



Canterbury Manufacturers' Association

26 February 2004

Rules of Origin Study
Productivity Commission
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Submission

By the

Canterbury Manufacturers' Association

On the

**Rules of Origin under the
Australia – New Zealand Closer
Economic Relations Trade Agreement**

**Canterbury Manufacturers' Association
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CHRISTCHURCH**



1.0 CMA Background

Perhaps more than any other place in New Zealand, the Canterbury region is focused on elaborately transformed manufacturers and exports focused on the Australian market. The membership of the Canterbury Manufacturers' Association represents approximately 35% of economic activity in manufacturing in the region.

2.0 Rules of Origin

We have canvassed our members regarding the questions you have raised on rules of origin for manufactured items in Canterbury exported to Australia. The feedback suggests that there is no major problem with the 50% local content rule. However, there are specific firms that do report some difficulties.

Increasingly, productivity focuses on the conversion of materials. In the plastic processing industry, where the materials have low value, as in the case of commodity plastic resins (for example PP and PE), this can lead to difficulties with the existing 50% local content rules under CER.

This plastics processing industry in New Zealand, with no indigenous resin manufacture, is disadvantaged by the two-way tariff differences in respect to Australian converters who can source indigenous materials.

3.0 Recommendation

For this reason the CMA would support the following modifications to the proposals in the document:

Undertake some substantial changes to liberalise the current rules by:

- Applying a waiver to provide duty free entry for CER goods which face trans-Tasman tariff differences of 5 percentage points or less; AND (delete or)
- Reduce the regional value content required to gain CER origin for goods from 50 per cent to 40 per cent immediately, with a further reduction to 30% by 2010