by COIME and approved by the AEM.

ARTICLE II  
IDENTIFICATION OF PRODUCTS IN AN  
ASEAN INDUSTRIAL COMPLEMENTATION PACKAGE

Without prejudice to the right of identification by ASEAN Governments, the ASEAN-CCI shall identify products for inclusion in any AIC package.

ARTICLE III  
QUALIFICATION FOR ACCREDITATION OF ASEAN  
INDUSTRIAL COMPLEMENTATION PRODUCT

1. An AIC product should be of internationally accepted quality, the price should be relatively competitive and there should be an assurance of continuity of supply.
2. Whenever feasible, the AIC products in a package must be equitably allocated to the participating countries.

ARTICLE IV  
PRIVILEGES AND OBLIGATIONS UNDER THE ASEAN  
INDUSTRIAL COMPLEMENTATION PROGRAMME

1. An existing product in an AIC package shall, from the date of AEM final approval of such AIC package, enjoy exclusivity privileges for a period of two (2) years.
2. A product is deemed to be an Existing product in an AIC package if it is already being manufactured in ASEAN at the time COIME considers that product for possible allocation. Any product not covered by the above mentioned definition of Existing product shall be deemed New.
3. A New AIC product in an AIC Package shall enjoy exclusivity privileges for a period of 3 years from the actual date of start-up or from the target date of start-up agreed at the time of AEM approval of such AIC package, whichever date comes first. In exceptional cases where a New AIC product in an AIC package requires a longer period of exclusivity, the AEM may consider extending the period of exclusivity by another year.
4. Exclusivity shall mean:
  - i. For the country allocated a particular product, it would be entirely at its discretion as to how it would organize its production facilities to meet the ASEAN requirements for that product.
  - ii. For the other participating countries, such countries cannot set-up new production facilities or expand existing ones to make the same product as that of the country for which such product was allocated unless 75% of its production is for export outside the ASEAN region.
  - iii. Notwithstanding paragraph 4 (ii) above, the other participating countries' firmly planned projects to produce Existing products in ASEAN and which products have been allocated to another

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country as part of the AIC package, shall be allowed to proceed. For this purpose a firmly planned project refers to that which has already obtained written government approval or has already opened letters of credit for the importation of machinery and equipment or has already commissioned the fabrication of such machinery and equipment.

iv. For purposes of paragraph 4 (ii), a production facility is deemed to have been set up when it is in commercial operation.

5. The products in an AIC package shall qualify for preferences, in accordance with the Agreement on ASEAN PTA.

6. During the period of exclusivity, special preferences outside the Agreement on ASEAN Preferential Trading Arrangements (PTA) can be granted such as mandatory sourcing and recognition of local content, applicable only to specific countries.

7. Privileges and obligations shall only apply to participating countries.

ARTICLE V  
INSTITUTIONAL ARRANGEMENTS

1. COIME shall evaluate the proposals for AIC packages received from the ASEAN-CCI and from the Government of any member country in accordance with the provisions, objectives and spirit of this Agreement.

2. COIME shall recommend for the consideration of the AEM the allocation of products in the AIC package to participating countries.

3. After the AEM approval of the allocation of AIC products, the participating countries shall be given a maximum period of six (6) months in the case of Existing products or one (1) year in the case of New products, to negotiate preferences with the PTA scheme and for other special preferences.

4. During the stipulated negotiating period, the obligations under Article IV, paragraph 4 (ii) and (iii) shall apply to those participating countries with product allocation.

5. Upon successful completion of the negotiations mentioned in paragraph 3, COIME shall, within the stipulated negotiating period, recommend to the AEM final approval of the AIC package with any necessary modification, including arrangements for trade preference.

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*[Handwritten signatures and initials]*

ARTICLE VI  
SUPERVISION AND REVIEW OF ASEAN INDUSTRIAL  
COMPLEMENTATION  
PACKAGE

COIME shall supervise the implementation of this Agreement and shall review the same from time to time. In respect of all matters concerning the implementation of this Agreement, all decisions of COIME shall be taken by consensus.

ARTICLE VII  
MISCELLANEOUS AND FINAL PROVISIONS

1. This Agreement shall enter into force on the thirteenth day after the deposit of the fifth Instrument of Ratification.
2. This Agreement may not be signed with reservation nor shall reservation be admitted at the time of ratification.
3. All articles of this Agreement may be modified through amendments to this Agreement agreed upon by consensus. All amendments shall become effective upon acceptance by all Contracting States.
4. This Agreement shall be deposited with the Secretary-General of the ASEAN Secretariat who shall promptly furnish a certified copy thereof to each Contracting State.
5. Each Contracting State shall deposit its Instrument of Ratification with the Secretary-General of the ASEAN Secretariat who shall promptly inform each Contracting State of such deposit.

IN WITNESS WHEREOF, the undersigned being duly authorized thereto by their respective Governments have signed this Basic Agreement on ASEAN Industrial Complementation.

Done in *Manila* this *18<sup>th</sup>* day of *June 1981*  
in a single copy in the English language.

For the Government of the  
Republic of Indonesia

For the Government of  
Malaysia

For the Government of the  
Republic of the Philippines

For the Government of the  
Republic of Singapore

For the Government of the  
Kingdom of Thailand