

Documents tabled on 9 May 2007:

National Interest Analysis [2007] ATNIA 9

with attachment on consultation

Exchange of Notes constituting an Agreement between the Government of Australia and the Government of Singapore to amend Annex 2C and Annex 2D of the Singapore-Australia Free Trade Agreement (SAFTA) to ensure compliance with changes to the International Convention on the Harmonized Commodity Description and Coding System (HS2007)

Background information:

Country political brief and country fact sheet on Singapore

List of other treaties with Singapore

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NATIONAL INTEREST ANALYSIS: CATEGORY 1 TREATY

Exchange of Notes constituting an Agreement between the Government of Australia and the Government of Singapore to amend Annex 2C and Annex 2D of the Singapore-Australia Free Trade Agreement (SAFTA) to ensure compliance with changes to the International Convention on the Harmonized Commodity Description and Coding System (HS2007)

Nature and timing of proposed treaty actions

1. It is proposed to bring into force an Agreement to amend the Singapore-Australia Free Trade Agreement (SAFTA) of 17 February 2003 [2003] ATS 16 (the 'Amending Agreement'). The Amending Agreement will replace the following with annexes that have tariff line numbers that comply with changes to the Harmonized Commodity Description and Coding System (HS): **SAFTA Annex 2C** (List of Goods Which Must Be Subject To The Last Process of Manufacture Within The Territory Of A Party) and **Annex 2D** (List Of Goods Subject To 30% Threshold).

2. Amendments to the two SAFTA Annexes were previously tabled in Parliament on 8 August 2006, and considered by the Joint Standing Committee on Treaties (JSCOT) (see JSCOT Report 77), which recommended binding treaty action. However, subsequent to JSCOT consideration of these SAFTA Annex amendments, further changes were identified to Australia's Customs Tariff necessitating additional changes to the SAFTA Annexes which required Singapore's agreement.

3. The Amending Agreement has been made pursuant to the amendment provisions in Chapter 17 Article 7 (Amendments) of SAFTA. The Amending Agreement is being tabled before Parliament prior to the exchange of notes with the agreement of Singapore. The Amending Agreement containing all amendments to SAFTA Annexes 2C and 2D is proposed to come into force by an exchange of Diplomatic Notes once Australia's internal processes are completed.

Overview and national interest summary

4. The HS is an international system for classifying all goods traded on the international market. The HS is overseen by the World Customs Organization, of which Australia and Singapore are members. Every five years, the HS is amended to reflect changes in the kinds of goods that are traded on the international market. The most recent set of amendments came into effect on 1 January 2007 - these amendments are referred to as HS2007. The changes made to the HS involve the creation of new HS tariff line numbers to reflect new products coming onto the market, the deletion of numbers where goods are no longer traded or the movement of tariff line numbers from one sub-heading (or category of goods) to another to account for change in the use of the good.

5. SAFTA includes annexes that detail how specific goods will be treated when they are traded between Australia and Singapore. These goods are identified by their HS number. The purpose of the Amending Agreement is to ensure SAFTA continues to reflect the internationally agreed HS as amended by HS2007. If SAFTA is not amended to reflect these changes, discrepancies will exist between the internationally recognised tariff line numbers used to describe some goods and the tariff line numbers that are used in SAFTA.

Reasons for Australia to take the proposed treaty action

6. The purpose of the proposed action is to ensure that the tariff line numbers identifying goods in SAFTA accurately reflect internationally agreed descriptions of goods as defined in the HS, and conform with the tariff classifications in the *Australian Customs Tariff Act (1995)*, amended to reflect HS2007 changes.

7. The proposed amendments to SAFTA have been agreed to by the Government of Singapore.

8. As HS2007 came into effect on 1 January 2007, it is proposed that the Amending Agreement come into effect as soon as possible after Australia and Singapore's internal processes are completed.

Obligations

9. The proposed changes affect Annexes 2C and 2D of SAFTA which specify how rules of origin are applied under the free trade agreement. The proposed changes will not impose any additional obligations on Australia.

Implementation

10. Amendments to the *Customs Tariff Act 1995* to reflect HS2007 changes were included in the Customs Tariff Amendment (2007 Harmonized System Changes) Bill 2006 that was tabled in Parliament on Thursday, 7 September 2006. The Bill was passed in Parliament on Thursday, 19 October 2006 and received Royal Assent on 4 November 2006.

11. Singapore's final agreement to the additional technical amendments to SAFTA Annexes 2C and 2D was not received until 5 January 2007. It was therefore not possible for the amendments to SAFTA to enter into force on 1 January 2007 when the HS2007 came into effect. Practical measures, however, were implemented to ensure that trade between Australia and Singapore was not impeded. The Australian Customs Service issued an Australian Customs Notice (ACN) on the impact of HS2007 on SAFTA on 14 December 2006, before the HS amendments came into effect. The purpose of the ACN was to provide guidance to importers and to ensure that goods which qualified for preferential treatment under SAFTA would continue to enter Australia from 1 January 2007 as before this date. A Tariff Concordance (or correlation table) was placed on the Customs website to enable importers and exporters to compare HS2007 classifications with their HS2002 counterparts.

Cost

12. The cost to the Australian Customs Service to provide this new service is negligible.

13. The cost of the amendments to SAFTA to Australian business is negligible.

Regulation Impact Statement

14. The Office of Best Practice Regulation has advised the Department of Foreign Affairs and Trade that a Regulation Impact Statement is not required in relation to these proposed amendments to SAFTA.

Future treaty action

15. Chapter 17 (Final Provisions) Article 3 of SAFTA provides for the regular review of the Agreement. The first review took place in July 2004. Other reviews are to take place every two years thereafter, or as mutually agreed. Officials are continuing discussions on the second SAFTA review.

16. A number of the chapters of SAFTA also contain provision for consultation and review of specific provisions. For example, Chapter 3 Article 17 provides for consultation between the Parties on the Rules of Origin Chapter to ensure it is applied in an effective and uniform manner and in accordance with the spirit and objectives of the Agreement.

17. SAFTA allows for the Agreement to be amended (Chapter 17 Article 7) to ensure the Agreement remains relevant and offers additional benefits to business. The amendment provisions in SAFTA require the parties to agree in writing to amendments. Once all necessary internal requirements are complete, amendments will then come into force on the date specified in the exchange of Diplomatic Notes. Australia's domestic requirements include tabling in Parliament and consideration by JSCOT.

18. SAFTA will need to be amended each time the HS is updated. The next scheduled date on which any further HS amendments will come into force is likely to be 1 January 2012.

Withdrawal or denunciation

19. SAFTA contains provisions for termination of the Agreement. These provisions are located in Chapter 17 Article 8 (Entry into Force, Duration and Termination).

20. Termination by Australia would be subject to our domestic treaty process, including tabling in Parliament and consideration by JSCOT.

Contact details

WTO Regional and Free Trade Agreements Section
Office of Trade Negotiations
Department of Foreign Affairs and Trade.

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Consultation

1. The HS2007 changes were under discussion in the World Customs Organization (WCO) since the previous changes were made to the HS in 2002. Because changes are made to the HS every five years, the Australian Customs Service consulted with relevant Government agencies, including the Department of Industry, Tourism and Resources, the Department of Agriculture, Fisheries and Forestry, the Department of Foreign Affairs and Trade, and the Department of Communications, Information Technology and the Arts, as and when issues pertaining to particular industries were raised for consideration by members of the WCO. Outcomes from these *ad hoc* consultations were then fed into Australia's input into decisions taken in the WCO regarding changes to the HS.
2. No specific consultations were held with the States and Territories on HS2007 because of the negligible impact of the changes. The SAFTA HS2007 amendments were listed on the August 2006 treaty schedule sent to the State and Territory representatives of the Commonwealth-State/Territory Standing Committee on Treaties (SCOT), and again on the March 2007 schedule. The State and Territory representatives did not raise any queries on these amendments and they were not discussed at SCOT meetings.
3. Australian industry, including the Australian Industry Group, was consulted by the Government early in the evaluation processes for changes to the annexes, particularly concerning the chemicals and automotive parts industries and the electrical and electronic manufacturers, to ensure the required changes to the relevant tariff line numbers remained workable. No negative responses were received in these consultations.

Political Brief on Singapore

1. Singapore is a republic with a parliamentary system of Government and an elected President as the Head of State. Parliament is unicameral and has 84 elected members, one Non-Constituency Member of Parliament (NCMP) and nine Nominated Members of Parliament. The political scene in Singapore has been dominated by the People's Action Party (PAP) since 1959. The party has won ten general elections in succession. The population of 4.4 million (2005 census data) comprises three major ethnic populations: Chinese (77 per cent), Malay (14 per cent), and Indians (8 per cent). The official languages of Singapore are Malay, Chinese (Mandarin), Tamil and English. Malay is the national language and English is the language of administration.

2. Singapore has an open economy, with strong service and manufacturing sectors and excellent international trading links. Located at the crossroads of international trade routes, Singapore is the most economically successful and prosperous country of South East Asia. Singapore's major industries include petroleum refining, electronics, oil drilling equipment, rubber products, processed food and beverages, ship repair, entrepot trade, financial services and biotechnology.

3. Singapore was a founding member of ASEAN. It is also a member of the United Nations, the Commonwealth, the World Trade Organization and APEC.

4. Singapore and Australia have a strong, mature and productive bilateral relationship based on long-standing political, defence, educational, trade, tourism and Commonwealth links and a shared strategic outlook. Defence links with Singapore are significant and cooperative, based in part on our shared interest in enhancing regional security. Singapore and Australia are both members of the Five Power Defence Arrangements.

5. Singapore is our largest trading partner in ASEAN, and our fifth largest merchandise trading partner overall, reflecting Singapore's role in transshipment trade. In 2006, merchandise exports to Singapore were valued at \$4.6 billion and imports were \$10.7 billion. Australian services exports to Singapore were valued at \$2.8 billion in 2006 and services imports were valued at \$4 billion. Singapore was our seventh largest source of short-term visitors in 2006 with 253,300 visitors. In 2006, Singapore was Australia's twelfth largest source country with 9,242 Singaporean students enrolled in Australian educational institutions. Singapore and Australia signed a Free Trade Agreement in February 2003. The Agreement came into force in July 2003.

6. As at 31 December 2005, Singaporean investment in Australia was \$19.7 billion. Notable non real estate investments include telecommunications, health and power sectors. Australian investment in Singapore as at 31 December 2005 was \$9 billion. This includes aviation joint venture projects.

May 2007.



SINGAPORE

Fact Sheet

General information:

Fact sheets are updated biannually: May and September

Capital: Singapore
Surface area: 1 thousand sq km
Official languages: Malay; Chinese (Mandarin); Tamil; English
Population: 4.4 million (2005)
Exchange rate: A\$1 = S\$ 1.1946 (Sept 2006)

Head of State:
 H.E. President Mr S R Nathan

Head of Government:
 H.E. Prime Minister Mr Lee Hsien Loong

Recent economic indicators:	2001	2002	2003	2004	2005(a)	2006(b)
GDP (US\$bn) (current prices):	85.6	88.5	92.7	107.5	116.8	133.5
GDP PPP (US\$bn) (c):	95.9	100.7	104.1	115.9	123.4	131.7
GDP per capita (US\$):	20,723	21,209	22,156	25,353	26,836	30,161
GDP per capita PPP (US\$) (c):	23,218	24,137	24,880	27,322	28,368	29,743
Real GDP growth (% change YOY):	-2.3	4.0	2.9	8.7	6.4	6.9
Current account balance (US\$m):	11,781	11,887	22,319	26,300	33,269	38,029
Current account balance (% GDP):	13.8	13.4	24.1	24.5	28.5	28.5
Goods & services exports (% GDP):	190.1	190.6	208.2	221.9	243.0	252.7
Inflation (% change YOY):	1.0	-0.4	0.5	1.7	0.5	1.8



Australia's trade relationship with Singapore (d):

Australian merchandise trade with Singapore, 2005-06:		Total share:	Rank:	Growth (yoy):
Exports to Singapore (A\$m):	4,203	2.8%	10th	25.0%
Imports from Singapore (A\$m):	10,654	6.3%	4th	46.7%
Total trade (exports + imports) (A\$m):	14,756	4.6%	5th	39.1%

Major Australian merch. exports, 2005-06 (A\$m):		Major Australian merch. imports, 2005-06 (A\$m):	
Crude petroleum	1,274	Refined petroleum	5,638
Refined petroleum	578	Non-monetary gold	1,078
Non-monetary gold	308	Telecommunications equipment	367
Milk and cream	144	Computers	346

Australia's trade in services with Singapore, 2005-06:		Total share:
Exports of services to Singapore (A\$m):	2,713	6.5%
Imports of services from Singapore (A\$m):	3,942	9.6%

Major Australian service exports, 2005-06 (A\$m):		Major Australian service imports, 2005-06 (A\$m):	
Transportation	1,129	Transportation	3,204
Other business services	529	Personal travel excl. education	248

Singapore's global merchandise trade relationships:

Singapore's principal export destinations, 2005:			Singapore's principal import sources, 2005:		
1	Malaysia	13.2%	1	Malaysia	13.7%
2	United States	10.2%	2	United States	11.6%
3	Indonesia	9.6%	3	China	10.3%
9	Australia	3.7%	17	Australia	1.5%

Compiled by the Market Information and Analysis Section, DFAT, using the latest data from the ABS, the IMF and various international sources.

(a) all recent data subject to revision; (b) IMF forecast; (c) PPP is purchasing power parity; (d) Total may not add due to rounding.

Other treaties with the Republic of Singapore

- Agreement with the Republic of Singapore relating to Air Services
[1967] ATS 25
- Agreement with the Republic of Singapore for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income
[1969] ATS 14
- Exchange of Notes constituting an Agreement with the Republic of Singapore regarding External Defence under the Five Power Defence Arrangements
[1971] ATS 21
- Exchange of Letters constituting an Agreement with the Republic of Singapore to extend the operation of Article 18 (3) of the Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income of 11 February 1969
[1975] ATS 18
- Cultural Agreement with the Republic of Singapore
[1975] ATS 34
- Exchange of Notes constituting an Agreement amending the Agreement relating to Air Services of 3 November 1967
[1976] ATS 6
- Exchange of Notes constituting an Agreement to further extend the operation of Article 18(3) of the Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income of 11 February 1969
[1981] ATS 31
- Exchange of Notes constituting an Agreement with the Republic of Singapore concerning the Status of Forces
[1988] ATS 6
- Exchange of Notes constituting an Agreement to further extend the operation of Article 18(3) of the Agreement with the Republic of Singapore for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income of 11 February of 1969
[1989] ATS 26
- Exchange of Notes with the Republic of Singapore constituting an Agreement concerning Cooperation on the Physical Protection of Nuclear Material
[1989] ATS 34

- Protocol amending the Agreement with the Republic of Singapore for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income of 11 February 1969
[1990] ATS 3
- Agreement with the Republic of Singapore for the Reciprocal Protection of Classified Information Transmitted between the Australian Department of Defence and the Singapore Ministry of Defence
[1997] ATS 18
- Agreement with the Republic of Singapore concerning the Location of the RSAF Helicopter Squadron at the Army Aviation Centre, Oakey (Queensland)
[1997] ATS 25
- Mutual Recognition Agreement on Conformity Assessment with the Republic of Singapore
[2001] ATS 9
- Singapore-Australia Free Trade Agreement (SAFTA)
[2003] ATS 16
- Agreement with the Government of the Republic of Singapore Concerning the Use of Shoalwater Bay Training Area and the Use of Associated Facilities in Australia.
[2006] ATS 7
- Amendments to Chapter 5 of the Singapore-Australia Free Trade Agreement (SAFTA) including Technical Regulations and Sanitary and Phytosanitary Measures, Sectoral Annex on Food Products and Sectoral Annex on Horticultural Goods
[2006] ATS 9

May 2007.

Treaties of the same type with other countries

- Australia New Zealand Closer Economic Relations - Trade Agreement (ANZCERTA)
[1983] ATS 2
and amendments:
[1988] ATS 17
[1988] ATS 18
[1988] ATS 20
[1988] ATS 27
[1992] ATS 27
[1994] ATS 39
[2007] ATS 2
- Agreement on Trade and Commercial Relations between the Government of Australia and the Government of Papua New Guinea (PATCRA II)
[1991] ATS 37
- Australia-Thailand Free Trade Agreement (TAFTA)
[2005] ATS 2
- Australia-USA Free Trade Agreement (AUSFTA)
[2005] ATS 1

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