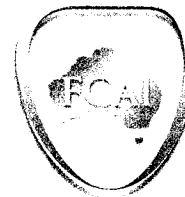


CHIEF EXECUTIVE



1 December 2004

Australia-Malaysia FTA Scoping Study
Trade and Economic Branch
Department of Foreign Affairs and Trade
BARTON ACT 0221

FEDERAL CHAMBER OF
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Dear Sir/Madam

AUSTRALIA-MALAYSIA FTA SCOPING STUDY

I am writing on behalf of the Federal Chamber of Automotive Industries (FCAI) in relation to the Department's current scoping study to evaluate the prospects for a Free Trade Agreement involving Australia and Malaysia.

FCAI represents the manufacturers and importers of passenger cars, motorcycles, 4WD and light commercial vehicles in Australia.

FCAI believes the current scoping study can play an important role in identifying the potential benefits and risks associated with an FTA involving Australia and Malaysia and that this can help to clarify the potential scope of such an agreement and highlight priority issues to be addressed in any ensuing negotiations.

FCAI supports the initiation of formal FTA negotiations between Australia and Malaysia. However, it is essential that any resultant agreement must be comprehensive and must deliver meaningful gains in market access to Australian automotive exporters in return for preferential access for Malaysian imports entering Australia.

Under current arrangements, Australian automotive exporters face significant barriers to trade in the Malaysian market. Malaysian tariffs on automotive products vary, however, rates on CBU cars and other vehicles are very high by international standards (up to 300 per cent, based on engine capacity).

The impact of non-tariff measures, including internal taxes, also presents a significant barrier which cannot be ignored. Malaysian excise on motor vehicles, for example, is levied on the basis of engine capacity. While the excise rate for cars with an engine capacity of less than 1800cc is 60 per cent, the rate on cars with an engine capacity of greater than 3000cc is 100 per cent.

Further, one must also consider the impact of Malaysia's national car policies which provide a range of incentives, including excise discounts and exemptions for domestically produced vehicles in certain circumstances, which further tilt the competitive playing field in favour of local producers and against imported vehicles and components.

In contrast, the Australian automotive market is very open by international standards and is characterised by a diversity of brands and internationally competitive levels of vehicle affordability. Australian tariffs on passenger cars and most automotive components are scheduled to be reduced from 15 per cent to 10 per cent on 1 January 2005, with a further reduction to 5 per cent scheduled on 1 January 2010.

As the table, below, shows two-way trade in automotive products between Australia and Malaysia is currently quite limited. The largest value of trade is represented by imports of automotive components from Malaysia.

Australia-Malaysia Automotive Trade: 1999-2003

	1999	2000	2001	2002	2003
Exports	\$m	\$m	\$m	\$m	\$m
Vehicles	23.3	20.4	17.1	8.9	17.7
Parts	10.1	13.7	21.1	17.0	11.5
<i>Total</i>	<i>33.4</i>	<i>34.1</i>	<i>38.2</i>	<i>25.9</i>	<i>29.3</i>
Imports	\$m	\$m	\$m	\$m	\$m
Vehicles	20.0	30.4	17.6	10.6	25.1
Parts	81.5	112.3	126.7	124.6	155.1
<i>Total</i>	<i>101.5</i>	<i>142.7</i>	<i>144.3</i>	<i>135.2</i>	<i>180.2</i>

Despite the modest extent of trade in automotive products, FCAI believes that Malaysia represents an important future trade partner in automotive products, both as a potential buyer of Australian-made vehicles and automotive components and as an ongoing competitive supplier of components and vehicles to Australia.

In closing, I reiterate that FCAI would support a decision by the Australian Government to commence FTA negotiations with Malaysia. We note that this process is likely to raise a number of complex issues of relevance to the Australian automotive industry, including tariff and non-tariff issues, rules for the determination of origin and treatment and recognition of technical regulations.

These issues are likely to present a number of significant challenges which may take time to resolve. Accordingly, FCAI would caution that an appropriate timeframe for negotiations needs to be allowed to ensure that any resultant agreement can be comprehensive and deliver meaningful gains in market access for all parties.

FCAI urges the scoping study taskforce to undertake appropriate consultations with a range of automotive industry interests, including vehicle manufacturers and importers and component suppliers.

I look forward to the successful completion of the scoping study. In the meantime, I would be more than happy to respond to any specific questions the study taskforce may have in relation to automotive industry issues, arising from your terms of reference.

Yours faithfully



P.M. STURROCK
Chief Executive