



## MEMORANDUM

**FOR :** **The Directors**  
Biodiversity Management Bureau  
Forest Management Bureau  
Ecosystems Research and Development Bureau  
Environmental Management Bureau  
Mines and Geosciences Bureau  
Climate Change Service  
Legal Affairs Service

**FROM :** **The OIC Director**  
Policy and Planning Service

**SUBJECT :** **REQUEST FOR COMMENTS ON THE LATEST DRAFT  
TEXT OF SUPPLY CHAIN CONNECTIVITY CHAPTER  
UNDER ASEAN-CHINA FREE TRADE AGREEMENT  
(ACFTA)**

**DATE :** **07 MAY 2024**

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This refers to the electronic mail dated 29 April 2024 from the Department of Trade and Industry- Board of Investments (DTI-BOI), requesting comments on the latest draft text of the Supply Chain Connectivity under the ASEAN-China Free Trade Agreement (ACFTA), following the outcomes of the 1<sup>st</sup> Working Group on Supply Chain Connectivity held on 22-23 April 2024 in Jakarta, Indonesia.

In preparation for the Philippine position on the follow-up actions from the Working Group meeting, please be informed that the DTI-BOI convened the 2<sup>nd</sup> Inter-Agency meeting for the Supply Chain Connectivity under the ACFTA held on 02 May 2024 to discuss the updates on the draft text and seek further comments from the agencies. The said meeting was chaired by DTI-BOI and attended by representatives from DTI (BPS, BOI, EMB, RGMS), DFA, DOTr, DOE (EPPB), and DENR PPS-Policy Studies Division. Below are the key takeaways from the meeting:

1. Following PH's confirmation that it can accept in principle to have a separate Chapter on Supply Chain Connectivity subject to the final scope of the text, the ASEAN Secretariat requested the Special Joint Committee to:
  - Change the Expert Group name to the Working Group, the new name will be the Working Group on Supply Chain Connectivity (WG-SCC); and
  - Task the Working Group to continue the discussions on the draft text with the aim of a substantial conclusion in June 2024.
2. The DTI-BOI requested agencies to provide comments/inputs on the following:
  - New paragraph 1 on Article on Objectives to reflect the language of the Joint Feasibility Study;



- BOI's proposed additional objective related to investments (highlighted in green);
- Possible definition of essential services;
- Provide inputs on the definition of humanitarian crisis;
- Language to incorporate non-trade in Goods elements such as services and investment;
- Revised text on Article 3 (Strengthen Infrastructure Connectivity); and
- List of cooperation activities (or the former major responsibilities of the Supply Chain Committee) in paragraph 2 of Article 4 (Strengthening Mechanism Construction)

In this regard, may we request your Office to provide further comments/inputs on the attached latest draft text on Supply Chain Connectivity under ACFTA. We would appreciate receiving your responses **on or before 08 May 2024** through these email addresses: [psddivision@gmail.com](mailto:psddivision@gmail.com) and [policy@denr.gov.ph](mailto:policy@denr.gov.ph).

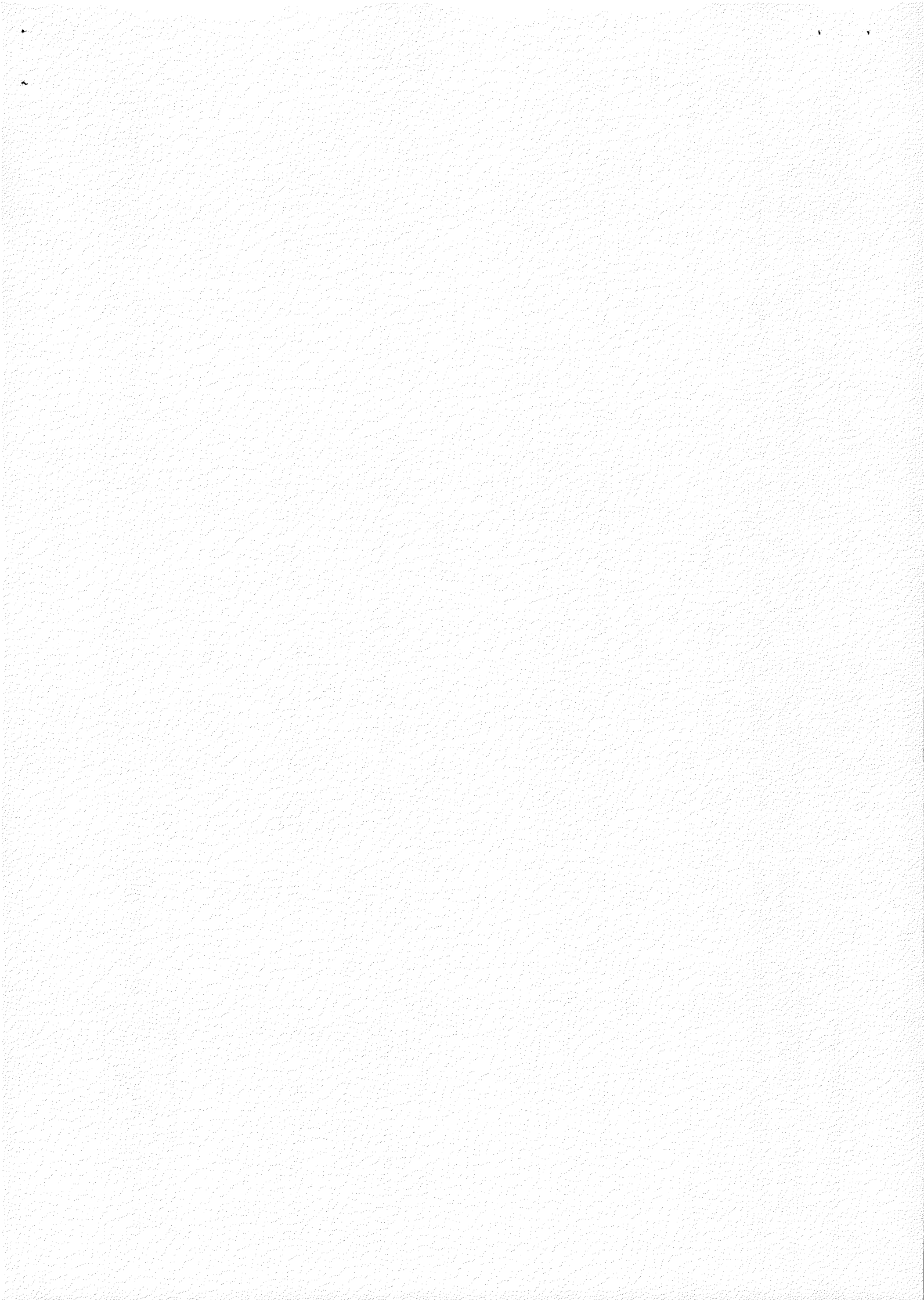
For your information and consideration, please.

  
CHERYL LOISE T. LEAL



DRAFT TEXT OF THE CHAPTER ON SUPPLY CHAIN CONNECTIVITY

DRAFT TEXT	China and AMS Comments	IA Comments
<p><b>Chapter ** Supply Chain Connectivity</b></p>	<p><b>ID:</b></p> <ol style="list-style-type: none"> <li>1. Seeks clarification on the definition and scope of "Supply Chain and Connectivity"</li> <li>2. Proposes to modify the title, from "Chapter Supply Chain Connectivity" into "Supply Chain and Connectivity"</li> </ol> <p><b>ID (as relayed during the 1<sup>st</sup> Plenary):</b> title should be 2 different things – supply chain and connectivity should not be combined in 1. Supply Chain focuses on raw material while connectivity focused on digital technology.</p> <p><b>CN (as relayed during the 1<sup>st</sup> Plenary):</b> the proposed title is from the JFS. Flexible.</p> <p><b>1<sup>st</sup> WG-SCC Caucus Meeting (22.04.2024):</b> ID suggested to agree on the definition of supply chain, connectivity, and supply chain connectivity first, then to decide on the chapter title later on.</p>	<p><b>DICT:</b> flexible with ID proposed revised title or retain the current title. Support intention of having a separate chapter on SCC. On the technical aspect, DICT to provide written comments.</p> <p><b>BIS (240325):</b> support the idea of having a stand-alone chapter on SCC so as to be more comprehensive emphasizing connections, networking, logistics, interaction across various networks and systems, etc. BIS is also amenable to the proposed clarifications on the remaining texts/definitions in the Chapter.</p> <p><b>BITR (240418):</b> views that the placement of the Chapter on SCC will depend on the obligations to be agreed upon. A robust text would be best contained in a standalone chapter while a text with short/less obligations may not warrant having its own Chapter.</p>
<p><b>Article 1 Definitions</b></p> <p><b>IVN (15.12.2023) : Article 1. Definitions:</b> For the purposes of this Chapter: - supply chain connectivity means ... - essential good means ... ]</p> <p>(note: <i>not limited to only production of goods, but also movement of goods</i>) ID PH: - essential services TH: - essential goods and services</p>	<p><b>VN (15.12.2023):</b> proposes to add an Article on Definitions to provide definitions to new concepts/ elements, if Parties agree to have SCC Chapter, such as essential goods, public goods, supply chain in crisis.</p> <p><b>SG:</b> agree with SG suggestion.</p> <p><b>1<sup>st</sup> WG-SCC Caucus Meeting (22.04.2024):</b> <b>AMS agreed to propose an article on definition. AMS also explored the idea to include a definition for essential services.</b></p>	<p><b>BOI:</b> PH proposes to adopt the definition of essential goods under AANZFTA noting that the draft text by WG-TIG was also generally lifted from the same:</p> <p><i>essential goods means goods considered by a Member State as essential for disaster relief and urgent</i></p>
<p>(a) essential goods means goods that are necessary to sustain or support life, health, critical infrastructure (including public utilities), and other goods that are essential to address the crisis situation. These include, but are not limited to goods considered by a Party as essential for disaster relief and urgent</p>	<p><b>SG:</b> SG has earlier proposed definitions on "essential goods" and "crisis" for the TIG chapter. We suggest that the SCC chapter could include the same definitions proposed.</p> <p><b>1<sup>st</sup> WG-SCC Caucus Meeting (22.04.2024):</b></p>	<p><b>BOI:</b> PH proposes to adopt the definition of essential goods under AANZFTA noting that the draft text by WG-TIG was also generally lifted from the same:</p> <p><i>essential goods means goods considered by a Member State as essential for disaster relief and urgent</i></p>



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<p>medical purposes during a crisis, which could include (but is not limited to) food and medical supplies;</p> <p>A Party may refer to guidelines issued by relevant international organisations, of which all Parties are members, when determining if a good is essential.</p> <p><b>(a) essential goods means goods considered by a Party as essential for disaster relief and urgent medical purposes during a humanitarian crisis, epidemic or pandemic.</b><sup>1</sup></p> <p><b>Footnote:</b> <sup>1</sup> A Party may refer to guidelines issued by relevant international organisations, of which all Member States are members, when determining if a good is essential.</p> <p><b>(b) Crisis</b> means an event or series of events that pose an imminent threat to or affect the health, safety or well-being of a community or a region, and may include, among others, natural or human-induced disasters, epidemics or pandemic situations, provided that:</p> <ol style="list-style-type: none"> <li>i. such a situation has the potential to cause significant disruption to cross-border trade; or</li> </ol>	<p>SG's proposal is from its proposal in the ATIGA Upgrade Negotiation</p> <p>PH proposal is taken from AANZFTA.</p> <p><b>SG:</b> SG has earlier proposed definitions on "essential goods" and "crisis" for the TIG chapter. We suggest that the SCC chapter could include the same definitions proposed.</p> <p><b>PH (as relayed during the 1<sup>st</sup> Plenary):</b> how many Parties should be involved to be considered a crisis?</p>	<p><i>medical purposes during a humanitarian crisis, epidemic or pandemic.</i><sup>1</sup></p> <p><sup>1</sup> A Member State may refer to guidelines issued by relevant international organisations, of which all Member States are members, when determining if a good is essential.</p> <p>IA may recall that SG is the only outlier on this based from the last ATIGA TNC.</p> <p><b>BITR:</b> The definitions are similar to what is being discussed in the ATIGA Upgrade where PH has taken the position of using the AANZFTA definitions. Thus, we support the proposal of BOI. Notwithstanding, should agencies find merit in considering the proposal of SG, BITR poses no objection.</p> <p><b>BITR (240418):</b> In the IPEF Supply Chain Resilience agreement, the term being used is "key goods".</p> <p><i>key goods means raw, in-process, or manufactured materials, articles, or commodities, the absence of which could have a significant effect on a Party's national security, public health and safety, or prevention of significant or widespread economic disruptions, as identified by that Party in accordance with Article 10;</i></p> <p>Likewise, it includes a definition on "related essential services":</p> <p><i>related essential services means services directly related to the production or movement of goods within critical sectors;</i></p> <p><b>BOI:</b> PH proposes to adopt the definition of essential goods under AANZFTA noting that the draft text by WG-TIG was also generally lifted from the same:</p> <p><i>humanitarian crisis means an event that poses, or series of events that pose, an imminent threat to or affect the health, safety or well-being of, a community</i></p>





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<p>ii. measures adopted by a Party in such a situation are likely to have significant adverse impacts on regional supply chains, free flow of essential goods, and food security, among others.]</p> <p><b>humanitarian crisis</b> means an event that poses, or series of events that pose, an imminent threat to or affect the health, safety or well-being of, a community or a region, and may include natural or human-induced disasters and may occur throughout a large land area.}]</p>	<p><b>CN (as relayed during the 1<sup>st</sup> Plenary):</b> if the emergency only occurs in one country, it may not be defined as an international cooperation. In this context, the crisis should occur in at least 2 countries otherwise it may not involve cross-border trade flow. This can still be subject to further discussion in the scope when we agree to have a stand-alone chapter on SCC.</p> <p><b>1<sup>st</sup> WG-SCC Caucus Meeting (22.04.2024):</b></p> <p>Taken from UN Model Chapter on Trade in Crisis, and from ASEC's proposal under ACFTA upgrade negotiation SG proposed to use broader term than 'humanitarian crisis'.</p>	<p>or a region, and may include natural or human-induced disasters and may occur throughout a large land area.}]</p> <p>IA may recall that SG is the only outlier on this based from the last ATIGA TNC.</p> <p><b>02-2024:</b> RGMS to provide comments on the definition of "humanitarian crisis. RGMS shared that based on recent studies, all disasters are human-induced – "natural or human-induced disasters or hazards".</p> <p>RGMS to provide written comments.</p>
<p><b>Article 1 Objectives</b></p> <p>1. <del>VN: The Parties are committed to [ID: advance cooperation on] implementing Consistent with [ASEAN: to delete: the 2019 ASEAN-China Joint Statement on Synergising the Master Plan on ASEAN Connectivity 2025 and the Belt and Road Initiative, the 2021 Joint Statement of the ASEAN-China Special Summit to Commemorate the 30th Anniversary of ASEAN-China Dialogue Relations and the 2022 ASEAN-China Joint Statement on Strengthening Common and Sustainable Development;]</del> <b>VN: the Parties shall cooperate to</b> continuously broadening and deepening mutually beneficial cooperation to further strengthen the ASEAN-China Comprehensive Strategic Partnership and promote supply chain connectivity.</p>	<p><b>VN (15.12.2023):</b></p> <p>1. Proposes not to have this article or move this language to the preamble of the Agreement. If CN insists of having those references in this Chapter, VN suggests to edit.</p> <p><b>1<sup>st</sup> WG-SCC Caucus Meeting (22.04.2024):</b></p> <p>SG is of the view that it is not common to refer non-legally binding documents in the legally binding agreement. Seeks clarification why China put it in the text. ID is of the view that the practice in referencing other document is practical during the pandemic situation only.</p> <p>PH to propose additional text to cover other objectives, such as: cooperation in investment and infrastructure to enhance supply chain connectivity, etc.</p> <p>ID seek clarification on the use of the term of 'keep market open'. ASEC briefed that the term is utilised in the context of learning from the pandemic situation, during which many countries implemented various regulatory measures. In this</p>	<p><b>BOI:</b> PH can support VN.</p>
<p>[PH KH: Drawing from the lessons learnt from the COVID-19 pandemic, the Parties shall [KH VN: cooperate to strengthen the resilience and sustainability of regional supply chains [VN MY: to the extent practicable];</p> <p>a) [KH VN to delete: cooperate to strengthen the resilience and sustainability of regional supply chains, giving] [KH: give] priority to the</p>		



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<p>continued and smooth cross-border flow of essential goods and services; and</p> <p>b) <del>[KH VN to delete: endeavour to]</del> keep markets open and facilitate trade in the region, <del>[SS: as well as]</del> continuously broadening and deepening mutually beneficial cooperation to further strengthen the ASEAN-China Comprehensive Strategic Partnership and promote supply chain connectivity.</p> <p>c) <del>[BOI: promote and facilitate investments to diversify supply chain and strengthen connectivity]</del></p> <p>d) <del>cooperate to identify and address potential supply shortages, supply chain bottlenecks and other similar risks and vulnerabilities in the supply chains</del></p> <p><b>Footnote 1:</b> Connectivity covers both physical infrastructure such as but not limited to ports, warehouses, and telecommunication, and services such as logistics and digital connectivity.</p> <p><del>2. The Parties [ID: should unwaveringly maintain are considered view the importance of] that [ID: the] industrial and supply chains are public goods in nature, [ID: safeguard on safeguarding] the resilience and stability of regional industrial and supply chains, [ID: reduce reducing] the impact of [ID: the] global economic recession and supply chain disruption, [ID: actively grasp promoting] the new opportunities brought by the new round of scientific and technological revolution and industrial transformation, and jointly [ID: build building] a safe, stable, smooth, efficient, open, inclusive [ID: facilitative] and mutually beneficial regional industrial chain and supply chain system, [VN: so that [ID: the] people of the Parties could share the development outcomes.]</del></p>	<p>context, 'keep market open' means refraining from adopting such restrictive measures.</p> <p><b>VN (15.12.2023):</b></p> <ol style="list-style-type: none"> <li>Proposes that Parties provide definition and scope for "public goods".</li> </ol> <p><b>SG (11.01.2024):</b> Suggests to seek China's clarification on its thinking behind the term "public goods"</p> <p><b>ID (25.01.2024):</b> Seeks clarification on "industrial and supply chains are public goods in nature"</p> <p><b>1<sup>st</sup> WG-SCC Caucus Meeting (22.04.2024):</b></p> <p>KH suggested to be consistent on the use of term, whether 'supply chains' or 'industrial and supply chains'. SG suggested to use 'supply chains'. ID suggested to get clarification from China on the definition of 'industrial supply chains' first then decide on the term later on.</p>	<p>BOI: implementation of this objective is through SG's proposal under Article 4 paragraph 2 (e) or possible development of early warning system.</p> <p><b>02-2024:</b> IA do not have further comments on BOI's proposed language.</p> <p>BOI proposal to include investments</p> <p>BOI: PH would like to clarify "safeguard the resilience". We would like to replace "safeguard" with "strengthen" to avoid misunderstanding.</p> <p><b>BOI:</b> Further, PH would also like to clarify how China views that industrial and supply chains are public goods in nature.</p> <p><b>BOI:</b> PH would like to clarify "safeguard the resilience". We would like to replace "safeguard" with "strengthen" to avoid misunderstanding.</p> <p><b>NEDA:</b> In view of the foregoing, PH proposes to revise as follows:</p> <p><i>"...maintain that supply chains encompassing the various stages of production remain resilient to strengthen domestic and regional economic stability, reduce the impact of global economic recession and supply chain disruption,..."</i></p>



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<p><b>Article 2: Strengthening Supply Chains Connectivity</b></p> <p><b>1. Keep the Market Open</b></p> <p>a) The Parties reaffirm their commitment to market access in trade in goods under the ASEAN-China Free Trade Agreement (ACFTA).</p> <p>b) The Parties should uphold the rules-based multilateral trading system and foster a free, fair, open, inclusive, equitable, sustainable, transparent, non-discriminatory and predictable market environment.</p> <p>c) The Parties should endeavour to refrain from taking unnecessary barriers to trade in essential goods, and strengthen collaboration to support the smooth supply chain of essential goods.</p>	<p>AMS sought clarification on several terms used in CN's text.</p> <p>Agreed by WG-TIG.</p> <p><b>1<sup>st</sup> WGSCC Plenary</b></p> <p>AMS to consult internally on whether SCC will incorporate non-good elements, such as essential services and investment, and revert by 10 May 2024</p> <p>If AMS have inputs to the agreed goods related element articles, AMS to provide the inputs by 10 May 2024</p>	<p><b>BITR:</b> similar to the views of BOI and NEDA, clarify "industrial and supply chains" are public goods in nature. Inquire if "new round scientific and technological revolution and industrial transformation" pertains to digital transformation, if so, it may be best to highlight that instead.</p> <p><b>BPS:</b> support other AMS to seek clarification from CN on identification of "industrial and supply chain" as public goods.</p> <p><b>NOTE:</b> title may have to be changed depending on the final title of the Chapter.</p> <p><b>BITR (240418):</b> can accept. We note this has also been accepted by the WG-TIG.</p>
<p><b>2. Improve the Facilitation Level of Trade in Goods</b></p> <p>a) With an aim to improve the level of trade facilitation in the region, the Parties should implement the commitments on customs procedures and trade facilitation, sanitary and phytosanitary measures, standards, technical regulations and conformity assessment procedures under ASEAN-China Free Trade Agreement.</p>	<p>Agreed by WG-TIG.</p>	<p><b>BITR (240418):</b> suggests using another verb instead of "taking". Consider revising to: "creating". However, we do note that the text has already been agreed by the WG-TIG.</p>



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<p>b) The Parties may further explore relevant measures to further improve the level of trade facilitation in this region on a voluntary basis.</p> <p><b>3. Strengthen Infrastructure Connectivity</b></p> <p>In order to ensure the smooth <del>movement</del> <b>ID: transportation</b> of logistics supply chain for trade in goods, the Parties <del>[MY CN: should endeavour are encouraged]</del> to advance cooperation in infrastructure connectivity, <del>[TH: enhance transparency]</del> <b>ID PH: to remove SG proposal</b> <del>[SG: increase PH CN: to delete: energy efficiency of ports in the region including looking into the possibility of pursuing further liberalizing of the air services regime]</del> <del>[MY to delete SG proposal:]</del> between and beyond <del>ASEAN and China, promote sustainable port development],</del> enhance cross-border rail connectivity, improve international air freight and delivery logistics, <del>[SG: promote capacity expansion and upgrading at ports of entry enhance port productivity and efficiency],</del> strive to address the choke points in current logistics and transportation <b>ID: there will be a mutual valued distribution in every single activities as subsequent.</b> <b>CN to delete:</b> The Parties should endeavour to improve <b>ID: the</b> mutual recognition of international standards and rules for logistics supply chains, and the cross-border mutual recognition of electronic signature certificates, <b>ID: [MY to delete: which guaranteed] by the government of each party]</b> to ensure the efficiency of supply chains.]</p>	<p><b>SG:</b> Proposes edits to the para to capture the broader trend of improving sustainability of ports, beyond just increasing energy efficiency, in line with language in paragraph 4 of the China-ASEAN Joint Statement on Mutually Beneficial Cooperation on the ASEAN Outlook on the Indo-Pacific.</p> <p><b>SG:</b> Proposes edits to "enhance port productivity and efficiency". Promoting expansion of port capacity is a one-size fits all approach that may not be suitable for all States to adopt. Enhancing productivity and efficiency will be a more sustainable and efficient way of increasing port capacity.</p> <p><b>ID (25.01.2024):</b></p> <ol style="list-style-type: none"> <li>1. Seeks clarification on: "and the cross-border mutual recognition of electronic signature certificates". It may overlap with Article Paperless Trading in ACFTA Working Group Digital Economy (WGDE).</li> <li>2. Seeks clarification on the definition and scope of "rules for logistics supply chains", "mutual recognition of international standards", and "and the cross-border mutual recognition of electronic signature certificates".</li> </ol> <p><b>1<sup>st</sup> WG-SCC Plenary Meeting (23.04.2024)</b></p> <p><del>[CN to delete: ]</del> The Parties should endeavour to improve the mutual recognition of international standards and rules for logistics supply chains, and the cross-border mutual recognition of</p>	<p><b>DOE:</b> PH would like to clarify the expectation on the cooperation to "increase energy efficiency of ports in the region".</p> <p><b>DOE (240321):</b> DOE is amenable to SG's proposed deletion of "increase energy efficiency of ports in the region".</p> <p><b>BOI:</b> PH also supports VN to inquire from China and other AMS' experience and practices on "mutual recognition of international standards and rules for logistics supply chains and the cross border MR of electronic signature certificates".</p> <p><b>NEDA:</b> propose to place mutual recognition of electronic signature certificates under Trade Facilitation. Note: The text on Trade Facilitation was already agreed by WG-TIG.</p> <p><b>BITR:</b> clarify which are the current chokepoints being referred to in this paragraph. Seek clarification on ID insertion "mutual valued distribution in every single activities as subsequent". Clarify the meaning of electronic signature certificates. This may be refined to paperless trade.</p> <p><b>BOI:</b> seek clarification on ID insertion "which guaranteed by the government of each party". Is this practiced under other FTAs?</p> <p><b>DOTR:</b> submit written comments on the whole text and consult with agencies including Civil Aeronautics Board on SG proposal on liberalizing air services regime.</p> <p><b>BOC:</b> seek clarification on "cross-border mutual recognition of electronic signature certificates"</p> <p><b>BIS (240325):</b> to place the mutual recognition of electronic signature certifications under Trade Facilitation.</p>





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	<p>electronic signature certificates, to ensure the efficiency of supply chains.]</p>	<p><b>BITR (240418):</b> Under Section B, Article 2 Collaborating to Strengthen IPEF Supply Chains (IPEF Text):</p> <p><i>4. The Parties intend to foster improvements in logistics services and logistics infrastructure, as well as in the development of multimodal transport corridors, including by exploring the development, upgrading, or digitalization of ports, logistics hubs, roads, and freight railways.</i></p> <p><i>10. The Parties intend to encourage the development and adoption of digital standards and frameworks that support information technology interoperability and data flows among freight and logistics enterprises to enhance efficiency, transparency, and security.</i></p> <p>SG insertion on further liberalizing air services regime may go beyond the scope of the FTA. Nonetheless, as an endeavor clause, PH may wish to show flexibility.</p> <p>CN proposal on “enhance cross-border rail connectivity” would not be applicable to PH as an archipelagic state with no land borders.</p> <p>BITR also proposes to consult relevant agencies such as DOT/CAAP, MARINA, and PPA on matters under their purview.</p> <p>DOT, shared that During the last meeting on the 14<sup>th</sup> ASEAN-China Working Group Meeting on Regional Air Service Arrangements (14<sup>th</sup> ACWG-RASA) held on 23-24 August 2023 in Shanghai, China, on further liberalization of the air services regime between and beyond ASEAN and China, China noted ASEAN’s proposal to commence negotiations for new protocol which includes the exchange of Fifth Freedom Traffic Rights covering Chinese major hubs such as Beijing, Guangzhou and Shanghai. In response, the Meeting noted that China will conduct domestic consultations</p>



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<p><b>4. Enhance Technology Innovation and Cooperation</b></p> <p>(a) The Parties should <del>VN: to the extent possible,</del> explore the opportunities brought by the digital economy and technologies; <del>VN ID: give full play to</del> <del>VN: recognize</del> <del>ID: take advantage of</del> the important role of the new generation of information technology in promoting industrial upgrading and economic recovery; <del>VN: be steadfast</del> <del>cooperate in promoting</del> innovation and <del>ID: the</del> application of new technologies; <del>VN: strengthen</del> <del>cooperation on industrial ecology</del>, strive to accelerate the <del>VN: digitalization-digital transformation</del>; networking and intelligence of industries; <del>VN: and promote the</del> <del>transformation of the mode of production.</del></p>	<p><b>VN:</b> Proposes this addition to soften the language in this article to take into consideration the different level of development between CN and AMS</p> <p><b>SG:</b> SG can go along with VN's suggestion</p> <p><b>VN (15.12.2023):</b> Seeks clarification from CN about the need these elements, especially "intelligence of industries"?</p> <p><b>TH (19.12.2023):</b> Seeks China's clarification on this sentence, "give full play to the important role of the new generation of information technology" and CN's expectations.</p> <p><b>ID (25.01.2024):</b> ID would like to seek clarification on the definition and scope of "networking and intelligence of industries".</p>	<p>with relevant stakeholders and reply to the ASEAN side before the next Meeting<sup>1</sup>.</p> <p><b>IA Comments</b></p> <p>Also, during the last ACWG-RASA, the Philippines expressed its reservations about the inclusion of Manila in the named points for further liberalization after Protocol 3. To date, the Philippines is still undergoing domestic consultations and clearance for the inclusion of Manila, in the expansion of its Fifth Freedom Traffic Rights with China.</p> <p>Particularly, the Meeting noted the updates from the ASEAN Secretariat that only China, Malaysia, Myanmar, and Singapore, have ratified Protocol 3 which entered into force among them, while the remaining ASEAN Member States are at various stages of their respective domestic formalities for ratification.</p> <p>The Philippines has ratified Protocol 3 on 15 February 2024.</p> <p><b>DICT:</b> agree with BOI proposed revision "Enhance Technological Innovation..."</p> <p><b>BOI:</b> clarification on what is meant by "networking and intelligence of industries"</p> <p><b>DICT:</b> will submit written inputs.</p> <p><b>BITR:</b> clarify what is meant by "new generation of information technology"</p> <p><b>BITR (240418):</b> In addition, is "new generation of information technology" possibly also refer to the adoption of more advanced supply chain technologies?</p>

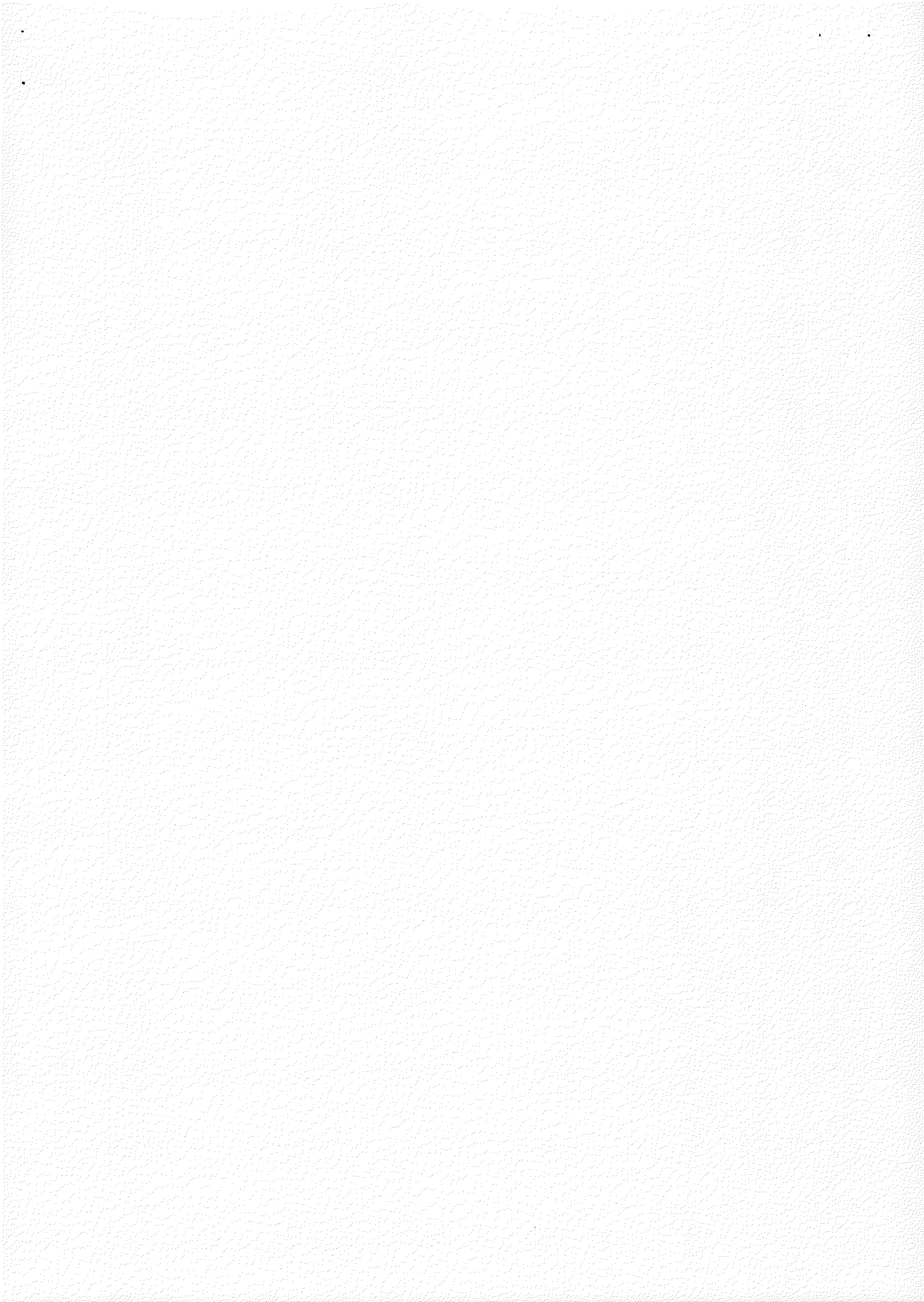
<sup>1</sup> Agenda Item 7: ASEAN-China Air Transport Agreement (AC-ATA), Item 19 of the Summary Record of the Fourteenth ASEAN-China Working Group Meeting on Regional Air Services Arrangements (ACWG-RASA)



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<p>(b) The Parties should, <b>VN: to the extent possible,</b> actively <b>ID: integrate facilitate</b> the <b>ID: integration of</b> modern digital technologies <b>ID: with into</b> the supply chain models to connect all the links of the supply chain, strive <b>ID: to-realize for</b> intelligence management of the supply chain, promote good supply chain intelligence solutions, encourage the construction of digital supply chain platforms with high technical level, strong integration ability and wide industry application, and improve the quality and efficiency of the supply chain in the region.</p>	<p><b>1<sup>st</sup> WG-SCC Caucus Meeting (22.04.2024):</b> TH seeks clarification on whether the objective of this article is to cooperate on technology innovation or R&amp;D to be innovation-led for technology innovation.</p> <p><b>1<sup>st</sup> WG-SCC Plenary Meeting (23.04.2024)</b></p> <p>CN to reformulate the text by 10 May 2024</p> <p><b>TH (19.12.2023):</b> Seek China's clarification on this sentence, "<i>should actively integrate the modern digital technologies with the supply chain models</i>" and CN's expectations</p> <p><b>ID (25.01.2024):</b> ID would like to seek for clarification on the phrase of "intelligence management" and phrase of "encourage the construction of digital supply chain platforms with high technical level".</p> <p><b>1<sup>st</sup> WG-SCC Caucus Meeting (22.04.2024):</b> PH seek example from China on the cooperation in connecting all the link of the supply chain.</p> <p>Agreed by WG-TIG.</p>	<p><b>BOI:</b> PH would like to seek clarification on China's expectation and specific areas of cooperation on subparagraph b.</p> <p>PH would also like to inquire what does China meant with "intelligence management" and "intelligence solutions", how to determine or define "high technical level".</p> <p><b>BITR:</b> examples on how Parties can facilitate "connect all the links of the supply chain", support BOI clarifications; clarify the phrase "high technical level", and "strong integration ability and wide industry application"</p>
<p><b>Article 3 Responding to Supply Chain Emergencies</b></p> <p><b>1. Non-Tariff Measures on Essential Goods during Humanitarian Crises, Epidemics or Pandemics</b></p> <p>a) During a humanitarian crisis, epidemic or pandemic, nothing in this Article shall prevent a Party from exercising its rights or obligations under the WTO Agreement, or any other international agreements to which it is a party.</p> <p>b) During a humanitarian crisis, epidemic or pandemic, which adversely impacts Parties on a substantial scale, each Party shall, to the extent possible:</p>		

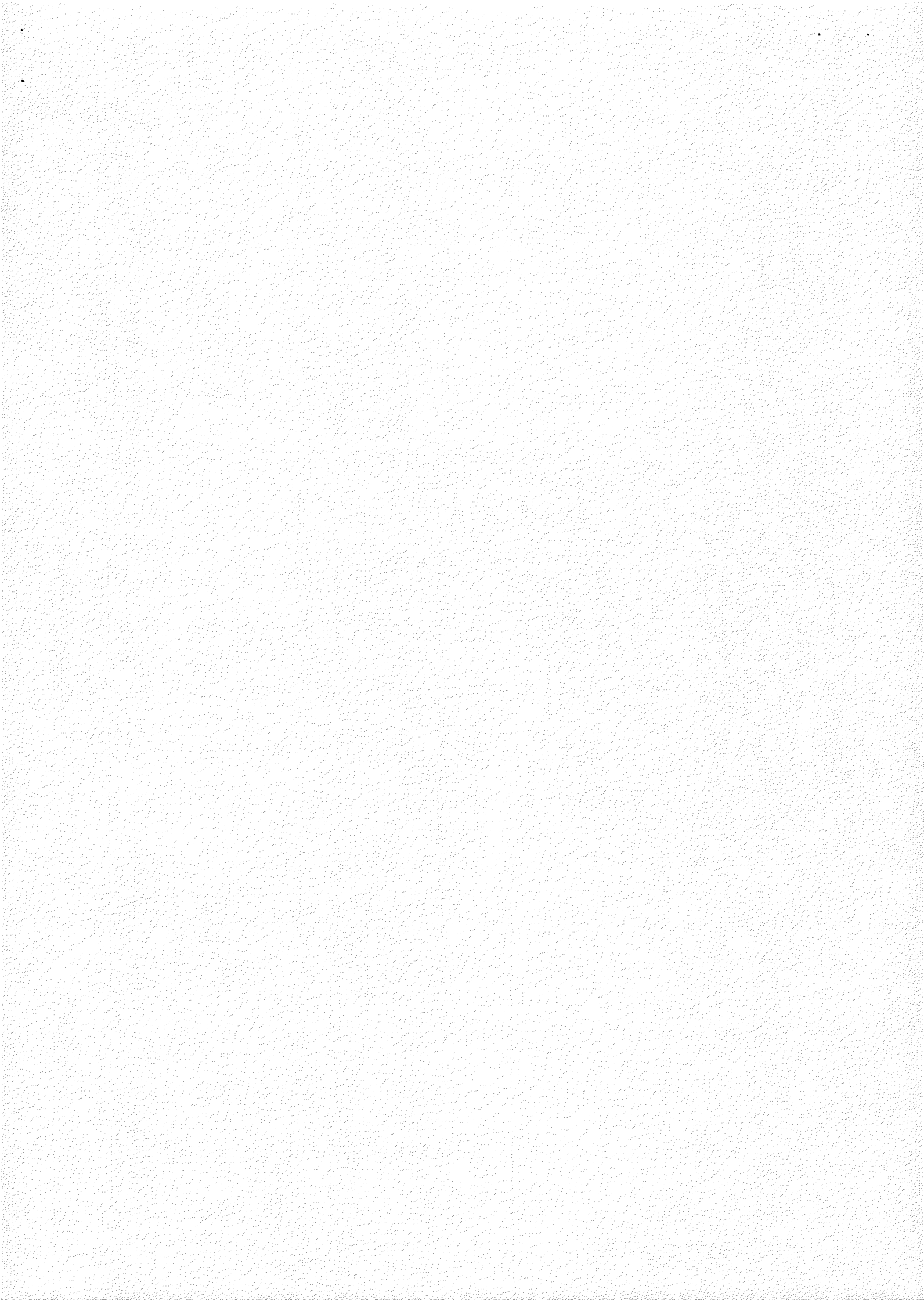


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<p>(i) facilitate timely information-sharing with regard to non-tariff measures on essential goods;</p> <p>(ii) refrain from introducing trade-restricting non-tariff measures on essential goods unless necessary, in which case such non-tariff measures must be targeted, proportionate, transparent, temporary and in conformity with its rights and obligations under the WTO Agreement and other relevant international agreements; and</p> <p>(iii) endeavour to ensure the timely notification and publication, in accordance with the WTO Agreement, of regulatory information on matters pertaining to its non-tariff measures on essential goods.</p> <p>c) The Committee on Trade in Goods shall be convened, when necessary and possible, to identify and expeditiously eliminate unnecessary non-tariff measures on trade in essential goods in an expedited and timely manner during a humanitarian crisis, epidemic or pandemic. A Party may request essential goods from another Party and the requested Party shall, to the extent possible, positively consider the request, subject to the requested Party's internal situation and considerations of the requested Party.</p>	<p>Agreed by WG-TIG.</p>	<p><b>DENR:</b> seek clarification why epidemics and pandemics were expressly included in the title to be addressed by this measure. Inclusion of this may seem to be restrictive while DENR wants to include environmental crisis such as oil spill (affects maritime trade) or forest fire. DENR prefers to only reflect "Humanitarian Crises" to be general. Explicit reference to epidemic and pandemic would mean that crisis should affect health.</p> <p><b>BPS (240403):</b> supports to only mention humanitarian crises in the title of the article, inclusion of epidemics and pandemics can be done in the text in the article.</p>
<p><b>2. Facilitation of Essential Goods During Humanitarian Crises, Epidemics or Pandemics</b></p> <p>a) Each Party shall, to the extent permitted by its laws and regulations, expedite and facilitate the movement, release and clearance, including transit through its exit or entry points, of all essential goods.</p> <p>b) Each Party shall, to the extent permitted by its laws and regulations, expedite the release of essential goods upon arrival, including by adopting or maintaining procedures to permit the submission of import documentation and other</p>		

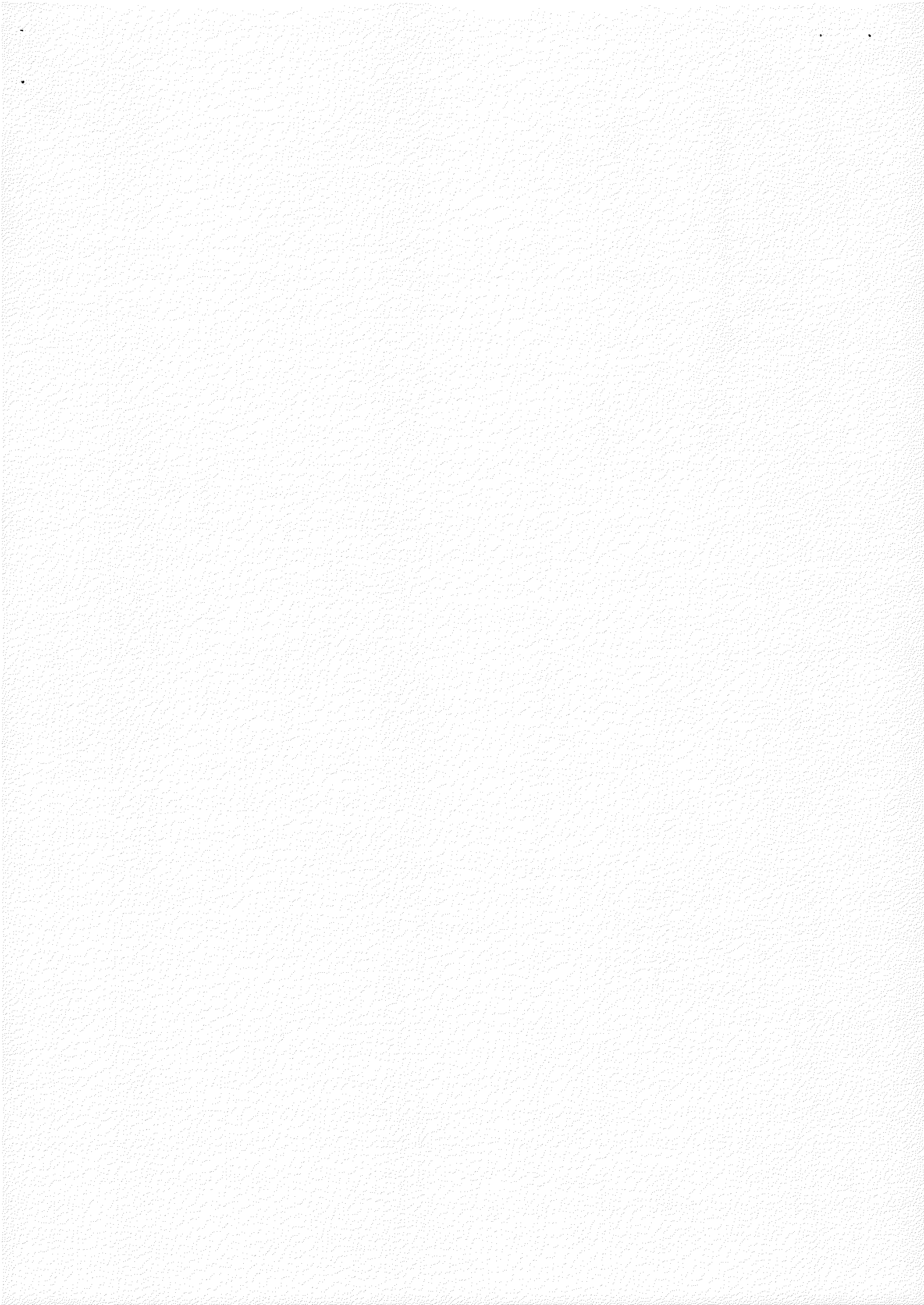




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<p>c) Each Party shall, to the extent permitted by its laws and regulations, clear essential goods using documents received through electronic means during a humanitarian crisis, epidemic or pandemic.</p>	<p><b>VN (15.12.2023):</b> highly requests consideration on establishing this committee to avoid overlapping and administrative burden on Parties. One possible solution is to incorporate functions of this Committee to the Committee of higher level, such as Committee of Trade in Goods.</p> <p><b>SG (11.01.2024):</b> seeks clarification from China on the intention behind formation of a committee, on top of the Committee of TIG, as the SCC Committee could be resource intensive and duplicative. We could consider de-linking the textual commitments in this Article from the Committee. We have also proposed additional amendments on promoting information exchanges and share policy information to promote supply chain resilience.</p> <p><b>CN (as relayed during the 1<sup>st</sup> Plenary):</b> there seems to be an overlap between the committee on SCC and other WGs. However, this is the nature of SCC as it covers wide range of cooperation areas such that it connects different dots to ensure free flow of goods, investments, etc.</p> <p>In case of future potential emergency situation, this committee could serve as a first response mechanism</p>	<p><b>BITR (240418):</b> This was the landing zone proposed by the ASEAN Secretariat which takes into account the concern of Thailand (that the scope of NTMs on Essential Goods is too broad) and AU, NZ, SG and BN that referencing pandemic only is too limiting.</p> <p>The resulting language in the AANZFTA text was the outcome of negotiations: humanitarian crises is the catch-all for various emergency scenarios, and epidemics was added as a compromise since some countries are facing epidemics and may require assistance.</p> <p>For information a pandemic is the spread of disease across borders while an epidemic is limited to a geographic area.</p> <p><b>BITR (240418):</b> For info, the IPEF agreement includes articles on "PEF Supply Chain Crisis Response Network" and an "PEF Supply Chain Council".</p>
<p><b>Article 4 Strengthening Mechanism Construction</b></p>		



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<p>1. The Parties will set up a Supply Chain Committee under the ASEAN-China FTA Joint Committee to take the lead in promoting supply chain connectivity under this Agreement.</p>	<p>for immediate action in solving such problems. This may also serve as a precautionary function to alert members in case there are emergency problems in order for members to prepare in advance. This committee can also include capacity building for all members on how to better respond during emergency crisis.</p> <p><b>1<sup>st</sup> WG-SCC Caucus Meeting:</b></p> <p>ASEAN is of the view that the responsibilities of Supply chain committee can be covered by TIG committee and JC, therefore ASEAN do not intend to establish new committee. However, ASEAN is still considering the provision under the responsibilities to be incorporated in the agreement.</p> <p><b>ID (25.01.2024):</b> ID would like to seek clarification on the role of committee between "Committee on Trade in Goods" in Article 3.1 and "Supply Chain Committee" in Article 4.1</p>	<p><b>DOJ:</b> same comment as ID, what would be the delineation of WGTIG from the SCC Committee. Seek clarification from CN on the composition of the SCC Committee and when it will be convened.</p> <p><b>BITR:</b> AMS may need to carefully consider if the responsibilities outlined in this article is already handled by a body under the ASEAN Political Security Community. Tap ASEC to check if there is overlap.</p> <p><b>NEDA:</b> PH would like to suggest as part of the main responsibilities of the SCC, the identification of cooperation focusing on supply chain and connectivity issues (e.g., addressing gaps and vulnerabilities). To the extent possible, the SCC may also assign timelines on proposed activities or action plans related to the identified cooperation areas.</p> <p><b>BITR:</b> suggest the term "MSME" instead of "small and medium-sized enterprises"</p> <p><b>DOJ:</b> suggest to delete "main responsibilities" in the title and replace with "functions"</p> <p><b>BITR (240418):</b> may we know if "enterprises" is suggested to be included in the Definitions?</p>
<p>2. The main responsibilities of the Supply Chain Committee include:</p> <p>(a) The Parties should promote exchanges and cooperation in the supply chain field <b>[SG: such as pilot projects and initiatives]</b>, actively consider <b>[ID: to provide providing] capacity building</b> for the supply chain enterprises through various means such as seminars and training, and build cooperation platforms for enterprises through exhibitions and forums, so as to <b>[SG: strengthen supply chains in the region, and help the enterprises in the region, especially the small and medium-sized enterprises, to better integrate into the regional and global supply chain.</b></p>	<p><b>ID (25.01.2024):</b> ID would like to seek clarification on the phrase of "main responsibilities of the Supply Chain Committee".</p>	



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<p>(b) The Parties will strengthen communication and coordination on [KH CN: policies—restrictive measures] [SG: measures] that may affect the supply chain, exchange and share policy information adopted to [ID: cope-with address] and alleviate [ID: the] crisis in a timely manner, stabilize the supply chain in the region and reduce adverse effects.</p>	<p>ID (25.01.2024): ID would like to seek clarification on the phrase of “exchange and share policy information”.</p>	<p>BOI: PH would like to inquire if “communication and coordination on policies that may affect the supply chain” entails additional notification which may otherwise be done under WG-TIG. PH also is of the view that “policies that may affect the supply chain” is quite broad.</p>
<p>(c) When [ID: a] supply chain crisis [ID: occurred occurs] in the [ID: regional region], the Parties should communicate and negotiate [discuss] in [ID: time a timely manner] to [ID: solve resolve] [address] [ID: the] related [ID: problems/issues] and blockages. [disruption] [interruption] as soon as possible.</p>		<p><b>BITR:</b> clarify the scope and definition of “supply chain crisis”</p> <p><b>BPS (240403):</b> supports for PH to clarify “supply chain crisis” as this is too broad and subject to different interpretations</p>
<p>(d) The Parties shall prepare for possible supply chain interruption in the region and formulate relevant recovery plans.</p>	<p>ID (25.01.2024): ID would like to seek clarification on the phrase of “possible supply chain interruption in the region and formulate relevant recovery plans”.</p>	<p><b>BOI:</b> PH would like to inquire the specific area of cooperation envisioned here.</p> <p><b>DENR:</b> clarify whether interruptions and blockages are the same. Otherwise, what is the difference.</p> <p><b>BITR:</b> what is the expected outcome on “formulate relevant recovery plans” – whether ASEAN and China will be developing a plan once the upgrade is completed and entered into force.</p>
<p>[SG: e) The Parties shall give positive consideration to proposals for cooperation during crisis situations which could include providing assistance, where possible, such as emergency procurement and transportation of essential goods, as well as developing appropriate systems to facilitate timely information sharing such as an early warning system.]</p>		<p><b>DENR:</b> clarify if crisis refers to “humanitarian crisis” or “supply chain crisis” or “crisis” in general</p> <p><b>BITR:</b> shared that this was also proposed by SG under ATIGA Upgrade. Following negotiations, this was watered down to only “cooperation related to supply chains”. BITR to provide the current text under ATIGA.</p> <p><b>BOI:</b> inquire whether the SCC Committee is the appropriate body to decide on specific cooperation such as emergency procurement and transportation during crisis. Does the SCC Committee need to be convened for a decision to be made relevant to an ongoing crisis.</p>



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<p><b>BOI:</b> Organizing investment missions and encouraging public-private joint efforts and other business match making activities to help enterprises identify potential partners in the Parties.</p>		<p><b>BPS (240403):</b> supports for PH to clarify the term crisis in this proposal.</p> <p><b>02-2024:</b> BOI is of the view that SG's proposal on "early warning system" may cover the additional objective on "identifying supply chain interruption". IA was requested to provide inputs on the implementation of the additional objective by PH.</p> <p><b>02-2024:</b> BOI proposed additional area for cooperation to implement the objective on Investments. IA to provide comments, if any.</p>
<p>3. The Supply Chain Committee may invite relevant working groups or sub-committees under the ASEAN-China FTA Joint Committee to assist in formulating relevant suggestions or solutions.</p>	<p><b>ID (25.01.2024):</b> ID would like to seek clarification on the phrase of "invite relevant working groups or sub-committees under the ASEAN-China FTA Joint Committee".</p> <p><b>1<sup>st</sup> WG-SCC Caucus Meeting:</b> ASEC to reformulate the text by 10 May 2024</p>	<p><b>BITR:</b> it may be best to tap relevant working groups or sub-committees rather than to invite them. Use the term "collaborate with" instead of "invite".</p> <p><b>BPS (240403):</b> agree with BITR's proposal</p>
<p><b>Article 5 Non-Applicable of Dispute Settlement</b></p> <p>No Parties shall have recourse to dispute settlement under the <i>Agreement on Dispute Settlement Mechanism of The Framework Agreement on Comprehensive Economic Co-operation between China and ASEAN</i> for any issue arising from or relating to this Chapter.</p> <p>1. [The dispute settlement mechanisms in this Agreement] [The Agreement on Dispute Settlement Mechanism of the Framework Agreement] shall not apply to any matter arising under this Chapter.</p> <p>2. Any dispute concerning the interpretation, implementation or application of this Chapter shall be settled amicably by the Parties.</p>	<p><b>1<sup>st</sup> WG-SCC Caucus Meeting:</b> Taken from Chapter on Economic and Technical Cooperation, subject to final text cleaned by WGLII</p> <p><b>1<sup>st</sup> WG-SCC Caucus Meeting:</b> The Meeting agreed to use the ASEAN alternative text, which is adopted from ECOTECH (subject to final text from WGLII)</p>	<p><b>BOI:</b> PH can agree.</p> <p>Note: WG-TIG agreed that TIG elements should not be subject to Dispute Settlement. Since other areas are cooperative in nature, PH can agree to not subject the text to Dispute Settlement.</p> <p><b>DENR:</b> "Non-Application" instead of "Non-Applicable" in the title.</p> <p><b>DOJ:</b> same comment as DENR.</p> <p><b>BPS (240403):</b> defers to BOI on this matter.</p>

