

EXPLANATORY STATEMENT 5 OF 2008

Amendment to Annex 4.1 (Rules of Origin) of the Australia-Thailand Free Trade Agreement (TAFTA) of 5 July 2004

Practical and legal effect

1. The practical and legal effect of the proposed action is minor. The proposed amendment has the effect of harmonising the tariff classifications used in the rules of origin annexes of the above treaty (TAFTA) with the Harmonized System. The changes are technical in nature and do not affect tariff rates under TAFTA.
2. The Harmonized System (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 Thailand, our free trade agreement partner 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 latest 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 a new product coming onto the market, the deletion of a number where a good is no longer traded or the movement of a tariff line number from one sub-heading (or category of goods) to another to account for change in the use of the good.

Nature and timing of proposed treaty matter

3. The effect of the proposed action is to ensure that the tariff line numbers used in the rules of origin annex identifying goods in TAFTA accurately reflect the internationally agreed descriptions of goods as defined in the HS.
4. Once Australia's domestic treaty processes are completed, Diplomatic Notes will be exchanged between Australia and Thailand to bring the amendment into force.

Reasons for Australia to take the proposed action relating to the treaty matter

5. The purpose of the proposed action is to ensure that the tariff line numbers identifying goods in TAFTA accurately reflect the internationally agreed descriptions of goods as defined in the HS. Differences between the numbers used to classify goods in TAFTA and those used to classify goods under the HS could lead to confusion for importers, exporters and customs services when processing goods through customs, which in turn could result in delays. The proposed amendment to TAFTA seeks to avoid possible confusion and subsequent delays in processing by customs authorities.

Implementing Legislation

5. Amendments to the *Customs (Thailand-Australia Free Trade Agreement) Regulations 2004* are required to implement the proposed treaty action.

South-East Asia Division Date
Department of Foreign Affairs and Trade

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