



05 JUNE 2017

South-East Asia Investment and Services Branch
Free Trade Agreement Division
Department of Foreign Affairs and Trade
RG Casey Building
John McEwan Crescent
Canberra ACT 0211

Dear Sir/Madam,

The Export Council of Australia (ECA) is pleased to make a submission regarding the general review of the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA).

The ECA is the peak industry body for Australia's exporters and importers, particularly small and medium-sized enterprises (SMEs). With a membership base of around 1,000 and a reach of over 15,000, the ECA represents companies of all sizes and across a wide range of industries.

The ECA's core activities include research, advocacy, skills development and events. The ECA collaborates with a number of government agencies, both Commonwealth and state, to advance the interests of its members and support SMEs. These agencies include the Department of Foreign Affairs and Trade, Austrade, Efic, the Department of Immigration and Border Protection, the Department of Industry, Innovation and Science, and the Department of Agriculture.

General comments on AANZFTA

The ECA supports the objective of stronger trade and investment relationships with the countries of ASEAN, and it supports AANZFTA.

This ECA is concerned that Australian businesses do not fully utilise the benefits of the agreement. Australia's International Business Survey 2015, which the ECA runs with support from Austrade and Efic, found Australian businesses lacked an understanding of the agreement. Of the 555 businesses that said they did business with ASEAN countries, 50% said they did not understand whether and how the agreement would apply to their business. (This agreement has the second-lowest level of understanding of Australia's FTAs, behind the Australia-Chile FTA.) A further 19% of businesses said they chose not to use the FTA, and 9% said they didn't know the FTA existed.

The ECA commends DFAT for driving negotiations that led to the First Protocol, which removed the requirement for the FOB value of goods to be removed from a certificate of origin.

The ECA also applauds DFAT for including AANZFTA in its FTA portal. This will help goods exporters understand how the FTA will benefit them. But the portal does little to help services exporters understand their entitlements under AANZFTA. The ECA recommends DFAT update the portal to better outline the benefits for service exporters across all agreements.

Recommendations for the AANZFTA general review

To add to DFAT's efforts to increase awareness of whether and how AANZFTA benefits Australian businesses, the ECA recommends the Australian Government pursue some small but significant

changes as part of the AANZFTA general review. These changes are aimed at making the agreement easier to use, and lowering the compliance costs to accessing its benefits.

These recommendations are based on discussions with the ECA's members who do business in and with ASEAN.

Recommendation one: Simplify rules of origin (RoO).

Feedback from members who export goods to ASEAN is that rule of origin requirements, and certification of product origin, are cumbersome for AANZFTA compared to many other FTAs.

To simplify this, the ECA recommends amending AANZFTA to implement the same outcomes that the Trans-Pacific Partnership (TPP which Australia, New Zealand, and several ASEAN members are parties to) was to deliver:

"The TPP will adopt a self-certification process, meaning an importer, exporter or producer can self-certify that the good meets the applicable rule of origin for the good. These certificates will be acceptable for use when claiming a tariff preference into any TPP Party.

If requested, the importer, exporter or producer will need to produce evidence that a good meets the applicable rule of origin. Such records will need to be maintained for at least five years."

The ECA would support amending AANZFTA to:

- Allow self-certification
- Allow certificates of origin to be submitted electronically
- Adopt HS 2017
- Remove the requirement for goods to retain originating status, if transiting through a non-party, for the transit to be 'justified for geographical, economic or logistical reasons'
- Lower RoO requirements by lowering the percentage of regional content required and lessening the transformation required (i.e. from CC to CTH or from CTH to CTSN) to access AANZFTA.

Recommendation two: introduce measures to improve trade facilitation

In addition to simplifying RoO, the ECA recommends negotiators consider bringing AANZFTA into line with other regional agreements by introducing a chapter on trade facilitation, with the objecting of lowering the cost of trade between the parties.

Modelled on the corresponding TPP chapter, and in line with the Trade Facilitation Agreement, an AANZFTA chapter on trade facilitation could introduce measures to significantly lower the cost and risks of trade between members.



Recommendation three: upgrade AANZFTA to be a more modern agreement

The ECA recommends the review take further measures to become a more 'modern' agreement. These should include:

- Better mechanisms to address non-tariff measures
- Upgrade Chapter 17 (on dispute settlement) to be more in line with the TPP
- Including a chapter on government procurement
- Other chapters modelled on the TPP provisions, such as SOEs and monopolies, labour, environment, capacity-building, regulatory coherence, etc.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Lisa McAuley', is positioned above the printed name and title.

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A handwritten signature in black ink, appearing to read 'Heath Baker', is positioned above the printed name and title.

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