



MEMORANDUM

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

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

SUBJECT : **OUTCOMES OF THE 4TH WORKING GROUP MEETING ON
SUPPLY CHAINS CONNECTIVITY CHAPTER ON 24-28 JUNE
2024**

DATE : **JUL 04 2024**

This refers to the ongoing negotiation of the Working Group (WG) on Supply Chains Connectivity (SCC) under the ASEAN-China Free Trade Agreement (ACFTA).

Please be informed that the 4th Meeting of the WG on SCC was held on 24-28 June 2024, via online format. The WG meeting was chaired by Mr. Aji Bhaskara of the ASEAN Secretariat (ASEC), and participated by ASEAN Member States (AMS) Representatives. Moreover, Director Sandra Recolizado of the Board of Investments (BOI) led the Philippines' side during the negotiation.

In this regard, we are pleased to provide you of the following key outcomes of the said meeting:

Topic	Highlight/Agreement
Issues taken up and resolved at this meeting	<ul style="list-style-type: none">• Cleaned Articles on Definitions, Objectives, Cooperation, and Contact Points, as well as Article 2.3 (Strengthen Infrastructure Connectivity)• Harmonized terms throughout the Chapter, including Articles cleaned by the WG-TIG• Agreed on the common understanding on self-declaration of a crisis by a Party, under the definition of Humanitarian Crisis• Agreed on the implementation of this Chapter shall be undertaken through ways and means considered appropriate by the Joint Committee, as mentioned in the Article on Cooperation

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<p>Key Challenges faced/outstanding issues at this meeting</p>	<ul style="list-style-type: none"> • Considering the cross-cutting nature of the SCC, the implementation of this Chapter may involve multiple WGs. Instead of establishing a separate SCC Committee, as it may require intensive resources, WG-SCC would like to seek SJC's support on the proposal on the implementation of this Chapter, which is undertaken through ways and means considered appropriate by the Joint Committee. And the Joint Committee may task the Parties to meet and discuss issues and undertake cooperation related to the implementation of this Chapter.
<p>Ways Forward</p>	<ul style="list-style-type: none"> • To ensure consistency of the Articles with other relevant WGs, including WG-Trade in Goods (TIG); and • To verify and validate the definition of enterprises with other WGs, and WG in Legal and Institutional Issues (LII).

In view of the usual preparation during rounds of negotiation under FTAs, we would like to request your comments (*if any*) and matters you wish for the Philippine Lead to raise in the WG SCC meetings regarding the latest negotiating text (*copy attached*). We would appreciate receiving your feedback by **10 July 2024**.

For your information and consideration, please.


CHERYL LOISE T. LEAL, EnP

Cc: DENR Trade Focal Points

Chapter ** Supply Chain Connectivity

Article 1 Definitions

For the purposes of this Chapter:

- a) **supply chain** is a system of resources, technologies, enterprises, activities, and relevant information¹ involved in the production and in the act of transporting goods, especially essential goods, from producer to consumer/user;
- b) **connectivity** encompasses physical infrastructure, and ways to facilitate the movement of goods and services, especially essential goods and services, related to supply chains within and across borders;
- c) **essential goods** means goods considered by a Party as essential for disaster relief and urgent medical purposes during a humanitarian crisis or a supply chain disruption²;
- d) **essential services** mean services directly related to the production or movement of essential goods within the supply chain;
- e) **supply chain disruption** means a severe interruption, delay, or shortage that (a) impacts one or more Parties; and (b) significantly impairs the production of, the cross-border movement of, or access to essential goods and services as determined by Parties;
- f) **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, Parties or a region, such as pandemics, epidemics, natural or human-induced disasters and may occur throughout a large land area; and

¹ For greater certainty, information does not include confidential information as determined by the providing Party

² 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.

g) **enterprises** means any entity constituted or organized under applicable law, [Flexible: CN BN LA MY MM PH SG TH VN | ID to retain | KH to delete: whether or not for profit.] and whether privately or governmentally owned or controlled, including any corporation, trust, partnership, sole proprietorship, joint venture, [Flexible: BN LA MY MM PH SG TH VN | ID to retain | CN KH to delete: association, or similar organization].

Commented [MMI1]: Based on checking with other WGs related to enterprise:
- WG-SMSE does not have the definition of enterprise
- WG-I has the definition of the term juridical person with the similar language
- WG-DE has the same draft text in the caucus

Noting the cross-cutting nature of this term, WGSCC will leave the working text and submit it to WGLII, for WGLII reference and suggestion to be placed it in General Definitions Chapter

Article 2 Objectives

Drawing from the lessons learnt from the COVID-19 pandemic, to the extent practicable, the Parties shall cooperate to strengthen the resilience and connectivity of regional supply chains, giving priority to the continued and smooth cross-border flow of essential goods and services

- a) to keep markets open and facilitate trade in the region, as well as to continuously broaden and deepen mutually beneficial cooperation to further strengthen the ASEAN-China Comprehensive Strategic Partnership and promote supply chain connectivity;
- b) to promote and facilitate investments to diversify supply chain and strengthen connectivity;
- c) to cooperate to identify and address potential supply shortages, supply chain bottlenecks and other similar risks and vulnerabilities in the supply chains;
- d) to reduce the impact of regional supply chain disruptions; and
- e) to take advantage of opportunities brought by digital economy and promote technology adoption by the Parties

Article 3 Strengthening Supply Chains Connectivity

1. Keep the Market Open

- a) The Parties reaffirm their commitment to market access in trade in goods under the ASEAN-China Free Trade Agreement (ACFTA).

- 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.
- 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.

2. Improve the Facilitation Level of Trade in Goods

- 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.
- b) The Parties may further explore relevant measures to further improve the level of trade facilitation in this region on a voluntary basis.

3. Strengthen Infrastructure Connectivity

In order to ensure the continued and smooth cross-border flow of essential goods and services, subject to domestic laws, regulations, and policies, the Parties are encouraged to advance cooperation in infrastructure connectivity, including multimodal transport³, promote sustainable port⁴ development, port⁴ productivity and efficiency, and address the choke points in logistics and transportation.

4. Enhance Technology and Innovation

The Parties shall endeavour to take advantage of the opportunities brought by the digital economy, encourage enterprises, especially the MSMEs, to utilise digital technologies to carry out production and business activities, and

³ Multimodal transport refers to the carriage of goods by at least two different modes of transport on the basis of a multimodal transport contract from a place in one country at which the goods are taken in charge by the multimodal transport operator to a place designated for delivery situated in a different country.

⁴ Port refers to airport, dry port and seaport

promote digital solutions to enhance the resilience and connectivity of regional supply chains.

Article 4
Responding to Supply Chain Emergencies

1. Non-Tariff Measures on Essential Goods during Humanitarian Crises

- a) During a humanitarian crisis, 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.
- b) During a humanitarian crisis, which adversely impact Parties on a substantial scale, each Party shall, to the extent possible:
 - (i) facilitate timely information-sharing with regard to non-tariff measures on essential goods;
 - (ii) refrain from introducing trade-restricting non-tariff measures on essential goods unless necessary, and 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
 - (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.
- c) The Committee on Trade in Goods shall be convened, where 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. 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.

2. Facilitation of Essential Goods During Humanitarian Crises or Supply Chain Disruptions

- a) Each Party shall, to the extent permitted by its laws, regulations, and policies, expedite and facilitate the movement, release and clearance, including transit through its exit or entry points, of all essential goods.
- b) Each Party shall, to the extent permitted by its laws, regulations, and policies, expedite the release of essential goods upon arrival, including by adopting or maintaining procedures to permit the submission of import documentation and other required information, including manifests, prior to the arrival of the essential goods, so that the processing of such documentation and information to begin prior to the arrival of the essential goods.
- c) Each Party shall, to the extent permitted by its laws, regulations, and policies, clear essential goods using documents received through electronic means during a humanitarian crisis or a supply chain disruption.

Article 5 Co-operation

1. The Parties shall, to the extent practicable:

- a) promote cooperation in the supply chain field, such as pilot projects and initiatives, actively explore capacity building through various means such as seminars and training, and build cooperation platforms for enterprises through exhibitions and forums, so as to strengthen supply chains and help the enterprises in the region, especially the micro, small and medium-sized enterprises, to better integrate into the regional and global supply chain;
- b) strengthen communication and coordination on measures that may affect the supply chain, exchange and share policy information adopted to address and alleviate the humanitarian crisis in a timely manner, stabilize the supply chain in the region and reduce adverse effects;

- c) communicate and consult in a timely manner to address related issues as soon as possible when supply chain disruption occurs in the region;
 - d) prepare for possible supply chain disruption in the region and formulate relevant recovery plans;
 - e) give positive consideration to proposals for cooperation during humanitarian crisis situations or to strengthen supply chain in the region which could include, where possible, emergency transportation of essential goods, developing appropriate mechanisms to facilitate timely information sharing, and conducting joint actions to better anticipate and respond to supply chain disruptions;
 - f) consider conduct of activities to promote investment and encourage public-private joint efforts and other business match making activities to help enterprises identify potential partners in the Parties with the aim of strengthening the resilience and connectivity of regional supply chains including the diversification of supply chains; and
 - g) explore joint research and development to support the resilience and connectivity of supply chains.
2. Cooperation shall be undertaken through ways and means considered appropriate by the Joint Committee. The Joint Committee may task the Parties to meet and discuss issues and undertake cooperation related to the implementation of this Chapter. The parties shall report the results of each meeting to the Joint Committee.
3. The cooperation activities under this Chapter are subject to the availability of funds and human and other resources, and to the applicable laws, regulations and policies of the Parties.

Article 6 Contact Points

1. ~~[Each Party]~~ ~~[The Parties]~~ shall designate contact point(s) to facilitate communication between the Parties for the implementation of this Chapter.

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2. Each Party shall notify the other Party through the ASEAN Secretariat in writing of its designated contact point(s) including information of their contact details no later than 60 days after the date of entry into force of this Agreement.
3. A Party shall notify the other Party of any change of its contact point or the details of the relevant officials.
4. Each Party shall, to the extent possible, ensure that its contact point(s) facilitate the exchange of information between the Parties on the implementation of this Chapter.

Article 7
Non-Application of Dispute Settlement

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.~~
2. Any dispute concerning the interpretation, implementation or application of this Chapter shall be settled amicably by the Parties.



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