

**AutoCRC Submission to the Joint Standing Committee on Treaties
in relation to the Malaysia Australia Free Trade Agreement**

14 September 2012

About AutoCRC

AutoCRC is an automotive Co-operative Research Centre (CRC) established in 2005 under the federal government's CRC Program. AutoCRC drives the development of advanced technologies, the improvement of supply chain competitiveness for the Australian automotive sector and the creation of innovative human capital through the formation and coordination of collaborative projects with industry partners, researchers, coaches and trainers.

Recently awarded a second tranche of Commonwealth funding to pursue a five-year program of technology development, AutoCRC is directing research and industry expertise into innovative projects on vehicle electrification, utilisation of gaseous fuels and sustainable automotive manufacturing.

One of the four international organisations belonging to AutoCRC's cohort of 30 CRC Participants is the Malaysia Automotive Institute (MAI). MAI is the Malaysian government's focal point for development of its automotive industry; including formulation of national policy, managing skill development programs and co-ordinating automotive research. MAI and a number of Malaysian companies have engaged deeply with AutoCRC over the last two years and are participating in a range of technology development projects in conjunction with Australian research institutes and companies.

Malaysia Australia Free Trade Agreement (MAFTA)

MAFTA covers a wide range of industries, however AutoCRC's focus and involvement has been only with the automotive aspect. AutoCRC welcomes the MAFTA agreement and expects it will establish a basis for substantially expanded opportunities for the Australian automotive industry. Particularly supportive of these opportunities are the significant reduction in tariffs that will be implemented by Malaysia, the strong emphasis on collaborative development of new technologies, and the invitation from Malaysia to the Australian automotive supply chain to expand its engagement with Malaysian companies.

Consultation process

From AutoCRC's perspective, a particularly pleasing part of the MAFTA negotiation was the consultative process established between the DFAT team and a broad cross-section of the Australian automotive sector. The consultative framework involved a series of joint meetings with representatives from state governments, industry associations, research and training organisations, major car manufacturers and leading companies within the automotive supply chain.

The consultations were useful because the DFAT team was able to explain the status and content of the ongoing negotiation, and to establish realistic expectations on the scope of compliance on the Malaysian side. Equally, the industry representatives were able to specifically clarify for DFAT where problems had arisen in the implementation of earlier free trade agreements in the Asian region.

As a consequence of that dialogue there is a much stronger understanding in the Australian sector that Malaysia has somewhat reoriented its automotive industry strategy to seek greater engagement with foreign countries. This strategy substantially expands the opportunities for the Australian automotive sector and MAFTA has created the platform on which those opportunities can be realised.

It is envisaged that opportunities for Australia will arise in many areas including vehicle sales, supply chain engagement, human capital development, technology development and licensing and provision of research services. Considerable progress has already been made by Australia and Malaysia in the identification of specific opportunities and some of which were able to be outlined in Attachment IV to MAFTA, titled "Implementing Arrangement for Economic and Technical Cooperation Activities in Agreed Areas Pursuant to Chapter 16 (Economic and Technical Cooperation) of the Malaysia-Australia Free Trade Agreement".

Malaysia Australia Automotive Industry Dialogue

Another very important and rather unique outcome of DFAT's consultative process is the agreement under the "Implementing Arrangement" to "establish a Malaysia-Australia Automotive Industry Dialogue to provide a forum to enhance engagement and cooperation between the Malaysian and Australian automotive industries and to facilitate joint government and industry consultations on future cooperation. The dialogue will be convened by the Malaysian and Australian Governments and will include representatives from industry, research bodies and government."

AutoCRC fully supports this initiative from DFAT and welcomes the establishment of a 'post-agreement' arrangement to ensure that the implementation of MAFTA creates value for both sides. We look forward to the first round of this dialogue process scheduled for November 2012.

Conclusion

AutoCRC strongly endorses and supports MAFTA and believes it will generate substantial benefits to Australia through increased commerce, expanded access to regional markets and significant domestic capability development.

We would be happy to provide further information about any of the matters raised in this submission.

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Company Secretary