



# AGREEMENT ESTABLISHING THE ASEAN – AUSTRALIA – NEW ZEALAND FREE TRADE AREA

BRUNEI // CAMBODIA // INDONESIA // LAOS // MALAYSIA // MYANMAR // PHILIPPINES // SINGAPORE // THAILAND // VIET NAM



## ESTABLISHING AN ASEAN – AUSTRALIA – NEW ZEALAND FREE TRADE AREA

**The Agreement Establishing the ASEAN – Australia – New Zealand Free Trade Area (AANZFTA) sets a new standard for New Zealand’s integration with the combined ASEAN market. At present, this market accounts for more than 566 million people and represents more than US\$1,400 billion in global trade.**

The member countries of the Association for Southeast Asian Nations (ASEAN) are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam. Taken together, ASEAN is New Zealand’s third largest export market for merchandise goods and our third largest trading partner.

The Free Trade Agreement (FTA) creates new opportunities for New Zealand exporters of goods and services, and investors into one of the world’s most dynamic economic regions. It contains measures to help facilitate business and promote cooperation in a broad range of economic areas of mutual interest.

The FTA’s comprehensive scope also sets a new standard for ASEAN. This is the first time ASEAN has negotiated a comprehensive FTA as part of a “single undertaking” – one that simultaneously spans goods, services, investment, as well as the other subjects covered in a modern FTA such as intellectual property and competition policy.

## WHY IS THIS AGREEMENT IMPORTANT?

The FTA facilitates trade in goods and services by reducing and eliminating barriers, providing greater certainty, transparency and reducing associated transaction costs for New Zealand businesses wishing to operate in ASEAN markets. It also provides additional protections for New Zealand investors and their investments in the region.

However the FTA is not simply about economics. As well as immediate commercial benefits, the FTA also represents an important ‘building block’ in our developing relationship with South East Asia and underscores our broader strategic commitment to greater regional integration.

The FTA is part of a broader process of regional integration being developed through a range of groupings in the Asia-Pacific region such as the East Asia Summit (EAS), other ASEAN-related processes and the Asia-Pacific Economic Cooperation (APEC) forum. The conclusion of this FTA will help to ensure that New Zealand remains an integral part of this unfolding regionalisation and that the process remains open and outward looking.

## KEY OUTCOMES OF THE FTA

### GOODS

#### For New Zealand's exports to ASEAN:

- Exporters will benefit from the elimination of tariffs within twelve years of 99 percent of New Zealand's current exports to the four key export markets in ASEAN of Indonesia, Malaysia, the Philippines and Viet Nam.
- On full implementation, this will equate to an annual duty saving of approximately NZ\$50 million per annum based on current trade.
- In 2010, tariffs will be eliminated on NZ\$429 million of current New Zealand exports to Indonesia, Malaysia and the Philippines. This includes, in some markets, butter, milk powder, wool, kiwifruit, apples and some manufactured products.
- Tariffs will be eliminated on a further NZ\$435 million of current New Zealand exports to Indonesia, Malaysia, Viet Nam and the Philippines between 2011 and 2020. Consequently, 99 percent of current New Zealand exports to these countries will enter duty free by 2020.
- The AANZFTA outcomes for Indonesia, Malaysia, Viet Nam and the Philippines complement the outcomes already secured through trade agreements with Brunei, Singapore and Thailand.
- The FTA does not contain any special safeguards for agricultural goods.



#### For ASEAN exports to New Zealand:

- The FTA provides ASEAN economies improved access to the New Zealand market. The FTA provides for elimination over time of all tariffs on ASEAN exports.
- By 2010, goods within 85 percent of tariff lines from ASEAN will be able to enter New Zealand duty-free.
- All New Zealand tariffs on ASEAN products will be phased to zero by 2020.
- In order to help reduce the potential for any negative adjustment effects, the FTA includes longer phase-out periods (up to twelve years) for imports in sensitive sectors to New Zealand, including clothing, footwear, carpets, some textiles and some manufactured products such as steel, wooden furniture and plasterboard.
- The ASEAN partners with which we have existing trade agreements (Thailand, Singapore and Brunei) already have preferential access to the New Zealand market. The three least developed members (Laos, Cambodia and Myanmar) already have duty-free access to the New Zealand market for all products.

The FTA contains rules (the 'Rules of Origin') to determine which goods qualify for preferential tariff cuts and to prevent goods from countries outside of the FTA from accessing the benefits. Under the FTA, exporters can choose between the 'Change of Tariff Classification (CTC) approach and the 'Regional Value Content' (RVC) approach.

The FTA also contains measures that allow New Zealand to counter unfair trade or unexpected surges in imports from partner countries that seriously affect domestic industry.

### MEASURES TO FACILITATE BUSINESS

The FTA contains a range of mechanisms designed to reduce barriers to doing business in the region, as well as to improve transparency, dialogue and cooperation between New Zealand and the ASEAN member countries.

These measures relate to customs practices and procedures, sanitary and phytosanitary measures (SPS – measures used to protect human, animal or plant life or health), technical barriers to trade (the costs of complying with standards, regulations and conformity assessment procedures), electronic commerce, competition and intellectual property (such as copyright, trademarks and patents).



## **SERVICES**

The FTA aims to reduce barriers to trade in services. This will assist in the expansion of services trade between New Zealand, Australia and ASEAN member countries and covers areas such as business services, education, tourism, construction and transport.

The FTA achieves this by building on existing commitments under the World Trade Organisation's (WTO) *General Agreement on Trade in Services* (GATS) and by improving transparency.

In nominated service sectors (subject to any specific limitations):

- Service suppliers from each country will be treated no less favourably than domestic suppliers in similar circumstances.
- There will be no restrictions to market access in the form of limitations on foreign capital, the number of service suppliers or operations, the value of services or on the legal structures used.

The FTA also facilitates the movement of business people engaged in trade and investment in the ASEAN region by requiring streamlined and transparent procedures for immigration applications and processes for business people. The FTA includes a schedule of specific commitments from each of the Parties on the temporary entry and stay of particular categories of business people, investors and service suppliers.

## **INVESTMENT**

The FTA provides greater security than currently exists for New Zealand investors and investments in the markets of all 10 ASEAN partners. Principal investment obligations in the FTA include a range of investment protection disciplines and provision for recourse to binding investor-state arbitration procedures.

## **ECONOMIC COOPERATION**

The FTA establishes a framework for economic cooperation on trade and investment, designed to directly support implementation of the agreement across the region. An 'Economic Cooperation Work Programme' (ECWP) has been established that sets out objectives and indicative cooperation activities for supporting the implementation of the FTA.

The ECWP covers eight areas: rules of origin and implementation of tariff commitments, SPS measures, technical barriers to trade, trade in services, investment, intellectual property, sectoral integration, and customs.

## **DISPUTE SETTLEMENT**

The FTA includes a robust and transparent dispute settlement mechanism for the avoidance or settlement of disputes between the Parties arising out of the Agreement. This includes a provision for the establishment of an arbitral tribunal should consultations fail to settle the dispute.

## **TREATY OF WAITANGI**

As in New Zealand's previous agreements, the FTA contains a specific provision whereby New Zealand maintains its rights to take measures deemed necessary to accord more favourable treatment to Māori, including in fulfilment of its obligations under the Treaty of Waitangi.

## **REVIEWS**

A general review of the FTA is scheduled to take place in 2016, and every five years thereafter. These reviews provide the opportunity to accelerate or expand the commitments under the FTA.

## **LABOUR AND THE ENVIRONMENT**

In conjunction with the FTA negotiations, New Zealand has also concluded bilateral Memoranda of Agreement (MOAs) with the Philippines covering labour and environmental cooperation. These binding treaty-level instruments have been concluded in the context of the FTA, but do not form part of the FTA itself.

The MOAs will enhance communication and cooperation on these issues and assist in meeting the shared objectives of raising working standards and improving environmental protection in both New Zealand and the Philippines.

The MOAs supplement similar instruments negotiated previously in the context of existing FTAs with other ASEAN partners (Thailand, Brunei and Singapore) and the ongoing negotiations for such instruments with Malaysia, in the context of the bilateral Malaysia – New Zealand FTA.



BRUNEI // CAMBODIA // INDONESIA // LAOS // MALAYSIA // MYANMAR // PHILIPPINES // SINGAPORE // THAILAND // VIET NAM



## TEMPORARY EMPLOYMENT ENTRY

In conjunction with the FTA negotiations, but not as part of the FTA itself, New Zealand has made some limited arrangements of less than treaty status on temporary employment entry for workers in specified occupations from the Philippines and Viet Nam. Employers and applicants will continue to need to meet standard immigration policy (such as health and character conditions), will have to have a *bona fide* job offer and will have to meet specified qualification and work experience requirements. The requirement that such workers hold a *bona fide* job offer is intended to protect employment opportunities and conditions for New Zealanders. Although involving only limited numbers, these arrangements may assist in easing labour shortages in specific occupations in New Zealand.

For the Philippines these commitments are for up to:

- 100 registered nurses.
- 20 farm managers.
- 20 engineering professionals.

For Viet Nam these commitments are for up to:

- 100 chefs.
- 100 engineering professionals.

## WORKING HOLIDAY SCHEMES

New Zealand has also reached joint understandings to enter into negotiations on bilateral working holiday schemes with the Philippines and Viet Nam. Once negotiated, these schemes will provide for up to 100 entrants from each country per annum.

## APPLICATION OF AANZFTA BETWEEN NEW ZEALAND AND AUSTRALIA

New Zealand and Australia have agreed, in an exchange of letters of treaty status, that the AANZFTA obligations will only apply to a limited extent between the two countries. The key obligations that will apply between Australia and New Zealand are the tariff and Rules of Origin (ROO) commitments, including the Operational Certification Procedures, and the General Exceptions Chapter, including the Treaty of Waitangi provision.

## FURTHER INFORMATION

Further detailed information on the Agreement Establishing the ASEAN – Australia – New Zealand Free Trade Area can be found on the dedicated website [www.ASEAN.FTA.govt.nz](http://www.ASEAN.FTA.govt.nz)

The website contains the full text of the FTA and accompanying documents, as well as a detailed breakdown and guide to the FTA. The website also has tools to assist New Zealand exporters and importers to take advantage of the FTA including a tariff locator and information on the ASEAN member states.

