

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

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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 a combined ASEAN market of more than 620 million people and a combined GDP of US\$2.3 trillion.

AANZFTA creates new opportunities for New Zealand exporters and investors in one of the world's most dynamic economic regions. It facilitates trade in goods and services by reducing and eliminating barriers, providing greater certainty and transparency and reducing transaction costs for New Zealand businesses wishing to operate in ASEAN markets. It promotes cooperation in a broad range of economic areas of mutual interest, and provides important protections for New Zealand investors in the region. As of 10 January 2012, the Agreement had entered into force for all parties.

The FTA is the most comprehensive trade agreement that ASEAN has ever negotiated. It is the first time ASEAN has negotiated a comprehensive FTA as part of a "single undertaking" covering all sectors including goods, services, investment and intellectual property simultaneously. This provides New Zealand with an excellent opportunity to expand its economic ties with the region.

AANZFTA is one of the key "building blocks" in our developing relationship with South East Asia and underscores our commitment to greater regional integration. It is part of a broader process of regional integration through a range of

groupings such as the East Asia Summit (EAS), Asia Pacific Economic Cooperation (APEC) forum and other ASEAN-related processes. AANZFTA operates alongside New Zealand and ASEAN's other economic and trade agreements with countries in the region and ensures New Zealand remains an integral part of this unfolding regional architecture.

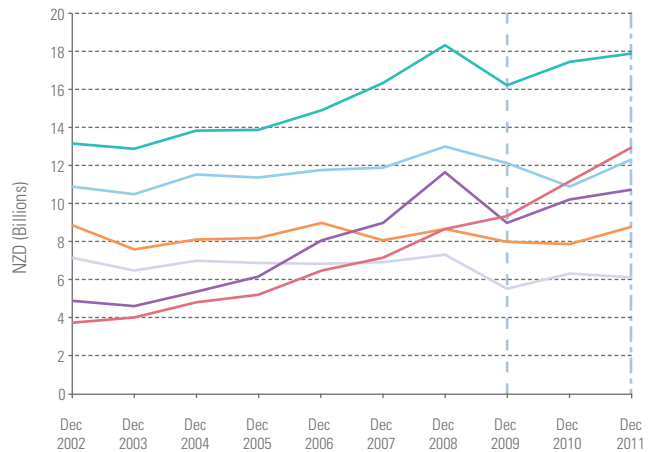
THE IMPORTANCE OF ASEAN

- ASEAN is an economic market with enormous potential for New Zealand business and investment. It is New Zealand's fourth-largest trading partner, accounting for 10% of New Zealand's exports and 16% of imports, with a combined value of NZD\$10.7 billion in 2011. One in every five of New Zealand's dairy export dollars is earned in ASEAN.
- Since 2003, the value of New Zealand exports to ASEAN has more than doubled, and the value of imports from ASEAN has increased 142%.
- In the last five years, growth in trade with ASEAN has been greater than with any other of our major trading partners except China.

- Projected GDP growth for the region in 2012 (5.6%) is higher than Japan (2.8%), the US (2.2%) and Europe (1.3%), and second only to China (8%).
- A burgeoning middle class presents excellent opportunities to New Zealand businesses producing high-quality goods and services. Indonesia's middle class, for example, is predicted to treble in size in the next five years; the Philippines' is expected to double in the same period. AANZFTA provides New Zealand businesses with unprecedented access to these markets.
- ASEAN is a growing source of visitors to New Zealand. In the year ended January 2012, visitors from Singapore had increased 29%, Malaysia 63% and Indonesia 20% on 2011 numbers.
- AANZFTA operates in the context of growing trade links with ASEAN. In addition to AANZFTA, New Zealand has FTAs with Singapore, Malaysia, Brunei and Thailand. The outcomes under AANZFTA complement those in existing FTAs and improve access to the key markets of Viet Nam, the Philippines and Indonesia.
- New Zealand companies have the opportunity to leverage AANZFTA in the context of New Zealand's Closer Economic Relations with Australia. This is particularly relevant to those businesses with a Trans-Tasman footprint.
- In addition to AANZFTA, ASEAN has FTAs with China, India, Japan and Korea. New Zealand businesses are able to leverage these wider agreements to their advantage when trading with ASEAN, further integrating with global supply chains.



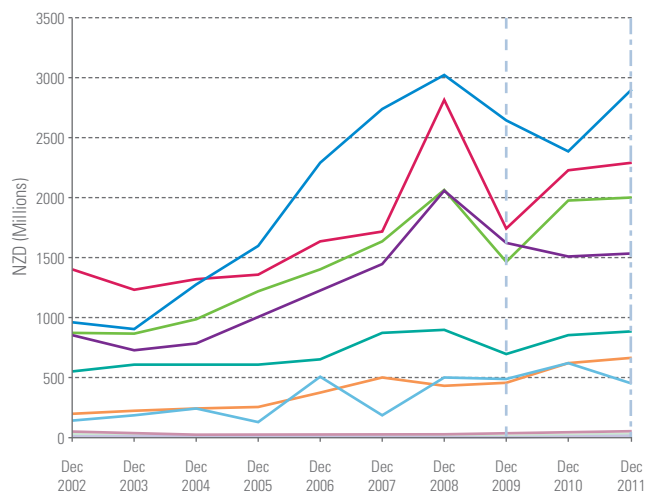
NEW ZEALAND'S TOTAL TRADE WITH MAJOR TRADING PARTNERS 2002 – 2011



*Thailand Entry into Force (EIF) was 12 March 2010; for Laos and Cambodia EIF January 2011.



NEW ZEALAND'S TOTAL TRADE WITH ASEAN PARTNERS 2002 – 2011



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KEY OUTCOMES OF THE FTA

GOODS

For New Zealand exports to ASEAN

- AANZFTA has opened up markets in six countries without bilateral FTAs with New Zealand, notably Indonesia, Philippines and Viet Nam, but also Laos, Cambodia and Burma.
- Exporters are benefitting from the progressive elimination of tariffs by 2020 on 99% of New Zealand's current exports to ASEAN key markets.
- The FTA does not contain any special safeguards for agricultural goods.
- The FTA contains rules (the 'Rules of Origin' or ROO) to determine which goods qualify for preferential tariff treatment. AANZFTA offers New Zealand exporters the flexibility to choose between the 'Change of Tariff Classification' (CTC) approach and the 'Regional Value Content' (RVC) approach for accessing these preferences.
- A key feature of AANZFTA's ROO is that they allow for 'cumulation'. This allows New Zealand goods used in the manufacture of products in ASEAN countries or Australia to be considered as local content. Cumulation makes New Zealand products an attractive supply option for businesses trading within the region.

For businesses wishing to know more about taking advantage of tariff preferences and accumulation, please visit www.ASEAN.FTA.govt.nz

For ASEAN exports to New Zealand

- The FTA provides for elimination over time of all tariffs on ASEAN exports, phased to zero by 2020.
- The FTA includes longer phase-out periods (up to 2020) 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.

REVIEWS AND BUILT-IN AGENDA

AANZFTA is a forward-looking FTA with substantial on-going negotiations and reviews in areas such as non-tariff measures, rules of origin, services and investment. These are aimed at having AANZFTA's commitments expand and deepen over time in line with the development of the ASEAN Economic Community.

A general review of the FTA is scheduled to take place in 2016, and every five years thereafter. These reviews identify how the FTA should evolve to meet changing business needs and trade policy and provide a platform to negotiate the acceleration or expansion of the commitments under the FTA.

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), technical barriers to trade (TBT – the costs of complying with standards, regulations and conformity assessment procedures), electronic commerce, competition and intellectual property (such as copyright, trademarks and patents).





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SERVICES

The FTA builds on existing commitments under the World Trade Organisation's *General Agreement on Trade in Services* and improves transparency in areas such as business services, education, tourism, construction and transport.

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 Economic Cooperation Work Programme created as part of AANZFTA assists ASEAN countries develop the technical requirements needed to implement the commitments embodied in the treaty. Such activities are beneficial to New Zealand companies as they allow ASEAN officials, particularly border officials, to understand the business values of New Zealand companies. A structured work programme focussed on support and capacity building in nine areas including Customs, ROO, SPS and TBT measures, and competition, is well underway.

TREATY OF WAITANGI

The FTA contains a specific provision whereby New Zealand maintains its rights to take measures that fulfil its obligations under the Treaty of Waitangi.

FURTHER INFORMATION

Further detailed information on AANZFTA can be found at www.ASEAN.FTA.govt.nz

The website contains the full text of the FTA and accompanying documents, as well as a detailed breakdown of the Agreement. It has tools to assist exporters and importers to take advantage of the FTA, including a tariff locator, a checklist and guide for businesses using the FTA, and information on ASEAN member states.

Other valuable information can be found at:

www.customs.govt.nz

www.nzte.govt.nz