

GOVERNMENT RESPONSE TO

REPORT 80 OF THE

JOINT STANDING COMMITTEE ON TREATIES

Government Response to Report 80 of the Joint Standing Committee on Treaties

Exchange of Letters constituting an Agreement with New Zealand to amend Article 3 of the Australia New Zealand Closer Economic Relations Trade Agreement

Recommendation 1

The Committee recommends Austrade make greater use of its database of businesses to consult at a business level as was done during the negotiations for AUSFTA.

Extensive industry consultations were conducted by the Government throughout the period of bilateral negotiations on the new Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) Rules of Origin (ROO). These confirmed broad industry support for the change in tariff classification (CTC)-based ROO arrangements.

The Department of Foreign Affairs and Trade (DFAT), the Department of Industry, Tourism and Resources and the Department of Agriculture, Fisheries and Forestry (DAFF) undertook industry-wide and individual company consultations. Industry groups consulted during the development of the proposed new ROO included the Distilled Spirits Industry Council of Australia (DSICA), Confectionery Manufacturers of Australasia (CMA), Dairy Australia, the Wine and Brandy Corporation and Wine Makers' Federation, the Australian Industry Group (AIG), the Australian Seafood Industry Council, the National Association for Forest Industries, Australian Plantation Products and Paper Industry Council (A3P), Australian Pork, Queensland Sugar, Horticulture Australia, National Farmers' Federation, the Australian Food and Grocery Council (AFGC), the Plastics and Chemicals Industry Association (PACIA), the Australian Electrical and Electronic Manufacturers Association (AEEMA) and the Federation of Automotive Products Manufacturers (FAPM).

The proposal was also publicized on the DFAT and DAFF websites and in newspaper advertisements in *The Australian* and the *Australian Financial Review* on 16 and 22 July 2005 respectively.

The Ministers for Trade and Industry received representations from a company in July 2006 that its business could be harmed by the introduction of CTC-based ANZCERTA ROO. As a member of the Australian Industry Group, this company had been informed of potential changes to ANZCERTA ROO through the Group's newsletter in December 2004, but apparently chose not to comment during the Government's industry consultations.

The Government will continue to consult extensively with industry during free trade agreement negotiations, as was the case for ANZCERTA ROO. Where appropriate, DFAT will continue to use the Austrade database to disseminate information to the Australian export community and to alert Australian companies to any review of market access conditions.

Dissenting Report - Exchange of Letters constituting an Agreement with New Zealand to amend Article 3 of the Australia New Zealand Closer Economic Relations Trade Agreement

Recommendation B

Negotiations between Australia and New Zealand commence immediately to secure agreement on retention of the RVC method of calculating ROO under the current ANZCERTA for tariff line 3402.20 before the Amending Agreement comes into force.

The Customs Legislation Amendment (New Zealand Rules of Origin) Act 2006 entered into force on 1 January 2007 and brought into effect a new CTC-based approach for the ANZCERTA ROO. This change was overwhelmingly supported by industry as it will simplify the rules for trans-Tasman duty free trade, reduce compliance costs for business, enhance transparency and efficiency in the administration of the ROO and contribute to increased trans-Tasman trade. It also brought ANZCERTA ROO into line with Australia's more recent free trade agreements.

The Government was approached by one company raising concerns regarding changes to ANZCERTA ROO tariff line 3402.20 only after consultations with industry and negotiations with New Zealand had been completed.

As a result of these concerns, the Government undertook further consultations with Australian industry associations and found that there was no consensus in favour of retaining the regional value content (RVC) method of calculating ROO for tariff line 3402.20.

The Government nevertheless raised this case repeatedly with New Zealand at Ministerial and other levels. The Hon Mark Vaile MP (then Minister for Trade) and the Hon Ian Macfarlane MP raised the issue with the Hon Phil Goff at the CER Ministerial Meeting on 20 September and requested that the RVC rule be retained exclusively for tariff line 3402.20. This request was reiterated to Mr Goff in a letter from Mr Vaile dated 26 September and by Mr Truss in person in the margins of an APEC meeting in Hanoi on 14 November. Mr Goff replied consistently that New Zealand was not in a position to renegotiate at such a late stage a final agreement representing a finely-balanced package which both countries could accept.

The Government will continue to monitor the matter as a possible issue to be raised with New Zealand, as part of the formal review of ANZCERTA ROO which is due within three years.