

Amendments to 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

The Harmonized Commodity Description and Coding System

- 8.1 The Harmonized Commodity Description and Coding System (HS) is an international system for classifying goods traded internationally. The World Customs Organization¹ (WCO) of which Australia and its free trade partners are members, oversees HS. The HS is amended every five years to reflect changes in the commodities traded.
- 8.2 The most recent changes to HS came into effect on 1 January 2007 (HS2007). HS2007 creates new HS tariff line numbers to reflect new products entering the market; the deletion of a number where a commodity is no longer traded; or the movement of a tariff line

1 The WCO was established in 1952 as the Customs Cooperation Council and consists of 169 member countries. The WCO is an independent intergovernmental body whose mission is to enhance the effectiveness and the efficiency of customs administrations. www.wcoomd.org

number from one sub-heading (or category of goods) to another to account for changes in the use of the good.

Purpose of the Amending Agreement

8.3 SAFTA includes annexes that detail how specific goods will be treated when they are traded between Australia and Singapore. The HS numbers identify these goods. The Amending Agreement will ensure SAFTA continues to reflect the internationally agreed HS as amended by HS2007. The amendments to SAFTA seek to avoid possible confusion and subsequent delays in processing by customs authorities.²

8.4 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.

Annex 2C lists goods that are partly manufactured in Singapore and may also be partly manufactured in another country on behalf of the principal manufacturer, and have the final process of manufacture undertaken in Singapore. Annex 2D lists certain electrical and electronic products that are partly manufactured in Singapore and have a minimum Singapore content of 30 per cent, and have the final process in their manufacture performed in Singapore.³

8.5 Amendments to Annexes 2C and 2D of SAFTA were tabled in Parliament on 8 August 2006 and considered by JSCOT which recommended binding treaty action in *Report 77*. 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.⁴

The HS2007 amendments presented today follow the same principles as those presented to parliament on 8 August. They do not affect the rules of origin that were negotiated under

2 National Interest Analysis (NIA), para. 5.

3 Ms Pauline Bygraves, Department of Foreign Affairs and Trade, *Transcript of Evidence*, 22 June 2007, p. 2.

4 NIA, para. 2.

the SAFTA and they are administrative or technical amendments only.⁵

Reasons for Australia to take up the proposed treaty action

- 8.6 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.⁶
- 8.7 The proposed amendments to SAFTA have been agreed to by the Government of Singapore.⁷

Entry into force, withdrawal and future treaty action

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

Costs

- 8.9 The costs to the Australian Customs Service and to Australian Business are negligible.⁸

Consultation

- 8.10 The changes contained in HS2007 have been under discussion by the WCO since 2002. In this time period, consultation occurred with the Department of Industry, Tourism and Resources, and other relevant

5 Ms Pauline Bygraves, Department of Foreign Affairs and Trade, *Transcript of Evidence*, 22 June 2007, p. 2.

6 NIA, para. 6.

7 NIA, para. 7.

8 NIA, paras. 12-13.

government agencies if and when issues pertaining to particular industries have been raised for consideration by members of the WCO. Outcomes from these consultations have then fed into Australia's input into decisions taken in the WCO regarding HS changes. No specific consultation took place with States and Territories because the impact of the changes is negligible.⁹

Implementation

- 8.11 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 7 September 2006. The Bill was passed on 19 October 2006 and assented to on 4 November 2006.¹⁰
- 8.12 The amendments to SAFTA Annexes 2C and 2D could not enter into force on 1 January 2007 because Singapore had not agreed to the additional technical amendments until 5 January 2007. Practical measures were implemented to ensure that trade between Australia and Singapore was not impeded when the HS2007 came into effect on 1 January 2007.¹¹

We are not aware of any SAFTA related problems resulting from the delay in amending the agreement to bring it into line with HS2007, which was implemented domestically on 1 January 2007.¹²

9 Ms Pauline Bygraves, Department of Foreign Affairs and Trade, *Transcript of Evidence*, 22 June 2007, p. 2.

10 NIA, para. 10.

11 NIA, para. 11.

12 Ms Pauline Bygraves, Department of Foreign Affairs and Trade, *Transcript of Evidence*, 22 June 2007, p. 2.

Recommendation

Recommendation 7

The Committee supports the *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)* and recommends binding treaty action be taken.

