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**DECEMBER**

## **“Australian Market- the Basics”**



**DEPARTMENT OF COMMERCE**

**No.492, 2<sup>nd</sup> Floor  
L.H.P.Building, R.A.de Mel  
Mawatha  
Colombo 03  
011-2329733/2346114**

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## Australian Market - the Basics

### 1. Introduction

Australia has strong trade ties with the rest of the world. Its location has also allowed Australia to become a major supplier to markets in the Asia-Pacific region. The Australian Government has several policies that seek to develop and assist Australian businesses involved in international trade. Regulation also exists to protect domestic industries, consumers, and the environment from harmful and dangerous goods imported from overseas.

Australia has several Free Trade Agreements (FTAs) with other countries in force and another seven are under negotiation. Australia has commitments under the World Trade Organisation (WTO) on tariffs and tariff quotas, export subsidies and domestic support for agricultural products.

Goods imported in Australia require classification. Declaration procedures are based on self-assessment by importers. Declarations must be made to the Australian Border Force, which also enforces import restrictions. Australian companies used to import goods from overseas as part of their activities. Importing companies should be aware of government regulations, duty taxes, permits, and quarantine and treatments that apply to imported goods. Imports that do not meet these requirements can be seized by the Australian Department of Immigration and Border Protection.

### 2. Economic Situation in Australia

International trade and investment are vitally important to the Australian economy. In 2019, trade equated 45.71% of the nation's GDP. Australia's main trading partners since 2016 are China (the nation's top trading partner for merchandise and service exports), Australia's historical trading partners, such as New Zealand and the UK and emerging-market economies, such as India, Thailand and Malaysia.

*"Total exports from Jan to Aug 2021 to Australia were US\$ 165 Million compared to US\$ 106 Million for corresponding period in 2020 registering the growth of 55%"*

### 3. Negotiations of International Trade Agreements

There are currently seven free trade agreements (FTAs) under negotiation in Australia, including:

- Bilateral FTAs with India, the UK, and the EU.
- Regional FTAs with the Pacific Alliance members (Chile, Colombia, Mexico and Peru) and the Gulf Cooperation Council countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates).

In August 2018, Australian Prime Minister finalized a long-negotiated free trade deal with Indonesia, which was signed in March 2019 and entered into force on 5 July 2020. On 15 November 2020, Australia and 14 other Indo-Pacific countries signed the Regional Comprehensive Economic Partnership (RCEP). This agreement has not yet come into force.

### 4. General Tariffs and Rates

The main customs import tariffs and duties are determined by their tariff classification. This is a self-assessment and declaration process by the importers.

The main customs import tariffs and duties are:

1. Import entry costs (fee for processing goods).
2. Customs import duty (calculated as a percentage on the price of goods). Except for alcohol/sprits, luxury items, most of the goods including motor vehicle attract 5% duties and all food items are with 0% duties.
3. Goods service tax (GST), with some exceptions that apply on certain food items and medical aids. GST 10% applies to all imported and locally manufactured goods.
4. Excise duty applies to alcohol, tobacco and fuel.

### 5. Preferential Tariffs

Australia has preferential tariffs for classes of countries. These include Forum Island countries, Least developed countries, Developing countries etc. These countries are listed in Schedule 1 to the Customs Tariff Act.

Additionally, preferential tariffs apply to goods from countries that have concluded a free trade agreement with Australia. Importers may receive concessional rates/treatment if either:

- Their goods are included in Schedule 4 to the Customs Tariff Act.
- They apply for, and are granted, a Tariff Concession Order under the Tariff Concession System.

### 6. Non-Tariff Measures to Imports

- i. **Prohibited Imports** - Australia controls the import of certain goods through prohibition or restrictions.

While the prohibition of goods is absolute, the import of restricted goods requires written permission by the ABF.

**ii. Licensing Controls on Imports of Specific Goods** - The Imported Food Control Act 1992 (Cth) regulates the importation and movement of food to ensure that it does not pose a health hazard to humans and meets the applicable standards under the Australia New Zealand Food Standards Code.

**ii. Requirements of Country-of-Origin Labelling**

Australia has two specific requirements for labelling goods that should be considered:

- Trade description. Some goods cannot be imported unless they are correctly labelled with the required trade description in English
- Country of origin labelling. Goods must be labelled with the place of origin in a specific way.

**iv. Quotas**

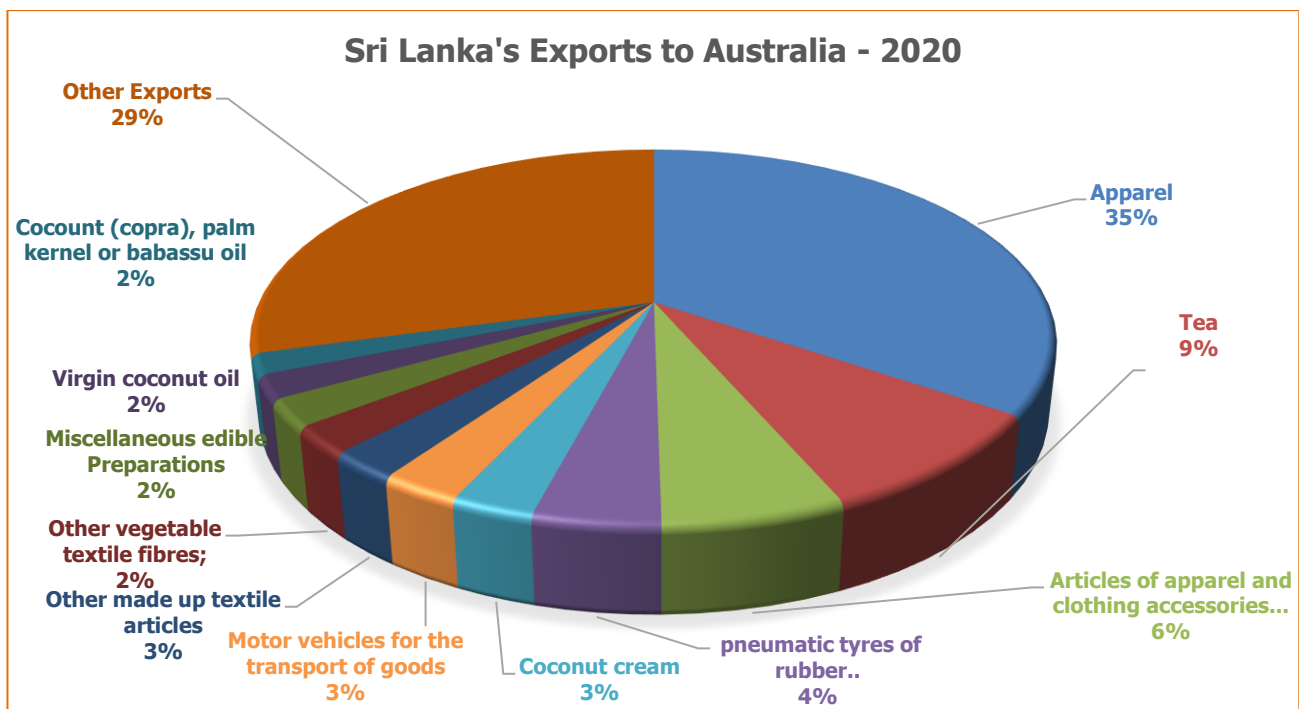
Australia currently only has a quota scheme on imported cheese or curd products. The quota cannot be used and is not available under certain circumstances (for example, if the products are of Australian origin, a free rate of duty is provided under Schedule 3 to the Customs Tarff Act, or if FTAs/Schedules 4A to 13 of the Customs Tariff Act apply).

**7. Sri Lanka’s Trade and Economic Relations with Australia**

Australia and Sri Lanka have been maintaining a strong and enduring relationship since the establishment of diplomatic relations in 1947. The 75 years of diplomatic ties between Australia and Sri Lanka will be commemorated in May 2022.

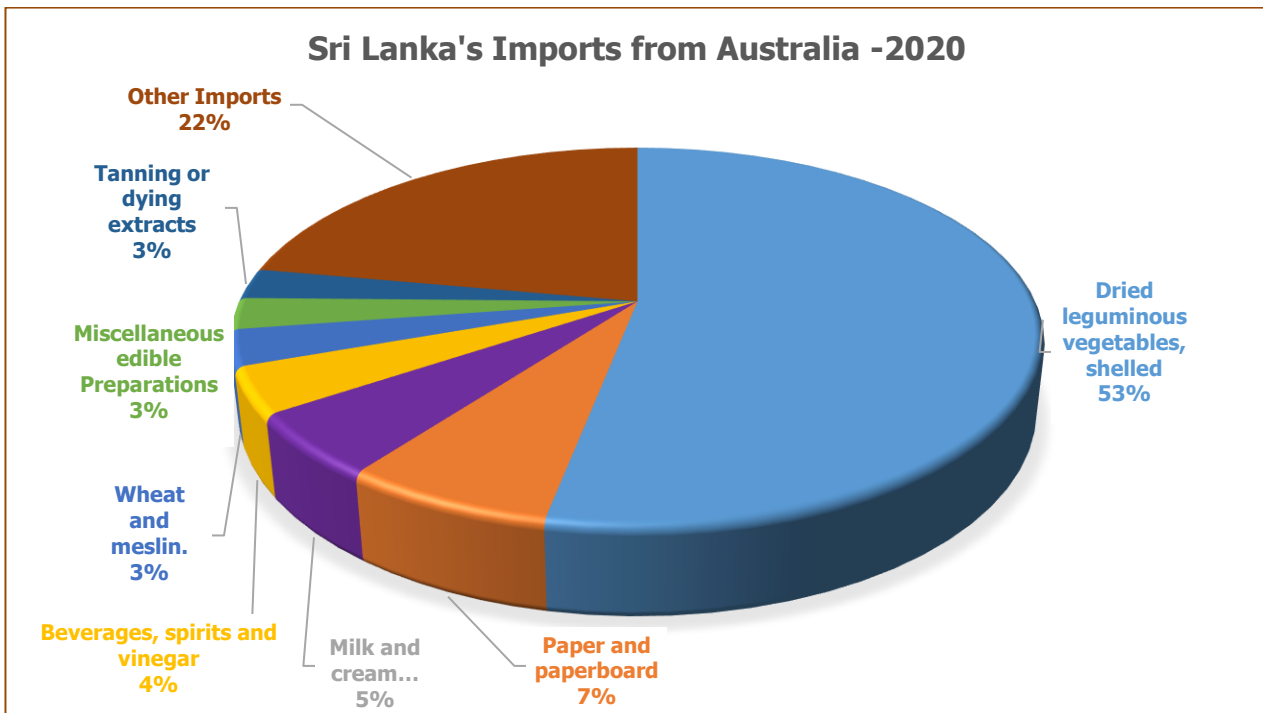
The bilateral relationship continues to strengthen the trade and economic relations between Sri Lanka and Australia in the recent past. Australia and Sri Lanka signed a Trade and Investment Framework Arrangement (TIFA) in November 2017. In September 2019, Australia and Sri Lanka held the Second Senior Officials’ Talks in Colombo, alongside the inaugural Strategic Maritime Dialogue and the second Joint Trade and Investment Committee meeting.

Two-way merchandise trades between both countries in 2019 were US\$ 352 million and slightly declined to US\$ 297 million in 2020 due to Covid 19. Sri Lanka’s exports to Australia were US\$ 174 million in 2020 while the total imports from Australia were US\$ 123 million resulting the Balance of Trade in favour of Sri Lanka. Sri Lanka’s major commodity exports to Australia include Apparel, Tea, Footwear, Articles of apparel and clothing accessories, Virgin coconut oil, Coconut (copra), Solid tyres, Ceramic products etc.



Sri Lanka’s major imports from Australia include Milk & Cream, Lentils (Masoor Dhall), Wheat grain, Paper and paper board, Chickpeas, Miscellaneous edible Preparations etc. However, Sri Lanka’s exports to Australia have showed an improving trend in 2021 compared to 2020. Total exports from Jan to Aug 2021 were

US\$ 165 Million compared to US\$ 106 Million for corresponding period in 2020 registering the growth of 55%.



Australia was the 5<sup>th</sup> source of market for Sri Lanka tourism in 2019. Total tourist arrivals from Australia to Sri Lanka were 92,674 numbers in 2019. However, due to Covid 19 and the travel ban on Australians to leave the country, no significant Australian tourists visited Sri Lanka in 2020 and 2021. Australian companies have invested in diversified areas in Sri Lanka. Total FDI from Australia in Sri Lanka from 2015 to 2020 were US\$ 267 million.

### 8. Trade and Investment Framework Arrangement (TIFA) between Australia and Sri Lanka

Sri Lanka and Australia signed the Trade and Investment Framework Arrangement (TIFA) in November 2017 with the perspective of enhancing and facilitating bilateral trade and investment relations between the two countries. The Sri Lanka-Australia Joint Commission (JC) on Trade and Investment was established under the arrangement and the 1st session of the JC was held in Australia in April 2018 and the 2nd Session of the JC was held in September 2019 in Sri Lanka.

An interim meeting was held on 17th November 2021 virtually organized by the Department of Commerce together with the Department of Foreign Affairs and Trade of Australia and the Australian High Commission in Sri Lanka in order to endorse the Plan of Action for the period of 2020-2021. Areas relevant to the government-to-government engagements, development partnerships, market access and commercial interests are addressed under the Plan of Action of TIFA. Both countries proposed the new proposals and set the expected dates for the next follow up meetings and for the 3rd session of Sri Lanka-Australia Joint Commission (JC) which will be expected to be held in Australia in 2022.

Acknowledgment of Content Contribution:  
*Commercial Division, Sri Lanka Consulate in Sydney, Australia*

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