# 1981 Basic Agreement on ASEAN Industrial Complementation

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.

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 the Committee on Industry, Minerals and Energy (COIME) and approved by the ASEAN Economic Ministers (AEM).

4.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.

5.Whenever feasible, the AIC products in a package must be equitably allocated to the participating countries.

6.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.

7.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.

8.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 startup 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.

9.Exclusivity shall mean: For the country allocated 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.

10.Exclusivity shall mean: 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 exports outside the ASEAN region.

11.Exclusivity shall mean: 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 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.

12.Exclusivity shall mean: For purposes of paragraph 4 (ii) a production facility is deemed to have been set up when it is in commercial operation.

13.The products in an AIC package shall qualify for preferences, in accordance with the Agreement on ASEAN Preferential Trading Arrangement, (PTA).

14.During the period of exclusivity, special preferences outside the PTA can be granted such as, mandatory sourcing and recognition of local content, applicable only to specific countries.

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

16.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.

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

18.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.

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

20.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.

21.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.

22.This Agreement shall enter into force on the thirteenth day after the deposit of the fifth Instrument of Ratification.

23.This Agreement may not be signed with reservation nor shall reservation be admitted at the time of ratification.

24.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.

25.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.

26.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.