

# Ford Motor Company of Australia Limited

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Australia Malaysia FTA Scoping Study  
Trade and Economic Analysis Branch  
Department of Foreign Affairs & Trade  
Barton  
CANBERRA ACT 0221

Dear Sir/Madam

**Subject: AUSTRALIA-MALAYSIA FTA STUDY**

We write in response to a recent invitation for comment on the scoping study currently being undertaken with regard to a possible Australia-Malaysia Free Trade Agreement.

Ford Australia is a leading automotive company with extensive design, engineering and manufacturing facilities. Its core products are the Ford Falcon and the new all-wheel-drive Ford Territory, which has become Australia's top-selling SUV in less than four months in the market place. Ford Australia employs more than 5600 people in Geelong and Broadmeadows, Victoria. In 2003, the company sold more than 126,000 locally manufactured and imported vehicles with sales revenues of more than \$3.92 billion. Ford Australia is ultimately owned by the Ford Motor Company in Dearborn, Michigan.

Ford Australia is a supporter of the scoping study, and looks forward to its successful conclusion. It believes a comprehensive free trade agreement between Australia and Malaysia could complement earlier regional free trade agreements with Singapore and Thailand, and provide enhanced access for Australian automotive producers to a further ASEAN automotive market. Traditionally, ASEAN automotive markets, while geographically close to Australia, have largely been closed to Australian exporters via mix of high tariffs, punitive taxes and volume/quota controls. However, there has in recent years been a strong growth in automotive imports into Australia from ASEAN economies.

In 2003, for example, automotive exports from Australia to Malaysia totalled \$29.3 million. However, automotive imports from Malaysia to Australia were worth \$180.2 million. The pattern of this trade deficit is consistent with other ASEAN economies such as Thailand where Australian automotive exports and imports in 2003 were \$30.7 million and \$1.06 billion respectively.

Ford Australia believes a free trade agreement between Australia and Malaysia could provide a welcome opportunity for Australian producers to reduce the current trade imbalance of 6:1 in Malaysia's favour. However, such an opportunity would obviously be



contingent on any trade agreement being a comprehensive one. Malaysia's automotive policy arrangements are traditionally complex with a national car policy focus. From an Australian perspective, we believe it is critical that any trade agreement extends beyond border tariffs and encompasses such issues as import permits, excise taxes, local content requirements and distribution arrangements. The objective here must be to ensure Australian motor vehicle producers, whose product focus is larger-engined passenger car and SUV vehicles, are not in any way disadvantaged by border and internal non-tariff barriers including favourable arrangements for vehicles classified as national cars. For example, Australian passenger cars like Ford Falcon would currently attract a 200% tariff and 100% excise tax in Malaysia versus a 15% tariff and 10% goods and services tax for a Malaysian-built Proton car imported into Australia.

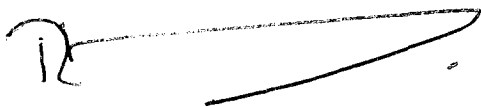
Given the above complex policy arrangements, Ford Australia welcomes the inclusion in the study terms of reference under heading three of the bullet point "enhancing bilateral trade by addressing non-tariff measures". This will be a critical element in enhancing potential automotive trade between the two countries. A failure to adequately deal with non-tariff barriers including engine-capacity based excise taxes and special arrangements for national cars could render any FTA somewhat academic from an Australian automotive industry perspective.

Ford Australia believes a comprehensive free trade agreement between Australia and Malaysia provides a unique opportunity to further align the Australian and ASEAN automotive industries. The two industries have a complementary product focus and could well benefit from the competitive challenges and opportunities of a free trade agreement. It is therefore appropriate that any FTA negotiations pursue challenging and early outcomes.

In addition to the direct opportunities a possible Australia-Malaysia free trade agreement could provide to the Australian automotive industry, Ford Australia believes there is also an opportunity for significant other benefits. Firstly, the agreement, together with the Australia-US free trade agreement, Australia-Thai free trade agreement and Australia-China economic framework study can help "energise" the broader multi-lateral trade liberalisation process through such forums as the World Trade Organisation. Interestingly, there have recently been indications of a broader ASEAN interest in enhanced trade opportunities with Australia which would be further facilitated by any Malaysian agreement. Secondly, Australia's new bi-lateral trade agreements have the potential to boost the Australian economy. Australia has enjoyed three successive years of record new vehicle sales with high sales levels expected to carry over into 2005. A stronger and more competitive economy has the potential to boost these new vehicle sales even further.

The writer would be happy to discuss the abovementioned issues further and can be contacted on tel. (03) 9359 7142 or email: [rscoula1@ford.com](mailto:rscoula1@ford.com).

Yours sincerely



**Russell Scoular**  
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