



DELIVERING THE FUTURE



3rd April 2003

*Trade Management Bulletin*

## ***AUSTRALIAN MADE GOODS LIABLE TO DUTY IN NZ***

The trend in recent years of the TCF industry to outsource the Cut, Make & Trim (CMT) process has had the unintended consequence of making Australian produced articles liable for duty in New Zealand.

The ANZCER Trade Agreement was written 20 years ago, at a time when the exporter was the manufacturer of the goods, to allow duty free entry into NZ of Australian produced articles they contained 50% or more of Australian materials, labour and factory overheads.

The drafters of the Agreement did not foresee the trend for exporters to subcontract the final production of the goods. The result has been an interpretation of the ANZCER Trade Agreement by NZ Customs that has resulted in the imposition of duties on articles produced in Australia and that otherwise would meet the 50% criteria.

The core of the problem is that the calculation of the 50% content is based on the expenditure incurred by the factory that undertakes the final process of manufacture. In the case of subcontracted CMT, the calculations must be based on the expenditure made at the CMT factory.

Where foreign fabrics are used it is unlikely that the 50% requirement is met as the pre-production costs of design, sample production etc, which are normally considered Australian content, are not incurred by the CMT factory and therefore cannot be taken into account.

In recent discussions between the Prime Minister's of Australia and New Zealand this issue was discussed. The outcome of the discussions was agreement that Prime Minister Howard would instruct the Treasurer to issue a reference to the Productivity Commission to undertake an inquiry into the continuing effectiveness of the 'Rules of Origin' provisions given the recent complaints by Australian exporters. Assuming the Treasurer is able to issue the reference within the next four weeks, it is likely recommendations emerging from the inquiry could be put before the two nations' Governments by year's end.

*Please feel free to contact Paul Angel or Greg McKillop from our Trade Management team on (02) 8219 4900 if you need any further clarification or assistance.*

### TCF Trade Management Pty Ltd

#### **Sydney**

Phone: +61 2 8219 4900  
Fax: +61 2 8219 4999

#### **Melbourne**

Phone: +61 3 9379 0022  
Fax: +61 3 9379 0991

email: [info@tcfservices.com.au](mailto:info@tcfservices.com.au)

Postal Address:  
PO Box 141, Surry Hills, Sydney NSW 2010