

## **MAFTA Factsheet: Trade in Goods**

The Malaysia-Australia Free Trade Agreement (MAFTA) provides a liberal framework for enhanced trade in goods between Malaysia and Australia. It builds on the commitments that Malaysia and Australia have made in the Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) by earlier and more extensive tariff elimination, important commitments on non-tariff restrictions, and streamlined administrative arrangements for trading when using MAFTA.

### **MAFTA achieves high levels of tariff elimination – measured by both tariff lines and trade coverage**

- . Malaysia bound tariff-free access on 94.8 per cent of tariff lines from entry into force of the Agreement on 1 January 2013. This will increase each year to reach 98.6 per cent of lines in 2016 and 98.8 per cent in 2020;
  - in 2013 tariff-free access will apply to 97.6 per cent of 2009-2011 average imports into Malaysia from Australia. This will increase to 98.9 per cent in 2016 and 99 per cent in 2017.
- . Australia bound tariff-free access on all tariff lines from entry into force of the Agreement.

### **MAFTA has trade facilitating rules of origin**

- . Goods exported from Australia are able to claim MAFTA tariff treatment on the basis of a declaration of origin completed by the exporter on either the commercial invoice or on a company letter
  - this provides Australian exporters with a more business-friendly arrangement than the certificate of origin issued by a third party that is required for goods making use of AANZFTA; and
  - Malaysia still requires its exporters to obtain a certificate of origin from its authorised body when exporting to Australia under MAFTA. However, the Agreement provides that Malaysia can decide to move to a declaration of origin approach in the future.

- For most goods, MAFTA provides for “co-equal” rules of origin similar to those in AANZFTA. The exporter will be able to claim origin on the basis of either:
  - a change of tariff classification (CTC) rule; or
  - a value-added rule (“regional value content”).
- The rules of origin also have business-friendly requirements on issues such as the use of distribution hubs.

## **AANZFTA-Plus Market Access Outcomes**

### **Liquid Milk - Expanded Tariff Quota Access and New Opportunities to Import Higher Value Retail Product**

- This remains subject to three tariff quotas. The in-quota tariff rate will be 0 per cent and the out-of-quota tariff will be 20 per cent.
- The tariff quotas are additional to those provided under AANZFTA, and will be subject to annual growth in perpetuity. The size of the three quotas in 2013 and their annual growth rates are:

<b>HS 2012 Code</b>	<b>Description</b>	<b>Unit</b>	<b>2013 Volume</b>	<b>Annual Growth</b>
0401.10.100	Fat content not exceeding 1%	Litres	100,000	3%
0401.20.100	Fat content exceeding 1% but not exceeding 6%	Litres	500,000	9%
0401.40.110	Fat content exceeding 6% but not exceeding 10%	Litres	20,600	3%

- For 35% of the tariff quotas for 0401.10.100 and 0401.20.100, the import licensing arrangements are subject to an open licensing system that:
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  - allocates licenses on a first-come, first-served basis;
  - allows anyone to apply for a license; and
  - allows imports in either bulk or retail packs.

### **Automotive Sector - Early Tariff Elimination and Removal of Quantitative Import Restriction for Australian Cars**

- Virtually all Malaysian tariffs on automotive parts and components were eliminated on entry into force of the Agreement.
- Tariffs on new completely-built-up motor vehicles with petrol engines exceeding 2000 cc or diesel engines exceeding 2500 cc were eliminated on entry into force of the Agreement.
- Tariffs on new completely-built-up motor vehicles with smaller engines will be phased down and eliminated in 2016. The tariff phasing will be:
  - 2013: 15 per cent;
  - 2014: 10 per cent; and
  - 2015: 5 per cent.
- Imports of new completely-built-up motor vehicles from Australia are exempt from Malaysia's quantitative import restriction on such vehicles.
- There are also arrangements for enhanced economic and technical cooperation between the Australian and Malaysian automotive industries and the establishment of a Malaysia-Australia Automotive Industry Dialogue to provide a forum to:
  - promote greater networking between the industries;
  - identify opportunities for their cooperation; and
  - raise any policy or other issues that may be hampering increased cooperation and trade between the two automotive sectors.

### **Iron and Steel - Elimination of all Tariffs**

- Iron and steel (Chapter 72 of the Tariff) will have all tariffs eliminated by 2020:
  - 95.8 per cent of tariff lines, accounting for 96.4 per cent of 2009-2011 average imports by Malaysia of Chapter 72 products from Australia, will have tariff-free treatment from 2016; and

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- this will increase to 96.7 per cent of tariff lines, accounting for 99.9 per cent of 2009-2011 average imports, with tariff-free treatment from 2017.
- This is a significant AANZFTA-plus outcome – in AANZFTA tariffs are not eliminated on 43 per cent of tariff lines of Chapter 72, accounting for 28 per cent of 2009-2011 average imports.
- Articles of iron and steel (Chapter 73 of the Tariff) have tariff-free access from 2013, the same as in AANZFTA.

### **Plastics and Chemicals - Immediate Tariff Elimination**

- Malaysia eliminated all plastics and chemicals tariffs on entry into force of the Agreement, except for sulphuric acid and petroleum (HS 2007 Code 2807.00.000) on which the tariff will be eliminated in 2016.

### **A Range of Processed Foods and Manufactured Products - Immediate Tariff Elimination**

- Malaysia eliminated tariffs from entry into force of the Agreement on a range of processed foods and manufactured products which are subject to a longer phase-out period in AANZFTA.

### **Wine - Guarantee of Best Treatment Given to Any Country**

- While Malaysia has not made any specific commitments on reducing or eliminating its tariffs on wine, it has given a legally-binding commitment that wine imports from Australia will be subject to as favourable a treatment as imports from any other country in regards to tariffs and the application of any import licensing or other non-tariff measures.

### **Rice - Eventual Tariff Elimination and Open Market Conditions**

- Rice is excluded from tariff commitments until 2023, when the tariff will be bound at 30 per cent and then reduced annually until it is eliminated in 2026.
- From 2023 rice imports from Australia will be subject to an open licensing system instead of the current monopoly import arrangements:
  - there will be no restriction on who can import rice; and

- there will be no restriction on whether product is imported in bulk or retail packs.

### **Fruit - All Tariffs Eliminated**

- . A small number of fruits, including mangoes, watermelons, other melons and some tropical fruits, do not benefit from full tariff elimination in AANZFTA. Tariffs on these fruits will be eliminated in MAFTA in 2015 or 2016. Other fruits will have tariff-free treatment from MAFTA's entry into force.

### **Improved Tariff Quota Access for Some Agricultural Products**

- . A small number of agricultural products, in addition to liquid milk, are still be subject to tariff quotas. MAFTA provides for tariff quotas for these products that is additional to what is provided under AANZFTA.
- . In particular, the tariff quotas that apply to certain types of pork and chicken meat products are more commercially meaningful than those in AANZFTA.