

**CORE ELEMENTS OF THE FRAMEWORK AGREEMENT FOR
ASEAN-KOREA FREE TRADE AREA**

ASEAN and Korea shall develop a Framework Agreement which provides basic rules and principles for future cooperation including negotiations for establishment of an ASEAN-Korea FTA (AKFTA) at an early date. The core elements for the Framework Agreement are as follows:

Coverage:

- (i) Comprehensive liberalisation and facilitation of economic relations between ASEAN and Korea inter alia, trade in goods, trade in services, and investment;
- (ii) Identification and abolition of NTBs, and introduction of disciplines to ensure that the NTMs do not impede trade;
- (iii) Comprehensive range of economic cooperation including, but not limited to: SMEs, customs procedures, tourism, trade and investment promotion, capacity building etc.;
- (iv) Consultation and dispute settlement mechanisms on issues arising from the interpretation and application of the measures for implementing the agreement; and
- (v) Development of infrastructure especially for the CLMV countries.

Level of Liberalisation:

- (i) Substantive liberalisation in all sectors, with the provision of flexibility where appropriate; and
- (ii) Consideration of sensitivities in particular sectors and the different stages of economic development of each participating country.

Negotiation modalities:

- (i) Negotiation between ASEAN and Korea as a whole; taking into account sensitivities in particular sectors and the different stages of economic development of each participating country, in particular, provision of S&D treatment to ASEAN and additional flexibility for the CLMV countries in the implementation of measures in the Framework Agreement; and
- (ii) Negotiation sequencing matters: comprehensive negotiations for all three pillars; trade in goods, services and investment, as well as economic cooperation activities.

Others:

- (i) Conclusion of a Framework Agreement to facilitate negotiations and draw out concrete commitments from 11 participating countries; and
- (ii) Making efforts on the early realisation of a FTA, taking into account, inter alia:
 - (a) The accordence of MFN treatment, consistent with WTO rules and principles, for ASEAN countries who are non-WTO members;
 - (b) The importance of economic cooperation; and
 - (c) The possibility of achieving Early Results prior to the establishment of a free trade area, through the immediate implementation of measures mutually agreed upon in the Framework Agreement, by commencing such tariff elimination for products which are not sensitive to either side, and economic cooperation projects yielding mutual benefits.

The negotiations on the AKFTA shall commence in early 2005 and be completed within two years. The AKFTA will be realised at an earlier date, with a goal of achieving as high a level of liberalisation as possible, whereby at least 80% of products will have zero tariffs in 2009, and with consideration for special and differential treatment and additional flexibility for new ASEAN Member Countries. The AKFTA will have differentiated timelines for the ROK and ASEAN-6 on the one hand, and the Cambodia, Laos, Myanmar and Viet Nam (CLMV Countries) on the other.
