South East Asia e-commerce markets

August 2018

Chamber of Commerce and Industry WA

Australian Government
Australian Trade and Investment Commission

Australia UNLIMITED

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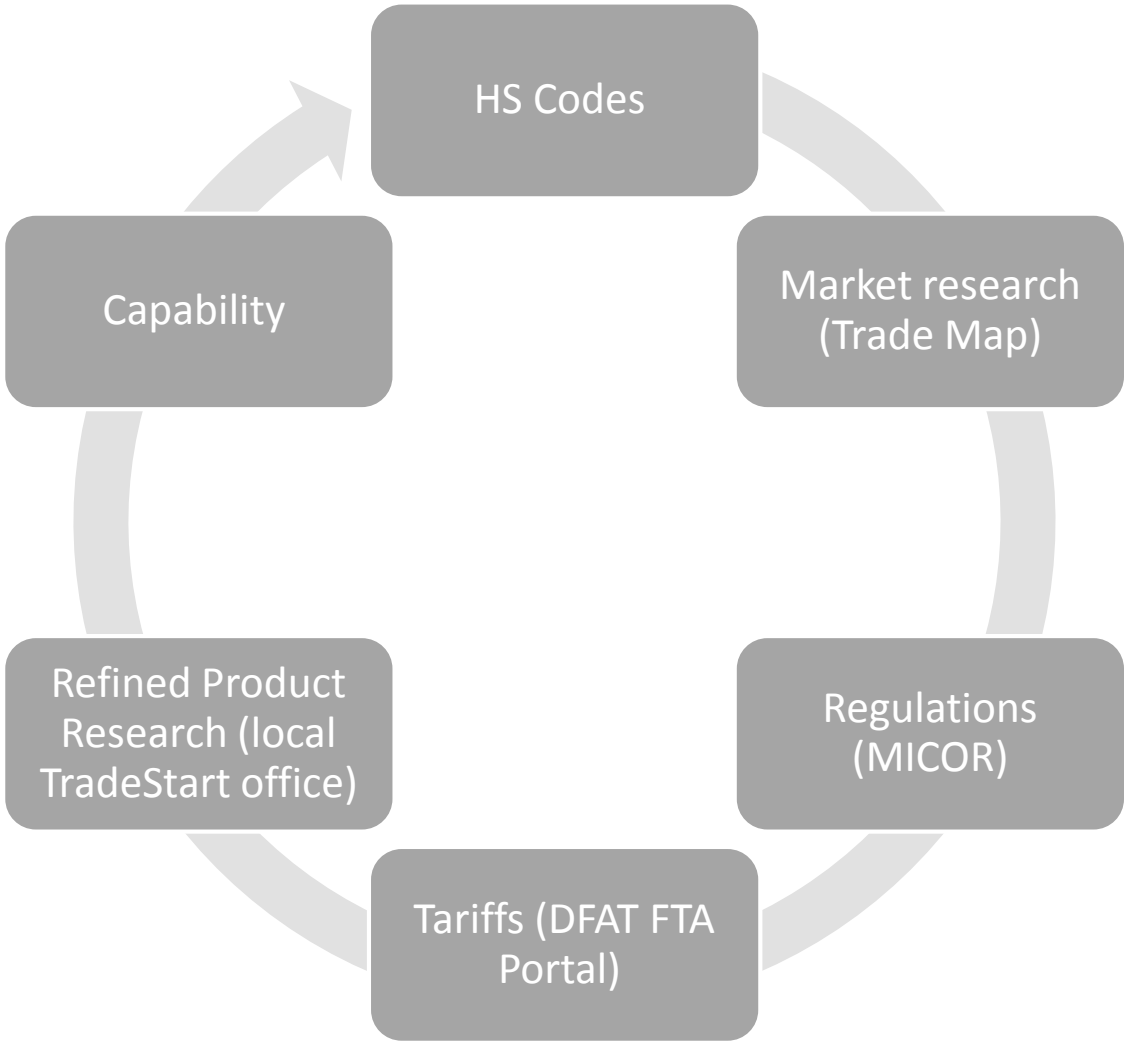
Export Research Requirements:
"Pre-Market Due Diligence"

Presentation Format

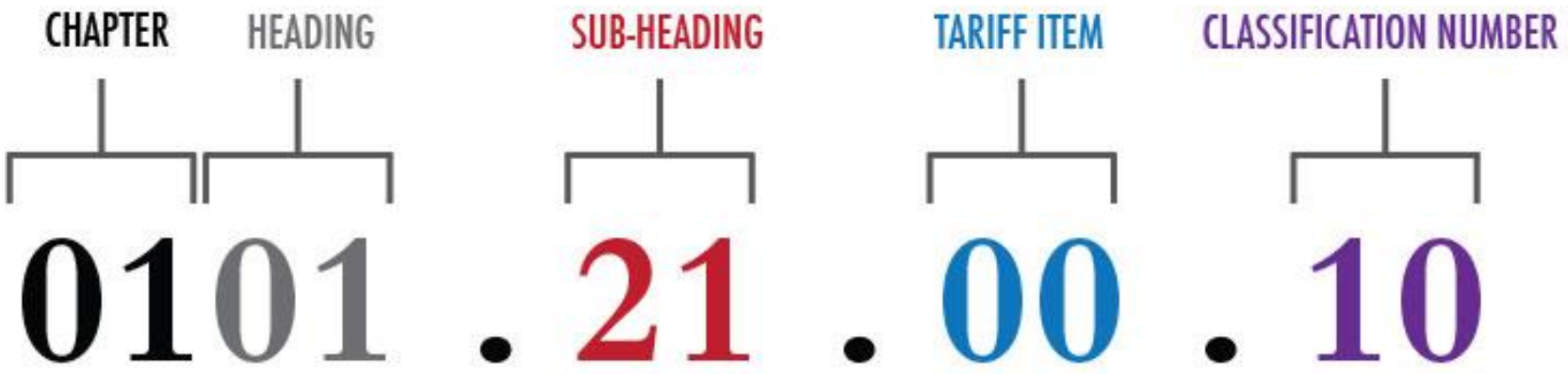


HS Codes and Tariff Classifications

The Harmonized Commodity Description and Coding System ('HS')

There are 5200 six-digit product categories used to identify products for tariff treatment

- ChAFTA: Australia and China use 8 digit tariff codes for customs duties
- JAEPA: Japan uses 9



HS Codes and Tariff Classifications

Section / Chapter Label
Section 1 – Agricultural Products
Chapter 04 - Dairy produce; birds' eggs; natural honey; edible products of animal origin

04

Heading Label
Butter and other fats and oils derived from milk; dairy spreads

04**05**

Subheading Label
Butter

0405.**10**

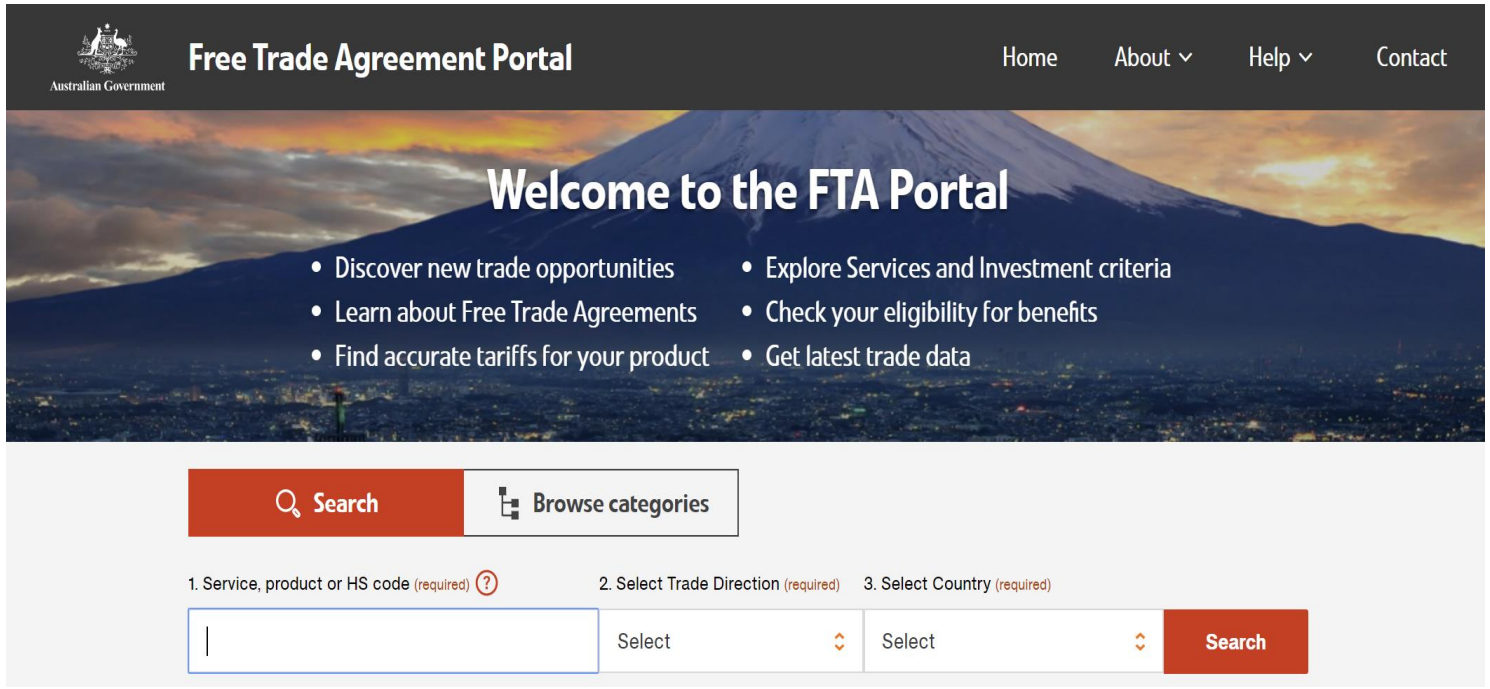
Subheading Label
Dairy spread

0405.**20**

Australian Harmonized Classification Export Commodity (AHECC)

Tarrif Harmonising Classification

How can I research the correct HS Code?



- **Always check with a licensed customs broker for confirmation.**
- **When unsure – apply for a customs ruling.**
- **What can go wrong using an incorrect HS code?**
  - Overtaxing and under-taxing
  - Technical Fraud – Penalties
  - You are responsible
  - Delayed clearance time

Image: DFAT FTA Portal

Market Research
Case Studies: Honey/Yoghurt

Australian Exports of Natural Honey- 040900 (2017)

- $31M USD
  - 20% ($6M) to **China**
  - 11.4% ($3M) to Canada *(Queen Bees)*
  - 10.6% ($3M) to **Singapore**

Followed by **Hong Kong and Malaysia**

Global Market Trends?

- $2B USD global industry
- Australian honey **imports** outweigh export quantities
- **New Zealand** dominates natural honey export markets in China, Singapore etc.
- **Australia** leads New Zealand only in Malaysia

Info sourced from ITC Trade Map

Australian Exports of Yoghurt- 040310 (2017)

- $23M USD
  - 60% ($14M) to **Singapore**
  - 12.3% ($2.8M) to **Hong Kong**
  - 10% ($2.3M) to **Malaysia**

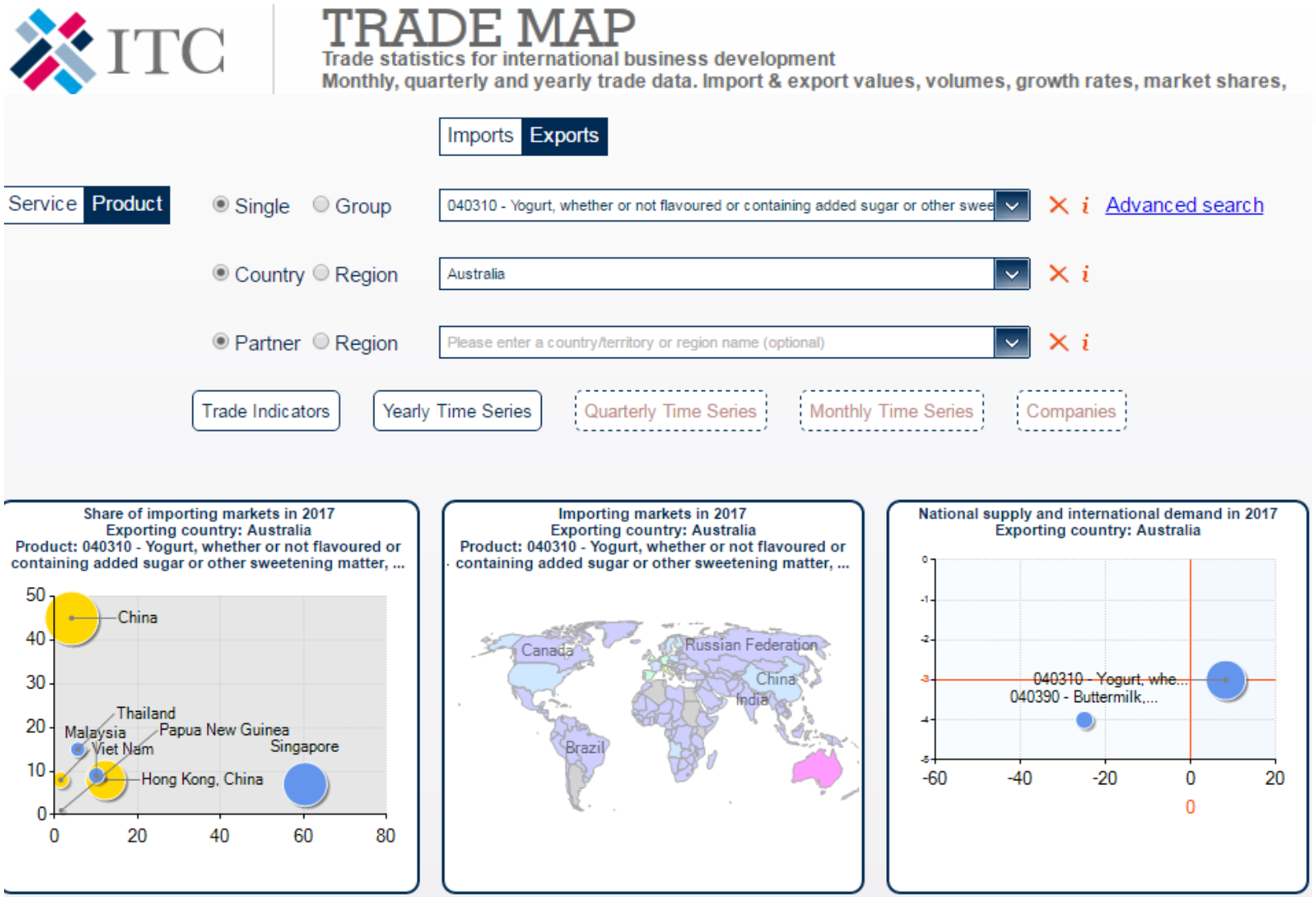
Followed by **Thailand and China**

Global Market Trends?

- $2B USD global industry
- **Australia**, followed by Switzerland exports **most expensive** (on average) yoghurt USD/unit
- Australia dominates Singapore, Malaysian, and Thai Yoghurt import markets.

Info sourced from ITC Trade Map

Market Research How-To:



Where do I begin my market research?

1. Trade Map
2. Create log-in (free)
3. Choose your product indicators
4. Explore

Image: ITC Trade Map

Australian Yoghurt Exports to SEA

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ITC | TRADE MAP

Trade statistics for international business development

Monthly, quarterly and yearly trade data. Import & export values, volumes, growth rates, market shares, etc.

List of importing markets for the product exported by Australia in 2017

Product: 040310 Yogurt, whether or not flavoured or containing added sugar or other sweetening matter, fruits, ...

Australia's exports represent **1%** of world exports for this product, its ranking in world exports is **22**

Importers	Value exported in 2017 (USD thousand)	Trade balance 2017 (USD thousand)	Share in Australia's exports (%)	Quantity exported in 2017	Quantity unit	Unit value (USD/unit)	Growth in exported value between 2013-2017 (%, p.a.)	Growth in exported quantity between 2013-2017 (%, p.a.)
World	23,298	17,910	100	6,124	Tons	3,804	5	7
Singapore	14,069	14,069	60.4	3,495	Tons	4,025	14	13
Hong Kong, China	2,857	2,857	12.3	806	Tons	3,545	-6	-1
Malaysia	2,336	2,336	10	717	Tons	3,258	16	15
Thailand	1,294	1,279	5.6	441	Tons	2,934	21	36
China	943	943	4	189	Tons	4,989	-16	-10
Papua New Guinea	364	364	1.6	95	Tons	3,832	-3	0

Image: ITC Trade Map

Trade Map

Market Competition

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ITC | TRADE MAP

Trade statistics for international business development

Monthly, quarterly and yearly trade data. Import & export values, volumes, growth rates, market shares, etc.

List of supplying markets for the product imported by Singapore in 2017

Product: 040310 Yogurt, whether or not flavoured or containing added sugar or other sweetening matter, fruits, ...

Singapore's imports represent **1.4%** of world imports for this product, its ranking in world imports is **20**

Exporters	Value imported in 2017 (USD thousand)	Trade balance 2017 (USD thousand)	Share in Singapore's imports (%)	Quantity imported in 2017	Quantity unit	Unit value (USD/unit)	Growth in imported value between 2013-2017 (%, p.a.)	Growth in imported quantity between 2013-2017 (%, p.a.)
World	35,101	-34,549	100	11,630	Tons	3,018	7	10
Australia	15,175	-15,175	43.2	3,543	Tons	4,283	12	13
Thailand	5,051	-5,050	14.4	1,895	Tons	2,665	47	38
Switzerland	4,575	-4,575	13	1,065	Tons	4,296	2	2
Malaysia	4,415	-4,291	12.6	2,542	Tons	1,737	-8	-1
China	1,664	-1,664	4.7	1,131	Tons	1,471	347	150

Image: ITC Trade Map

Trade Map

Regulation Compliance

Visit: [Manual of Imported Country Requirements (MICoR)]

Import and export country-specific food safety requirements on:

- Dairy
- Meat
- Seafood
- Plants
- Live Animals
- Non-Prescribed Foods

E.g. Search “Your product + export destination”

Result? Knowing if you have the capability/resources to meet the regulations of desired export destination in the first place.

Image: MICoR

Regulation Compliance

Visit: Department of Agriculture and Water Resources

Provides additional export information, including:

- Approved audit providers
- Export certificate assistance and links
- Assistance for small exporters
- Exporter registration requirements
- Export quota information
- As well as similar MICoR information (specific dairy, meats seafood, etc)

Image: Department of Agriculture and Water Resources

Using Free Trade Agreements (FTAs) and Comparing Tariffs

Visit: [Department of Foreign Affairs and Trade (DFAT) FTA Portal]

Australia has **7 FTAs in Asia:**
ChAFTA (China)
JAEPA (Japan)
AANZFTA (ASEAN + New Zealand)
KAFTA (South Korea)
SAFTA (Singapore)
TAFTA (Thailand)
MAFTA (Malaysia)

Benefits of FTA Portal:

- Comparing tariff rates between potential export destinations or between available FTAs (e.g. TAFTA vs AANZFTA)
- Waiting for appropriate time to export (gradual tariff reduction, seasonal rates)

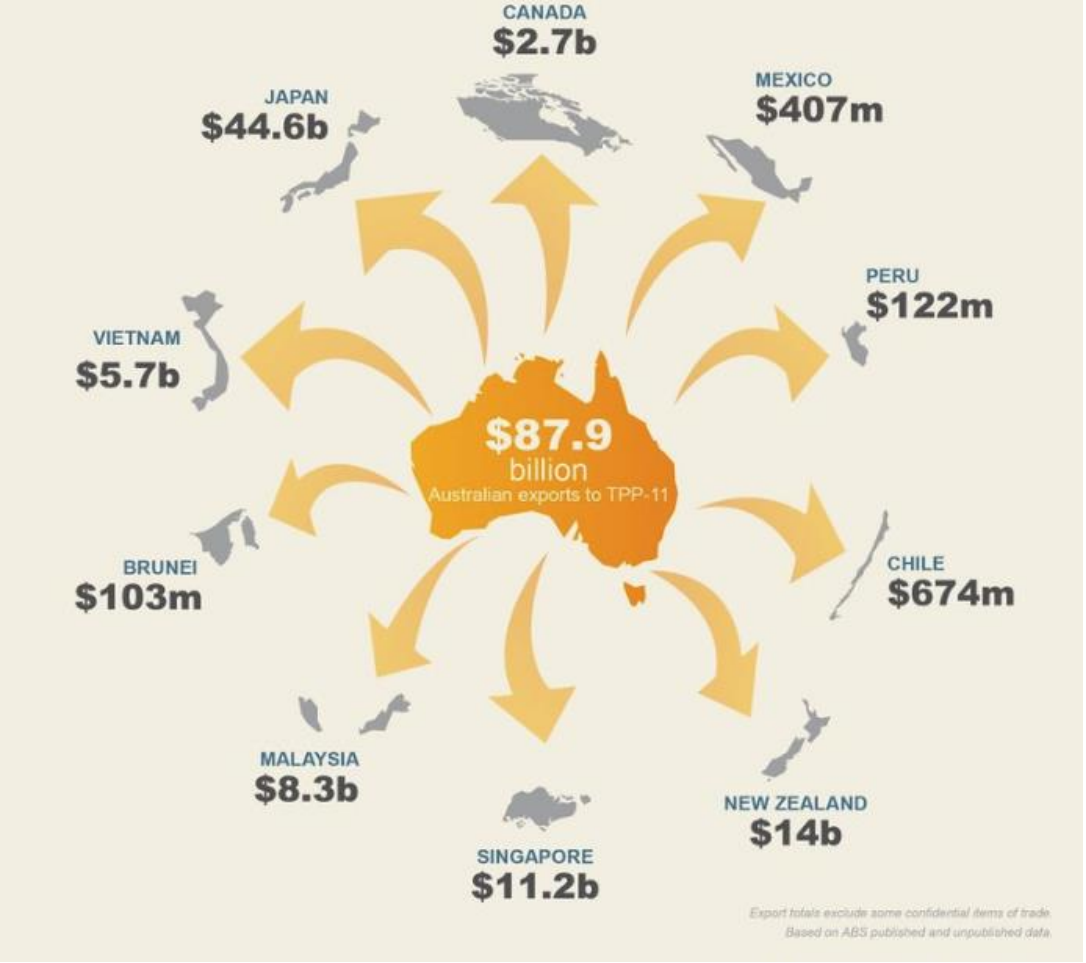
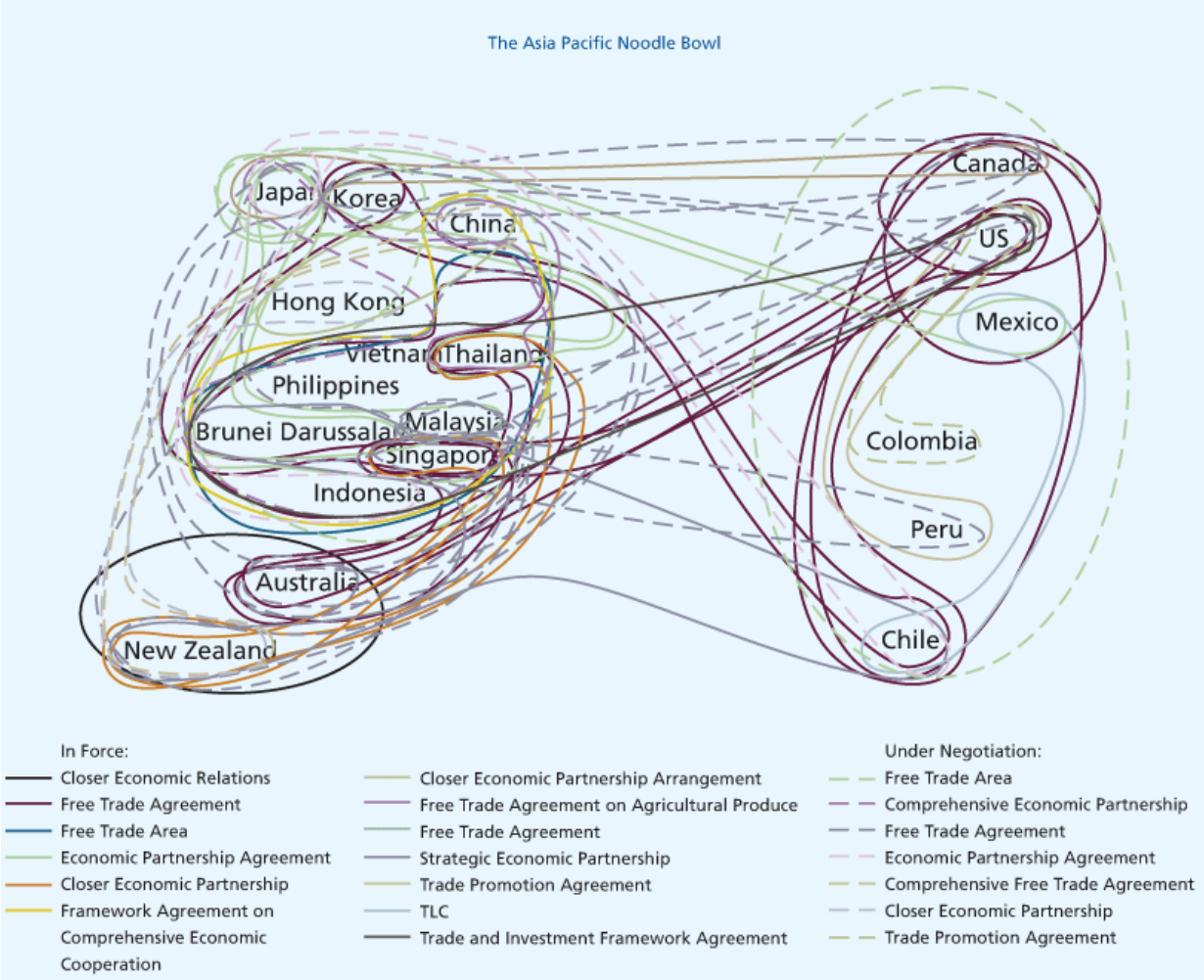


Image: DFAT FTA Portal

The Noodle Bowl and Rules of Origin



Rules of Origin

WO: Wholly Obtained – grown or mined in Australia

WP: Wholly Produced the good can be wholly produced in Australia or China. WP is not a category in any other FTA.

Change in Tariff Classification – According to the Product Specific Rules

Regional Value Content – calculation according to the product specific rules.

$$RVC = \frac{Value\ of\ Goods - Value\ of\ Inputs}{Value\ of\ Goods} \times 100$$

How can I research tariff discounts?

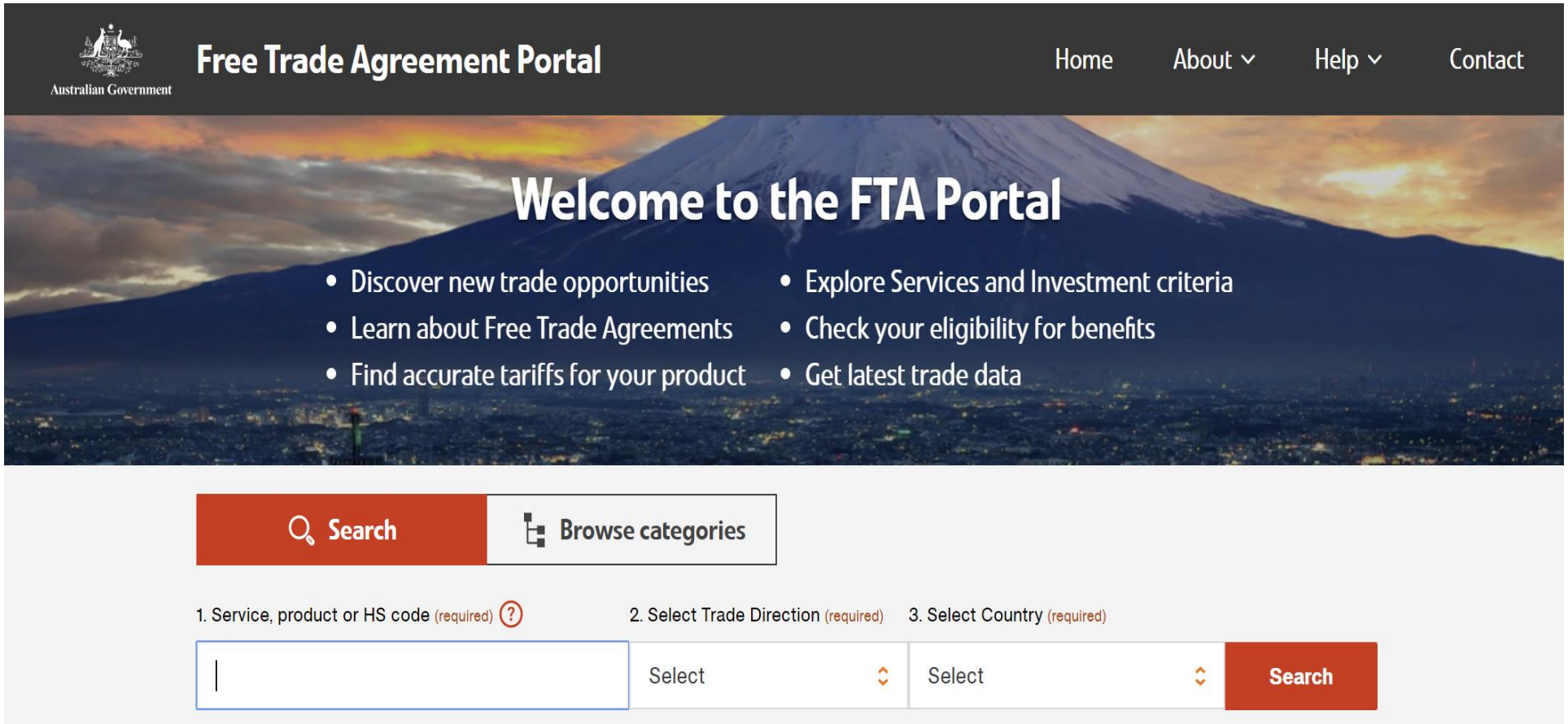


Image: DFAT FTA Portal

Refined, local market research

So…you know what your HS code is, you've done your preliminary market research to find the best possible export market, you're able to meet food safety and customs regulations, and you know which FTA you'd like to export under.

What's next?

Refined Product Research

1. Online Platform Research
2. Local TradeStart office

Benefits

1. Local marketing trends
2. Comparing pricing points
3. Observing Australian/international/local product competitors
4. "on the ground" knowledge

Visit:

Fairprice **RedMart**

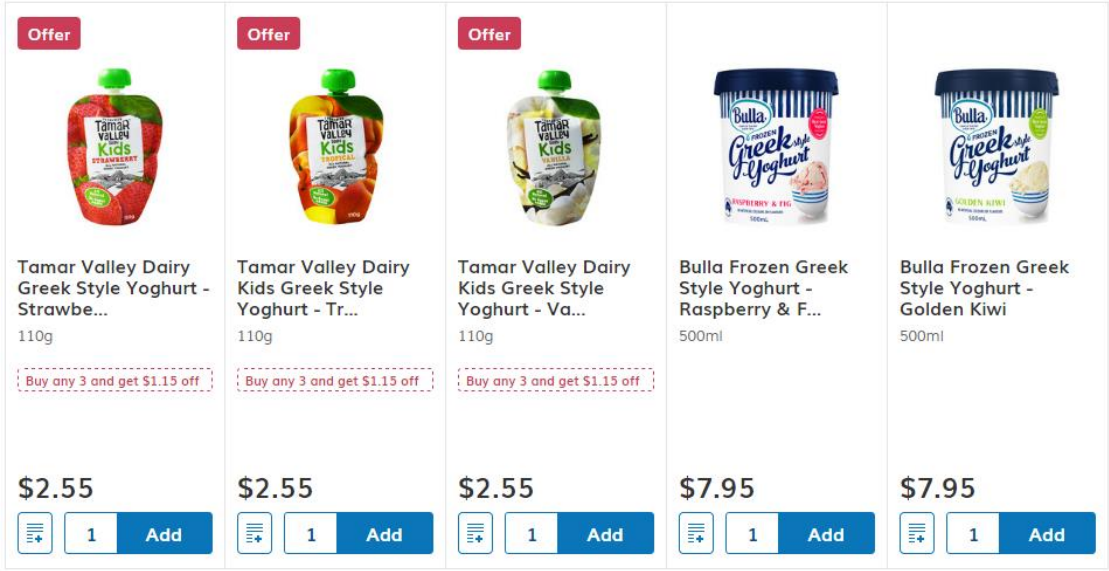


Image: Fairprice

Above: Australian yoghurt selection (Fairprice)

What is capability?

Finance

Language

Product Redesign

Cultural Understanding

Non-Tariff Barriers

Including

- Quotas
- Cost of local and international compliance
- Logistics
- Seasonal access
- International political environment including trade policies and public objection
- Rules of origin

CCIWA TradeStart Export Development Assistance

Chamber of Commerce and Industry WA

Who are we?

- The Australian Trade and Investment Commission – Austrade – is a Government agency responsible for promoting trade, investment and international education, and tourism policy, programs and research.
- Austrade leverages the deep commercial knowledge and relationships of our international and domestic networks, and the badge of government, to deliver value for our clients and investors.
  - Connect export-ready Australian businesses to overseas opportunities and work with them to achieve commercial outcomes;
  - promote Australian capability internationally;
  - provide authoritative commercial insights and information to help clients to make informed business decisions;
  - inform and influence policy to support positive trade and investment outcomes.

Austrade's Network

Why work with Austrade?

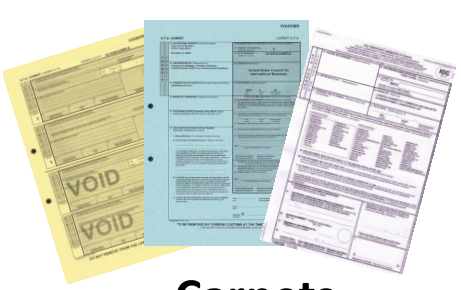
Sourced from Austrade – TradeStart 2018

Chamber of Commerce and Industry of Western Australia

Documentation

Australian Made Logo

A certified trademark with instant brand recognition that will win you more sales for Australian made products locally and overseas.



Carnets

An ATA Carnet is a temporary customs clearance document that removes the need to raise bonds or deposit duty at customs posts. It reduces the clearance time on importation and re-exportation.

Certificates of Origin

Includes other supporting documents for exports

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Thank you