

STUDY OF A BILATERAL FREE TRADE AGREEMENT (FTA) BETWEEN AUSTRALIA AND MALAYSIA

TERMS OF REFERENCE

At the Australia-Malaysia Joint Trade Committee Meeting on 26 July, Australia's Trade Minister Mr Mark Vaile, and his Malaysian counterpart, Minister for International Trade and Industry Rafidah Aziz, agreed that the two countries would "conduct parallel scoping studies of an FTA between Australia and Malaysia".

2. The Australian Department of Foreign Affairs and Trade is to undertake the Australian scoping study, with input from other interested Departments and agencies and in consultation with industry and other interested groups. It is to be submitted to Ministers in the first quarter of 2005.

3. The study will assess the benefits and costs to Australia of a WTO-consistent FTA which includes:

- across-the-board preferential tariff treatment in both markets
- enhancing bilateral trade by addressing non-tariff measures
- broadly-based liberalisation of the services sector
- potential for greater access to government procurement contracts
- measures to promote the two way flow of FDI
- the potential for improved cooperation in areas such as competition policy and practices and intellectual property
- improved trade facilitation and measures to address technical barriers to trade, including cooperation on standards and mutual recognition of conformity assessment
- preferential Rules of Origin
- increased use of e-commerce and paperless trading.

4. The study will include an outline of Australia's trade, commercial and economic relations with Malaysia, summarising trends and composition of bilateral trade and investment flows and comparative market size. It will outline the scope of existing cooperation between the two countries.

5. The study will assess in some detail the economic benefits and costs for Australia of an FTA, including implications for economic welfare, the impact on trade, investment and commercial linkages, and competitiveness. It will look in detail at implications for the major sectors of the Australian economy, including agriculture, mining, manufacturing and services. It will discuss possible adjustment costs in these sectors. It will also set out industry/private sector views on an FTA between Australia and Malaysia, as well as those of other interested groups.

6. The study will consider the broader trade, political and strategic implications of an Agreement, including its consistency with Australian trade policies; the potential for an FTA to enhance support for the WTO; its contribution to progressive liberalisation in and among APEC members; its contribution to the expansion of trade and investment under the ASEAN Free Trade Area (AFTA) - Closer Economic Relations (CER) Closer Economic Partnership; the value of the Agreement as a framework for pursuing bilateral trade concerns; and its foreign policy implications.

7. The study will develop recommendations on ways in which to maximise the benefits and minimise any potential costs of an FTA, including suggested architecture, principles and objectives of an FTA, and possible strategies to address any adjustment costs. It may propose other means of intensifying economic, trade and commercial relations between Australia and Malaysia.