



Council of TEXTILE & FASHION Industries of Australia Limited  
ACN 095 502 492

Ms Julia Morris  
Inquiry Secretary – Australia-United States Free Trade Agreement  
Joint Standing Committee on Treaties  
Parliament of Australia  
Parliament House  
Canberra, ACT 2600

RECEIVED  
16 APR 2004

Dear Ms Morris,

BY: .....

The Council of Textile and Fashion Industries of Australia Limited (TFIA) is the peak industry body representing firms and organisations covering textile and clothing activities in Australia. The industry provides 80,000 jobs in regional and metropolitan areas, particularly for females. Its annual sales are more than \$9 billion a year and exports continue to grow rapidly. However, the sector also faces strong overseas competition in both domestic and international markets.

I am responding to your request on behalf of the Joint Standing Committee on Treaties (JSCT) for comments on the proposed Australia-United States Free Trade Agreement (AUSFTA). From the perspective of the TFIA and its members the final outcome of the negotiations as outlined in the draft text produces a rather neutral result as it maintains, in large part, the status quo.

Following the announcement by the Trade Minister of the start of negotiations on the agreement, the TFIA's initial apprehensions faded to some degree in light of the potential benefits for many sub-sectors of the Australian TCF industry that became apparent. The potential access to United States (US) private and public markets likely afforded by the agreement was expected to provide strong benefits for apparel and industrial/advanced textiles among others. While there was the potential for an increase in the level of imports under the agreement these benefits were still seen as significant.

Unfortunately, as negotiations progressed the US made it clear that they would not remove the so called 'fibre forward' and 'yarn forward' conditions from the Rules Of Origin (ROO) proposed under the agreement. In simple terms these conditions require:

- *Fibre forward*
  - *cotton and man-made fibre spun or extruded yarns and knitted fabrics must be produced from fibres or filaments grown or formed in one or other of the parties;*
- *Yarn forward*
  - *fabrics produced for export be made up of yarns wholly formed in one or other of the Parties to the Agreement; and*
  - *apparel for export be produced from fabrics entirely formed in one or other of the Parties using yarns wholly formed in one or other of the Parties. The apparel must also be cut or knit to shape or otherwise assembled in one or other of the Parties.<sup>1</sup>*

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<sup>1</sup> Taken from Chapter 4 of the 'Australia-United States Free Trade Agreement Guide to the Agreement' prepared by the Department of Foreign Affairs and Trade and published on their website.

These rules negate the bulk of Australian TCF products from preferential access under the agreement by virtue of the fact that the fibre or yarn for much of these products is not produced or wholly formed in Australia being generally imported from third countries outside of the agreement. While it would be possible to source US fibres and yarn or commence production in Australia this would place the price of the finished Australian products well above those of equivalent US products and third country imports in the marketplace.

In response to this US position the TFIA proposed that Australia provide an almost negligible margin of preference to US TCF goods – as a result all US goods meeting the yarn or fibre forward criteria receive a 2% reduction of the normal Most Favoured Nation (MFN) tariff rate. As such Australia will maintain tariffs against US TCF goods until at least 2015 (under current Federal Government policy).

On a more positive note there will likely be some benefit for companies supplying intermediate materials to other sectors of the Australian economy – automotive for example, but these will be limited and well below the benefits had free and open trade in TCF been achieved under AUSFTA. Some companies may benefit from the opening up of the Government procurement market in the US but this is difficult to determine given the different legal requirements and other obligations that different US Government departments have in respect to the supply of goods.

While unlikely to be used given the marginal tariff preference the TFIA and its members support the inclusion of safeguards in the agreement. As provided for in the draft text they will offer a valid and reasonable means for companies in one party to redress exploitative behaviour by companies from the other party.

The TFIA would also like to note an error within the United States General Notes to the United States Tariff Schedule relating to the reduction amount for staging categories Tx, T2 and T3 as noted in Section 4(h), (i) and (j) of the notes text respectively. Currently they note that the United States will apply a rate – to qualifying Australian goods – that is 0.9 percent of the base rate. It is our understanding that this should read 90 percent of the base rate. This would reflect the general agreement that Australia would receive a 10% reduction in the tariff rates of these products. There is a significant difference in tariff levels between a 0.9% reduction and 90% reduction and this must be amended in the final text.

Finally, the TFIA would like to comment on the negotiators themselves. Throughout the negotiations the TFIA remained in close contact with the Australian negotiating team and recognises and thanks them for the amount of time, effort and resources they applied in their attempt to achieve a positive outcome for the Australian TCF sector.

At this stage the TFIA does not intend to attend a public hearing but is happy to meet with the Committee if you would like further information at any stage.

Please contact Ashley Van Krieken or myself if you or the Committee require further information or clarification on the points made in this letter or wish to meet with us.

Yours sincerely,



Tony McDonald  
Executive Director

13 April 2004