

Australia/New Zealand/ASEAN FTA (ASR Members Update 12 Dec 06)

The Australia/New Zealand/ASEAN “Special Meeting” took place in the last week of November. The meeting focussed on decision-making with respect to modalities on Goods, Services and Investment and on Product specific Rules of Origin. A number of threshold issues on modalities now having been resolved, the negotiating momentum has increased. ASEAN is reported by the Australian negotiators to remain keen to complete these negotiations in 2007 (including because ASEAN has a heavy negotiating schedule with India and Japan and is keen to launch with the EU as soon as possible).

The next full round of negotiations takes place in Wellington in March and is expected to cover the full agenda including Services, Government Procurement and Intellectual Property. This round will be preceded by a detailed round of industry sectoral consultations in the New Year. The meeting schedule has been agreed from March to December 2007.

Services

As anticipated in the last ASR report, the special November meeting, saw a major concession on the part of Australia and New Zealand. The two sides have agreed to adopt a Positive List approach on Services.

However, Australia and New Zealand have imposed two conditions on this. First, this is conditional on agreement to a review clause and a built-in mechanism to move after a period of time to a Negative List approach. Second, it is conditional on agreement to a Negative list approach to the Investment chapter. The ASEAN countries have not yet agreed to these two conditions.

Progress having been made to resolving this threshold issue, the negotiating momentum has increased and a consolidated text on Services & Investment has now been worked up.

Goods

ASEAN is seeking to differentiate between “Normal Track” and “Sensitive Track”, with the aim being to cover 90 percent of goods in the ‘Normal’ track (as in the case of the ASEAN agreement with Korea, which sees 90 percent of items go to Zero tariff by 2012.)

So far, the negotiators have not really tackled the “Sensitive” track; though Australian negotiators insist that this agreement will not follow the ASEAN/Korean model of defining two separate Sensitive tracks ie Sensitive Track 1 (which in the ASEAN/Korea agreement covers about 5-6% of tariff lines which go to Zero but over a longer time frame) and Sensitive Track 2 (which covers another 4-5% of tariff lines, with 6 different categories of treatment). It is these Sensitive track 2 items which will cause greatest

difficulty with Australia and New Zealand as ASEAN does not currently accept they can go to zero tariffs on these items, over any time frame.

The two sides have exchanged indicative lists of the proposed 10 percent of “sensitive” items. Sensitive lists were received from every single ASEAN country except Cambodia which will provide its list by the end of December. This came as a surprise to the Australian negotiators who were expecting that some ASEAN countries would avoid use of the “Sensitive” track altogether. The existence of these lists will now allow Australia and New Zealand to conduct economic analyses of ASEAN’s proposed tariff reductions.

Economic Cooperation

The ASEAN countries are seeking a Chapter on Economic Cooperation, based on the text they have agreed with Korea (which according to Australia’s Chief Negotiator amounts to a “long shopping list”). Many of the issues proposed by ASEAN are already covered by the Australia ASEAN Cooperation Programme, and it is not clear to the Australian side how much of this should rightly belong in an FTA. The ASEANs, for their part, insist they want Cooperation, not only Trade. Apart from the Article in SAFTA on cooperation in Education, Australia has not previously agreed to a text on Economic Cooperation in an FTA.