

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 HARMONIZED COMMODITY DESCRIPTION AND CODING SYSTEM TO COME INTO EFFECT ON 1 JANUARY 2007

EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT BETWEEN THE GOVERNMENT OF AUSTRALIA AND THE GOVERNMENT OF THE UNITED STATES OF AMERICA TO AMEND ANNEX 4-A AND ANNEX 5-A OF THE AUSTRALIA-UNITED STATES FREE TRADE AGREEMENT (AUSFTA) TO ENSURE COMPLIANCE WITH CHANGES TO THE HARMONIZED COMMODITY DESCRIPTION AND CODING SYSTEM TO COME INTO EFFECT ON 1 JANUARY 2007

Documents tabled on 8 August 2006:

**National Interest Analysis [2006] ATNIA 26
with attachment on consultation**

Texts of the proposed treaty actions

Background information:

**Political briefs and economic fact sheets on Singapore and the
United States of America**

Lists of other treaties with Singapore and the United States of America

Lists of treaties of the same type with other countries

NATIONAL INTEREST ANALYSIS: CATEGORY 1 TREATIES

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 Harmonized Commodity Description and Coding System to come into effect on 1 January 2007

Exchange of Notes constituting an Agreement between the Government of Australia and the Government of the United States of America to Amend Annex 4-A and Annex 5-A of the Australia-United States Free Trade Agreement (AUSFTA) to ensure compliance with changes to the Harmonized Commodity Description and Coding System to come into effect on 1 January 2007

Nature and timing of proposed treaty actions

1. It is proposed to bring into force Agreements to amend the Singapore-Australia Free Trade Agreement (SAFTA) of 17 February 2003 [2003] ATS 16 and the Australia-United States Free Trade Agreement (AUSFTA) of 18 May 2004 [2005] ATS 1 (together the 'Amending Agreements'). The Amending Agreements will replace the following with annexes that have tariff line numbers that comply with the 2007 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); **SAFTA Annex 2D** (List Of Goods Subject to 30% Threshold); **AUSFTA Annex 4-A** (Textile or Apparel Specific Rules of Origin For Chapters 42, 50 through 63, 70, and 94); and **AUSFTA Annex 5-A** (Specific Rules of Origin).
2. The Amending Agreements will come into force on 1 January 2007 by an exchange of Diplomatic Notes. The Notes will be exchanged once Australia's internal processes are completed and before the Agreements come into force.

Overview and national interest summary

3. 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 its free trade agreement (FTA) partners 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 next set of amendments will come 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.
4. SAFTA and AUSFTA include annexes that detail how specific goods will be treated when they are traded between Australia and Singapore and Australia and the United States respectively. These goods are identified by their HS number. The purpose of the Amending Agreements is to ensure SAFTA and AUSFTA continue to reflect the internationally agreed HS as amended by HS2007. If SAFTA and AUSFTA are 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 and AUSFTA. This could lead to delays in processing some goods through customs, when they are traded between Australia and Singapore and or Australia and the United States, because it will be unclear how these goods should be treated under the terms of SAFTA or AUSFTA as the case may be.

Reasons for Australia to take the proposed treaty action

5. The purpose of the proposed action is to ensure that the tariff line numbers identifying goods in SAFTA and AUSFTA accurately reflect the internationally agreed descriptions of goods as defined in the HS. Differences between the numbers used to classify goods in SAFTA and AUSFTA 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 amendments to SAFTA and AUSFTA seek to avoid possible confusion and subsequent delays in processing by customs authorities.

6. The proposed amendments to SAFTA and AUSFTA have been agreed to by the Government of Singapore and the Government of the United States of America respectively.

7. As HS2007 will come into effect on 1 January 2007, it is proposed that the Amending Agreements also come into force on 1 January 2007.

Obligations

8. The proposed changes to SAFTA and AUSFTA will not impose any additional obligations on Australia.

Implementation

9. Changes to SAFTA Annexes 2C and 2D and AUSFTA Annexes 4-A and 5-A will require importers and exporters who trade goods between Australia and Singapore and or Australia and the United States to ensure that the tariff line number they use to describe their goods for customs purposes remains current after 1 January 2007.

10. The Australian Customs Service will issue an Australian Customs Notice before these amendments come into force to formally notify affected parties of the changes. The Australian Customs Service will also directly notify those importers and exporters who will be affected by the changes and who have previously sought formal advance rulings as to the correct tariff line number pertaining to their particular goods. These importers and exporters will be provided with new advice, before the changes comes into force, as to the amended tariff line number that applies to their goods after 1 January 2007.

Costs

11. The cost to the Australian Customs Service to provide this service will be negligible.

12. The cost of the amendments to SAFTA and AUSFTA to Australian business will be negligible.

Regulation Impact Statement

13. The Office of Regulation Review 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 and AUSFTA.

Future Treaty Action

14. SAFTA and AUSFTA contain provisions for consultation and amendment. These provisions are located in the following articles:

SAFTA: Chapter 16 (Dispute Settlement) Article 2 (Consultations), and Chapter 17 Article 7 (Amendments).

AUSFTA: Article 21.5 (Consultations), and Article 23.3 (Amendments).

15. The amendment provisions in both agreements require the parties to agree in writing to amendments. Once all necessary domestic requirements are complete, amendments will then come into force on the date specified in the Diplomatic Notes. Australia's domestic requirements include tabling in Parliament and consideration by the Parliamentary Joint Standing Committee on Treaties (JSCOT). SAFTA and AUSFTA 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 will be 1 January 2012.

Withdrawal or denunciation

16. SAFTA and AUSFTA contain provisions for termination of the Agreement. These provisions are located in the following articles:

SAFTA: Chapter 17 Article 8 (Entry into Force, Duration and Termination).

AUSFTA: Article 23.4 (Entry into Force and Termination).

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

Contact details

FTA Commitments and Implementation Section
Office of Trade Negotiations
Department of Foreign Affairs and Trade.

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 Harmonized Commodity Description and Coding System to come into effect on 1 January 2007

Exchange of Notes constituting an Agreement between the Government of Australia and the Government of the United States of America to Amend Annex 4-A and Annex 5-A of the Australia-United States Free Trade Agreement (AUSFTA) to ensure compliance with changes to the Harmonized Commodity Description and Coding System to come into effect on 1 January 2007

Consultation

1. The HS2007 changes have been under discussion in the World Customs Organization (WCO) since changes were last made to the HS in 2002. Because changes are made to the HS every five years, the Australian Customs Service has consulted with the Department of Industry, Tourism and Resources and other relevant Government agencies if and when issues pertaining to particular industries have been raised for consideration by members of the WCO. Outcomes from these *ad hoc* consultations have then fed into Australia's input into decisions taken in the WCO regarding changes to the HS.
2. No specific consultations have been held with the States and Territories on HS2007 because of the negligible impact of the changes.
3. Australian industry was consulted by the Government early in the evaluation processes for changes to the annexes, particularly the chemicals and automotive parts industries, to ensure the required changes to the relevant tariff line numbers remained workable. No negative responses were received in these consultations.

Singapore: Country Brief

Singapore is a Republic. It has a parliamentary system of Government and an elected President as the Head of State. Parliament is elected by general election every five years. The first sitting of Parliament was held on 8 December 1965. The first general election for Parliament was held on 13 April 1968. The present Parliament, elected on 6 May 2006, has 84 elected members, one Non-Constituency MP (NCMP) and nine Nominated MPs who represent various professional and business sectors. The Judiciary administers the law independently of the Executive.

The political scene in Singapore has been dominated by the People's Action Party (PAP) since 1959. The party has won eleven general elections in succession. The last general elections were held on 6 May 2006. There are only three opposition members in the current Parliament. The Singapore Cabinet is led by the Prime Minister, who is appointed by the President, as the Member of Parliament who commands the confidence of the majority of the Members of Parliament. On the advice of the Prime Minister, the President appoints other ministers from among the Members of Parliament to form the Cabinet. Singapore's current Prime Minister is Mr Lee Hsien Loong, who assumed the post in August 2004 and was re-elected in 2006.

Singapore is an important hub for the South East Asian region. It has a dynamic economy, and strong service and manufacturing sectors. Its port, airport and road systems are among the best in the world. Singapore's economy has always depended on international trade and on the sale of services. Its merchandise trade is three times its gross domestic product (GDP). This includes a large volume of re-exports, reflecting Singapore's position as a trans-shipment hub. Its major industries include petroleum refining, electronics, oil drilling equipment, rubber products, processed food and beverages, ship repair, financial services and pharmaceutical manufacturing. It is moving to reduce its reliance on the manufacture and export of electronics by developing its services sector, as well as its chemical, petrochemical and biotechnology industries.

Singapore has also sought to position itself as a regional hub and regional pace-setter in economic development and reform. In particular, the Government has introduced measures to enhance Singapore's position as a regional hub for financial, education and transport services. In the 2006 budget the Prime Minister announced measures that would be introduced for the education and training of Singaporeans, with a focus on the "knowledge economy".

One of the guiding principles of Singapore's foreign policy is its commitment to maintaining a secure and stable environment politically and economically in and around Southeast Asia. Singapore's active membership of the Association of Southeast Asian Nations (ASEAN) is central to Singapore's foreign policy. As a founding member of ASEAN, Singapore remains a strong supporter of ASEAN and is committed to its activities, including efforts to forge ahead with the ASEAN Free Trade Area (AFTA) and the ASEAN Investment Area (AIA). Singapore is keen to promote regional integration, and is active in efforts to this end. Singapore strongly supported Indian, Australia and New Zealand participation in the East Asia Summit, and continues to support open and inclusive regional economic integration.



SINGAPORE

Fact Sheet

General information:

Fact sheets are updated biannually; May and September

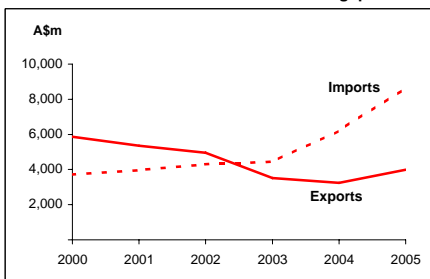
Capital:	Singapore
Surface area:	1 thousand sq km
Official languages:	Malay; Chinese (Mandarin); Tamil; English
Population:	4.3 million (2005)
Exchange rate:	A\$1 = S\$ 1.2233 (Jan 2006)

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

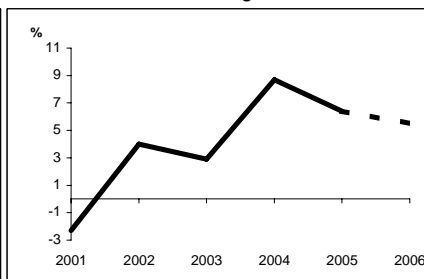
Head of Government:
H.E. Prime Minister Mr Lee Hsien Loong

<i>Recent economic indicators:</i>	2001	2002	2003	2004	2005(a)	2006(b)
GDP (US\$bn) (current prices):	85.6	88.5	92.7	107.5	117.9	129.3
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	21,849	24,898	26,835	28,940
GDP per capita PPP (US\$) (c):	23,218	24,137	24,536	26,832	28,100	29,462
Real GDP growth (% change YOY):	-2.3	4.0	2.9	8.7	6.4	5.5
Current account balance (US\$m):	11,781	11,887	22,319	26,300	33,584	34,494
Current account balance (% GDP):	13.8	13.4	24.1	24.5	28.5	26.7
Goods & services exports (% GDP):	191.6	192.3	213.5	230.4	243.0	241.3
Inflation (% change YOY):	1.0	-0.4	0.5	1.7	0.5	2.0

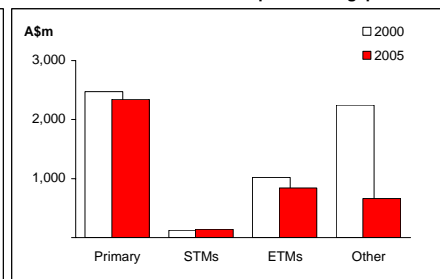
Australia's merchandise trade with Singapore



Real GDP growth



Australia's merchandise exports to Singapore



Australia's trade relationship with Singapore:

Australian merchandise trade with Singapore, 2005:

Exports to Singapore (A\$m):	3,988
Imports from Singapore (A\$m):	8,659
Total trade (exports + imports) (A\$m):	12,647

Total share:	Rank:	Growth (yoy):
2.9%	10th	22.8%
5.6%	5th	39.6%
4.3%	6th	33.8%

Major Australian merch. exports, 2005 (A\$m):

Crude petroleum	1,277
Refined petroleum	481
Non-monetary gold	280
Milk and cream	142

Major Australian merch. imports, 2005 (A\$m):

Refined petroleum	4,522
Non-monetary gold	689
Computers	364
Telecommunications equipment	269

Australia's trade in services with Singapore, 2005:

Exports of services to Singapore (A\$m):	2,418
Imports of services from Singapore (A\$m):	2,832

Total share:

6.5%
7.4%

Major Australian service exports, 2005 (A\$m):

Transportation	1,039
Other business services	483

Major Australian service imports, 2005 (A\$m):

Transportation	2,135
Personal travel excl. education	244

Singapore's global merchandise trade relationships:

Singapore's principal export destinations, 2005:

1	Malaysia	13.2%
2	United States	10.2%
3	Indonesia	9.6%
9	Australia	3.7%

Singapore's principal import sources, 2005:

1	Malaysia	13.7%
2	United States	11.6%
3	China	10.3%
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/EIU forecast; (c) PPP is purchasing power parity.

LIST OF OTHER TREATIES WITH SINGAPORE

- Agreement between the Governments of the Federation of Malaya and the State of Singapore and the Government of the Commonwealth of Australia concerning the Exchange Postal Parcels subject to Trade Changes between Malaya and Christmas Island [1962] ATS 15
- Agreement between the Governments of the Federation of Malaya and the State of Singapore and the Government of the Commonwealth of Australia concerning the Exchange of Parcels by Parcel Post between Malaya and Christmas Island [1962] ATS 15
- 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 with the Republic of Singapore Extending 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 operating 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 amending the Agreement concerning the Provision of Treatment in Singapore Hospitals for Asian Residents of Christmas Island, 1968 [1982] ATS 16
- Exchange of Notes constituting an Agreement with the Republic of Singapore to Terminate the Agreement concerning the Provision of Treatment in Singapore Hospitals for Asian Residents of Christmas Island of 27 June 1968 [1985] 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 concerning the Use of Shoalwater Bay Training Area and the Associated Use of Storage Facilities in Australia
[1995] ATS 14
- 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
- Exchange of Notes constituting an Agreement to amend the Agreement with the Republic of Singapore concerning the Use of Shoalwater Bay Training Area and the Associated Use of Storage Facilities in Australia of 17 February 1995
[1999] ATS 5
- Agreement with the Republic of Singapore concerning the Use of Shoalwater Bay Training Area and the Associated Use of Storage Facilities in Australia
[2000] ATS 7
- Mutual Recognition Agreement on Conformity Assessment with the Republic of Singapore
[2001] ATS 9
- Singapore-Australia Free Trade Agreement
[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

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
- 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

August 2006