

RECOGNISING the catalytic role that regional trade arrangements can contribute towards accelerating regional and global liberalisation and as building blocks in the framework of the multilateral trading system;
HAVE AGREED AS FOLLOWS:

ARTICLE 1 Objectives

The objectives of this Agreement are to:

- (a) strengthen and enhance economic, trade and investment co-operation between the Parties;
- (b) progressively liberalise and promote trade in goods and services as well as create a transparent, liberal and facilitative investment regime;
- (c) explore new areas and develop appropriate measures for closer economic co-operation between the Parties; and
- (d) facilitate the more effective economic integration of the newer ASEAN Member States and bridge the development gap among the Parties.

ARTICLE 2 Measures For Comprehensive Economic Co-operation

The Parties agree to negotiate expeditiously in order to establish an ASEAN-China FTA within 10 years, and to strengthen and enhance economic co-operation through the following:

- (a) progressive elimination of tariffs and non-tariff barriers in substantially all trade in goods;
- (b) progressive liberalisation of trade in services with substantial sectoral coverage;
- (c) establishment of an open and competitive investment regime that facilitates and promotes investment within the ASEAN-China FTA;
- (d) provision of special and differential treatment and flexibility to the newer ASEAN Member States;
- (e) provision of flexibility to the Parties in the ASEAN-China FTA negotiations to address their sensitive areas in the goods, services and investment sectors with such flexibility to be negotiated and mutually agreed based on the principle of reciprocity and mutual benefits;
- (f) establishment of effective trade and investment facilitation measures, including, but not limited to, simplification of customs procedures and development of mutual recognition arrangements;
- (g) expansion of economic co-operation in areas as may be mutually agreed between the Parties that will complement the deepening of trade and investment links between the Parties and formulation of

- action plans and programmes in order to implement the agreed sectors/areas of co-operation; and
- (h) establishment of appropriate mechanisms for the purposes of effective implementation of this Agreement.

PART 1

ARTICLE 3

Trade In Goods

1. In addition to the Early Harvest Programme under Article 6 of this Agreement, and with a view to expediting the expansion of trade in goods, the Parties agree to enter into negotiations in which duties and other restrictive regulations of commerce (except, where necessary, those permitted under Article XXIV (8)(b) of the WTO General Agreement on Tariffs and Trade (GATT)) shall be eliminated on substantially all trade in goods between the Parties.
2. For the purposes of this Article, the following definitions shall apply unless the context otherwise requires:
 - (a) "ASEAN 6" refers to Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand;
 - (b) "applied MFN tariff rates" shall include in-quota rates, and shall:
 - (i) in the case of ASEAN Member States (which are WTO members as of 1 July 2003) and China, refer to their respective applied rates as of 1 July 2003; and
 - (ii) in the case of ASEAN Member States (which are non-WTO members as of 1 July 2003), refer to the rates as applied to China as of 1 July 2003
 - (c) "non-tariff measures" shall include non-tariff barriers.
3. The tariff reduction or elimination programme of the Parties shall require tariffs on listed products to be gradually reduced and where applicable, eliminated, in accordance with this Article.
4. The products which are subject to the tariff reduction or elimination programme under this Article shall include all products not covered by the Early Harvest Programme under Article 6 of this Agreement, and such products shall be categorised into 2 Tracks as follows:
 - (a) Normal Track: Products listed in the Normal Track by a Party on its own accord shall:
 - (i) have their respective applied MFN tariff rates gradually reduced or eliminated in accordance with specified schedules and rates (to be mutually agreed by the Parties) over a period from 1 January 2005 to 2010 for ASEAN 6 and China, and in the case of the newer ASEAN Member States, the period shall be from 1 January 2005 to 2015 with higher starting tariff rates and different staging; and
 - (ii) in respect of those tariffs which have been reduced but have not been eliminated under paragraph 4(a)(i) above,