

Background

Negotiation of the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) was the first plurilateral free trade agreement (FTA) negotiation embarked upon by Australia. It was also the first time Australia and New Zealand were involved jointly in negotiating an FTA with third countries and the first time ASEAN embarked on comprehensive FTA negotiations covering all sectors simultaneously.

The AANZFTA negotiations originated in the suggestion made by the former Thai Deputy Prime Minister, Mr Supachai, at the National Trade and Investment Outlook Conference in Melbourne in November 1993, to explore the prospects for a link between the ASEAN Free Trade Area (AFTA) and the Australia-New Zealand Closer Economic Relations (CER) Trade Agreement. A High Level Task Force report in 2000, entitled '[The Angkor Agenda](#)', argued in favour of the formation of a free trade area between AFTA and CER. The report concluded that establishing an AFTA-CER free trade area was not only feasible but also advisable if both ASEAN and CER were to keep pace with global developments. Economic modelling by the Centre for International Economics at that time indicated gains of US\$48.1 billion of GDP (US\$19.1 billion for Australia). The report was produced against the background of: the 1997-98 East Asian Financial Crisis; the increasing competitive challenge from rapidly emerging economies such as China and India; and the global spread of free trade agreements (FTAs) that accelerated following the failure of the 1999 Seattle World Trade Organization (WTO) Ministerial meeting to launch a new WTO Round.

For various reasons, the AFTA-CER FTA proposal was not accepted. Instead, in September 2002, Ministers signed an AFTA-CER Closer Economic Partnership (CEP) agreement. The CEP aimed to deepen the level of economic integration between Australia-New Zealand and the countries of ASEAN through a work program focused on trade facilitation and capacity building.

ASEAN's interest in taking the CEP to a higher level was announced in April 2004. The formal decision to launch AANZFTA negotiations was taken by leaders at the ASEAN-Australia-New Zealand Commemorative Summit in November 2004. Leaders agreed to a comprehensive set of '[Guiding Principles](#)' for the negotiations. The Guiding Principles committed countries to negotiate an agreement that covers goods, services and investment; the progressive elimination of all forms of barriers to trade and investment; and full implementation within ten years. The negotiations subsequently concluded at the ASEAN Economic Ministers-CER Trade Ministers meeting in August 2008, although it was also agreed that Australia would continue negotiating bilaterally with Indonesia and Malaysia with a view to improving automotive tariff commitments from those countries and to finalising those negotiations in time for AANZFTA to be ready for signature in December 2008. Although the negotiations were conducted between Australia, New Zealand and ASEAN as an entity, the completed FTA has resulted in separate market access commitments for Australia, New Zealand and each of the ten ASEAN member countries.

Australia's negotiating approach to AANZFTA was aimed at reaching an outcome that would be WTO-consistent, support the multilateral trading system, preserve the benefits contained in Australia's existing bilateral FTAs and offer new opportunities for Australian exporters and investors.

Improved access and certainty in ASEAN markets resulting from AANZFTA would be commercially significant for Australian industry, particularly in the Indonesian, Malaysian, Philippines and Vietnamese markets, where we do not have bilateral FTAs. In Vietnam's case, AANZFTA provides an opportunity to build on the 2006 bilateral settlement agreed with Vietnam as part of its WTO accession. Australia's trade with Brunei and ASEAN's three Least Developed Countries (Burma, Cambodia and Laos) is modest, although Australian industry has growing interests in the Cambodian and Lao markets, especially investment in the mining and resource sectors.

AANZFTA has the potential to generate broader benefits than a series of bilateral FTAs, by creating opportunities for Australian products to tap into regional supply chains.

ASEAN member countries have committed to establishing an [ASEAN Economic Community](#) by 2015. This is aimed at bringing down barriers to goods, services, skilled labour and capital, to create a single market in a region with more than 570 million people and a combined GDP of more than US\$1 trillion. This could help ASEAN to establish itself as a higher growth area in Asia.