

TRADE POLICY REVIEW

AUSTRALIA

Report by the Government

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by the Government of Australia is attached.

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INTRODUCTION

1. This is Australia's fourth trade policy review. It takes place at a particularly complex and challenging time when the international economic picture is clouded, not least by the impact of the events of September 11, 2001. The international trading system, a key factor in underpinning post-war growth, is also under strain internally from an expanding membership and agenda, and externally from criticism about its fundamental directions and objectives. Trade-distorting measures remain at very high levels in certain key sectors, most notably in the form of high levels of agricultural subsidies by developed countries. Addressing this long-standing problem is more urgent than ever, given the need for the multilateral trading system to inject confidence and impetus into the global development effort. The Doha Development Agenda offers a vital opportunity to contribute to world economic growth through further trade liberalisation and to restore public confidence in multilateral trade liberalisation and reform.

2. The central importance of trade for Australia's national economy is reflected in an active and ambitious trade policy that integrates multilateral, regional and bilateral approaches to ensure the best possible trading environment for Australian exporters. Australia's longstanding commitment to an open and transparent world trading system remains the bedrock of its trade policy. The importance of an effective WTO to a relatively small, trade dependent economy such as Australia cannot be overstated.

3. Australia is a strong supporter of the Doha Development Agenda, and believes it has the potential to deliver major benefits to all WTO members. Developing countries, in particular, stand to gain substantially from the Round's strong focus on market access, ambitious mandate on agricultural trade liberalisation, and comprehensive approach to development issues. Australia's overall objective for the negotiations is to secure substantial improvements in market access across the board in agriculture, industrial products and services, while helping to take the negotiations forward as quickly and productively as possible. In short, the Doha Round is one of Australia's core trade policy priorities.

4. Australia is also actively pursuing complementary WTO-consistent regional and bilateral initiatives where these hold out the prospect of more ambitious trade outcomes within a shorter timeframe than would be possible at the multilateral level, and where such initiatives would make a positive contribution to the overall objective of global trade liberalisation and reform.

5. Key elements of this strategy include negotiating free trade agreements with Singapore and Thailand; pursuing discussions on launching FTA negotiations with the United States; and developing initiatives aimed at strengthening and revitalising trade and economic relations with Japan and China. APEC's agenda for region-wide trade liberalisation and facilitation, and the AFTA-CER Closer Economic Partnership initiative are further examples of core activities in this area.

I. ECONOMIC REFORM

Domestic Settings

6. The overall objective of Australia's economic policy settings is to raise living standards, increase employment and generate wealth by providing stable macroeconomic conditions and a flexible and responsive microeconomic environment. Trade policies are an integral part of the general economic policy framework and are aimed at achieving a competitive domestic economy and open markets globally for Australian products and services.

7. The Government has established a medium-term framework for the conduct of fiscal and monetary policies that have enhanced market confidence. Since 1996, the Australian Government's medium-term fiscal strategy has been to secure and maintain a balanced budget on average over the business cycle. The primary objective is to increase national savings and improve Australia's long-term growth prospects by reducing its vulnerability to external shocks. The Government's recent Budget Statement projects an underlying budget cash surplus of \$A2.1 billion in 2002-03. The Australian economy enjoyed the fastest economic growth of any developed country in 2001 and is expected to continue its strong performance in the year ahead, with robust economic growth of around 3.75 per cent forecast for 2002-03. This is higher than forecast growth for any of the major developed (G7) economies and reflects Australia's sound economic fundamentals.

8. Australia's monetary policies aim to keep annual inflation in a 2-3 per cent band on average over the cycle. With only moderate increases in wage costs and continued strong productivity growth, inflation is expected to be around 2.75 per cent in 2002-03. Low inflation has encouraged long-term investment and innovation.

9. Macroeconomic policy changes have been complemented by a wide range of microeconomic reforms to increase productivity and flexibility and allow product, labour and financial markets to operate more efficiently.

10. Since 1997 there has been a series of financial reforms following recommendations made by the Wallis Report (Financial System Inquiry Final Report). These reforms included changes to the prudential regulation regime, the creation of the Payments System Board within the Reserve Bank of Australia, and the removal of prohibitions on life insurance offices taking over banks. Since 1998 there have also been significant reforms to the regulatory framework governing financial markets (including stock and futures exchanges), clearing and settlement facilities, general insurance, financial services providers and financial product disclosure.

11. Since May 1998, labour market reform (notably the introduction of the Job Network program) has allowed for full competition between private, community and government contracted service providers and Employment National, a government employment services agency. Programmes aimed at involving young jobseekers in a work environment and fostering appropriate work habits have also been implemented.

12. Key priorities are further reforms in the labour market and welfare system, and the continuation of structural reforms, including in relation to energy markets. The Government is also undertaking a review of its Trade Practices legislation.

Regulation Review

13. Since the previous review, the Commonwealth Government has continued to review legislation that restricted competition, to ensure that only restrictions on competition that are overall in the public interest are retained. The review was completed in June 2002. Each State and Territory Government has also identified legislation that restricts competition and is undertaking this review process. Altogether, about 1,700 pieces of legislation covering *inter alia* marketing of agricultural products, food labelling, the finance and insurance sector, trades and professions and gambling regulation and local government planning processes, were reviewed.

Taxation Reform

14. Since the last review, one of the main developments concerning structural policies was the beginning of comprehensive tax reform undertaken by the Commonwealth Government. The first

major step in this regard was *The New Tax System*, whose central feature was the introduction of a broad-based goods and services tax (GST) on 1 July 2000. Levied at a single rate of 10 per cent on value-added, the GST replaced the much more narrowly-based wholesale sales tax that had been levied at several rates ranging from 0% to 45% on goods, but not services.

15. The Commonwealth Government is currently implementing reform of the business taxation system in accordance with *The New Business Tax System*. This involve, inter alia, the broadening of the corporate tax base together with the additional revenues otherwise generated being used to fund cuts in the corporate tax rate. In the first stage of reform, the statutory corporate tax rate was reduced from 36 per cent to 34 per cent partly financed by the elimination of accelerated depreciation (except in the case of businesses with an annual turnover of less than \$A1 million). The rate was cut further to 30 per cent on 1 July 2001, thereby bringing it more into line with rates in several neighbouring countries. Other changes in business taxation commenced on 1 July 2002 included: a consolidated income tax regime for groups of wholly-owned companies; a de-merger mechanism in the tax law to improve flexibility in business structures; and exemption from tax of temporary residents on their foreign source income so as to attract skill intensive businesses to Australia.

II. AUSTRALIA'S TRADE POLICY OBJECTIVES

Multilateral Approach

16. Australia pursues a pragmatic and outcomes-focused trade policy integrating multilateral, regional and bilateral approaches to maximise market access opportunities for Australian exporters of goods and services. As an export-dependent country whose economy has benefited greatly from trade liberalisation and deregulation over the years, Australia has a major stake in maintaining a healthy and open world trading system. The successful launch of the Doha Development Round was Australia's top trade policy priority in 2000 and 2001; bringing the negotiations to a timely and successful conclusion is central to Australia's current trade policy agenda.

17. Australia welcomes the emphasis the Doha Declaration gives to market access and development issues, which hold the key to genuine trade liberalisation from which all WTO members stand to benefit. Australia's overall objective for the negotiations is to achieve significant improvements in market access across the board in agriculture, industrial products and services; to that end, it is working constructively to help take the negotiating process forward as quickly and productively as possible. (Further information on Australia's multilateral trade policy approaches is set out in Section III of this report, 'Australia and the WTO'.)

Regional and Bilateral Approaches

18. Australia's regional trade policy efforts complement and reinforce its bilateral and multilateral trade policy activities and objectives. An important component of this policy is Australia's active involvement in the Asia Pacific Economic Cooperation forum (APEC). APEC's wide-ranging agenda of trade and investment liberalisation, business facilitation, and economic and technical cooperation, is central to Australia's efforts to promote sustainable regional economic growth and development. It is also an important element of Australia's wider bilateral and multilateral trade endeavours.

19. Australia is an active member of APEC and is committed to achieving the Forum's Bogor Goals of free and open trade and investment by 2010 in developed APEC economies and 2020 in developing ones. To this end, Australia has been instrumental in developing a number of key APEC initiatives including the trade facilitation target of a 5% reduction in transaction costs over five years, and the pathfinder approach, which will enable those economies that are ready and willing to move

faster in specific areas to do so collectively. Both these initiatives were key components of the APEC Leader's 2001 Shanghai Accord, which sets forth APEC's second decade agenda and aims to accelerate progress towards the Bogor Goals.

20. Australia has also played a leading role in APEC in building political commitment to take forward the WTO Doha Round negotiations. APEC aims to support the WTO negotiations through capacity-building initiatives to help developing economies participate in the new round and implement existing WTO agreements. Australia will continue to build support amongst APEC member economies for the timely and successful conclusion of the new WTO round negotiations.

21. In 1997 the Australian Government undertook a review of its policy on regional trading arrangements (RTAs) which concluded that consideration should be given to future RTA options in the context of Australia's continuing strong support for the WTO and for regional trade and economic integration efforts in APEC. Since that time, Australia has pursued a range of activities to implement the outcomes of the review and foster stronger regional trade and economic linkages, including through exploring possibilities of developing closer bilateral trade and investment links with important trading partners and regional groups.

22. The ASEAN Free Trade Area (AFTA) – Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA also known as CER) linkage provides the focus for the coordinated development of trade and investment flows between the two regions. In 2000, ASEAN and CER Ministers tasked officials to work towards a Closer Economic Partnership (CEP), which in 2001 resulted in an agreement on a comprehensive Framework for the CEP and the establishment of an AFTA-CER business council. Australia also continues to engage regionally through its membership of the Indian Ocean Rim-Association for Regional Cooperation (IOR-ARC).

23. In late 2000, Australia and Singapore commenced negotiations toward an FTA covering liberalisation of trade in goods and services, which conforms to WTO rules and is comprehensive in scope. On 30 May 2002, Australia and Thailand announced that they would begin negotiations towards a bilateral free trade agreement, covering not only market access but also cooperation and trade facilitation activities in a range of areas. Australia is also pursuing discussions on launching a free trade agreement with the United States.

24. Consultations have started between Australia and Japan which will culminate in a report to Prime Ministers in mid-2003 on initiatives that would strengthen and revitalise the trade and economic relationship. Australia has also embarked on an intensive series of exchanges with China aimed at building closer bilateral trade and economic linkages and setting future directions for the economic relationship.

Trade Liberalisation: Australia's tariff régime

25. More than 80 per cent of all tariff lines are now at a rate of 5 per cent or less, with around 45 per cent at a free rate of duty. The average applied tariff rate is just 4.4 per cent (3.9 per cent for developing countries and 1.72 per cent for Least Developed Countries). The average effective rate of assistance to manufacturing (a measure of net assistance taking into account the costs and benefits of government intervention on inputs, direct assistance to value-adding factors and output assistance) was estimated by the Australian Productivity Commission as 4.8 per cent in 2000-01. In contrast to most developed countries, Australia applies only one tariff rate quota, on cheese.

26. The following table outlines reductions in effective rates of assistance to the manufacturing industry since 1970-71.

Effective Rates of Assistance, 1970-71 to 2000-01 (per cent)

| | 1970-71 | 1983-84 | 1990-91 | 1996-97 | 1998-99 | 2000-01 |
|---------------|---------|---------|---------|---------|---------|---------|
| Manufacturing | 34.9 | 22.7 | 15.6 | 5.6 | 5.2 | 4.8 |
| Agriculture | 28.0 | 12.0 | 13.0 | 10.2 | 7.7 | 6.0* |

* 1999/2000.

Passenger Motor Vehicles (PMV) and Textiles, Clothing and Footwear (TCF)

27. The two industry sectors for which Australia maintains higher tariffs are passenger motor vehicles and textiles, clothing and footwear. Australia is currently implementing a program of significant unilateral tariff reductions for these industries through to 2005, as outlined in the attached schedules.¹

28. On 21 December 2001 the Government announced a review into post-2005 assistance measures for the Automotive Industry. The review is being conducted by the Productivity Commission, and is due for completion in September 2002. It is anticipated that a similar review of post-2005 arrangements for textiles, clothing and footwear will take place in the near future.

Nuisance Tariffs

29. In July 1998, the Australian Department of Industry, Science and Tourism undertook a review of "nuisance" tariffs - i.e. items that attracted a duty of 5 per cent or less, raised less than \$A100,000 in revenue a year (in 1996-97), and applied to items where there were no local producers. Following industry consultation, tariffs on 267 lines were reduced to zero in December 1999.

Anti-Dumping and Countervailing Measures

30. There has been a steady decrease in the number of anti-dumping and countervailing actions taken by Australia since the inception of the WTO. The number of anti-dumping and countervailing investigations in place has declined from 101 at the end of 1995 to 34 as of 30 June 2002.

31. Since the last review period, the Australian government made changes to its anti-dumping/countervail legislation which had the effect of reducing the investigation period, providing a simpler and more predictable process for all parties and introducing a new appeal mechanism.

Australia's Quarantine Régime

32. As an island continent (with a climate which varies from tropical to sub-temperate conditions), Australia does not have many of the pests and diseases found in other countries. To safeguard Australia's vulnerable indigenous flora and fauna, Australia takes a conservative approach to biosecurity consistent with the WTO SPS Agreement. Australia takes a "managed risk" approach to biosecurity based on scientifically justified measures that are the least trade restrictive possible.

33. Australia published an *Import Risk Analysis Process Handbook* in 1998, setting out the administrative and legal framework for implementing Australia's quarantine policy. The import risk analysis process is open and transparent keeping stakeholders, including the foreign country requesting access, informed of developments with each import risk analysis. All IRAs can be accessed on the website at www.affa.gov.au.

¹ Attachment A, page 12.

34. Biosecurity Australia is reviewing Australia's IRA process further, and plans to finalise and implement a new Framework in late 2002. The key elements of the new Framework include: earlier and more regular consultation with stakeholders; a technical issues paper for all IRAs and an independent scientific peer review.

III. AUSTRALIA AND THE WTO

Australia's Objectives for the Doha Round

35. Australia strongly supported the launch of a new round of multilateral trade negotiations focused on market access and development issues. Australia's overall objective for the negotiations is to move the process forward as quickly and productively as possible so as to achieve significant improvements in market access across the board in agriculture, services and industrial products.

36. The negotiating mandate for the Doha Round provides a solid basis for further trade liberalisation and puts the elimination of agricultural export subsidies on the agenda for the first time. Australia is determined to see agricultural trade placed on the same footing as trade in goods, ending the discrimination which damages efficient agricultural producers and denies developing countries the full benefits of the global trading system.

37. Other key priorities for the negotiations include securing substantial market access gains for Australia's services export sector and manufacturing and other industrial sectors. Finally, the importance of ensuring that the round delivers real market access gains to developing countries and provides a truly global trading system is crucial to the ongoing strength of the WTO. Australia is therefore contributing to a range of capacity-building efforts to help developing countries make the most of this opportunity.

Agriculture

38. Australia accords fundamental reform of agricultural trade the highest priority. Australia will continue to work for this objective in its role as Chair of the Cairns Group of agricultural fair traders, the most successful and enduring issue-specific coalition within the multilateral trading system. The Cairns Group will continue its efforts to end the discrimination against agriculture in the WTO, including through fulfilling the ambitious mandate for agriculture agreed at the Doha Ministerial Conference in November 2001. In line with the Doha mandate and Cairns Group objectives, the Group will work to achieve: (1) the elimination of export subsidies (including new disciplines on both the use/abuse of export credits and on surplus disposal of commodities in the guise of food aid); (2) major reductions in trade-distorting domestic support; and (3) deep cuts to tariffs and tariff peaks and the elimination of tariff escalation.

39. During the early stages of the post-Doha agricultural negotiations, the Group has advocated timely and clear decisions on 'modalities' to make operational the Doha mandate on agriculture. The Group continues to promote its objectives widely, particularly among developing country Members who stand to benefit significantly from agricultural reform.

Services

40. Australia's services exports in calendar year 2001 were valued at A\$31 billion, accounting for 20.3 per cent of total exports. Services accounted for 76 per cent of Australia's GDP; the sector employs 81 per cent of the Australian workforce.

41. The continuing strength of the Australian economy in the current international economic climate validates the economic reform policy of successive Australian governments which gave high priority to reform in the services sector, underpinned by the belief that a world class services sector was central to ensuring an internationally competitive economy.

42. Australia has therefore contributed strongly and welcomes the progress achieved so far in the mandated negotiations begun under the General Agreement on Trade in Services on 1 January 2000. Australia participated actively in the submission of initial requests by the target date of 1 July 2002 and looks forward to the tabling of initial offers by 31 March 2003.

Industrial Products

43. Australia is pleased with the broad negotiating mandate on market access for non-agricultural industrial products set out in the Doha Declaration which does not exclude any sensitive products or restricts methods for achieving further reductions in tariff and non-tariff barriers. Australia looks forward to early, substantial progress in this key area of the negotiations, which it believes should move in tandem with negotiations on agriculture and services.

Trade and Environment

44. Australia's trade and environment policy is based on the position that an open, equitable and non-discriminatory multilateral trading system delivers increased living standards, particularly for developing countries, and makes a key contribution to efforts to protect and conserve environmental resources and promote sustainable development. The Australian government policy on this issue in the WTO is that the framework of rules and disciplines allow countries to implement measures to achieve a genuine environmental objective. At the same time, these disciplines help prevent environmental objectives being used as a disguised restriction on international trade, or arbitrary or unjustifiable discrimination between countries where the same conditions prevail.

45. Australia has repeatedly noted in the Committee on Trade and Environment that there are a number of policy actions that WTO members can implement that would immediately benefit the environment, such as the elimination of environmentally damaging and trade distorting agricultural and fishery subsidies. The Australian government believes that production-linked subsidisation in agriculture encourages over-production and drives down prices, which in turn increases environmental pressures and reduces capital available to ensure the implementation and maintenance of environmentally sound practices.

46. Australia is engaging constructively in the negotiations in the Committee on Trade and Environment Special Sessions (CTESS). In keeping with paragraph 32 of the Doha Declaration, we will oppose efforts to add to or diminish existing rights and obligations of Members.

Intellectual Property

47. Australia supports the effective implementation of rights and obligations within the framework of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). It has participated actively in discussions on TRIPS and Public Health, geographical indications, biotechnology and emerging issues such as electronic commerce in the TRIPS Council and, as appropriate, the World Intellectual Property Organization. Australia's constructive role in the negotiations which led to the Doha Declaration on the TRIPS Agreement and Public Health helped bring key players towards a common ground that sealed the successful compromise outcome. Australia's practical approach, mirrored in its work with APEC partners, recognises the development dimension and the role of intellectual property protection in stimulating innovation and the need for

protection of these intangible assets. This is focussed on promoting a trade and investment climate conducive for Australian and regional business, as well as a respect for the diversity of national economic, legal and social frameworks.

Rules

Anti-dumping and subsidies

48. Australia has not been a demandeur in respect of the rules negotiations in the new round or in the ongoing work on the series of implementation proposals, relating to anti-dumping and subsidies and countervailing measures. In light of the mandate given on these questions at Doha, however, we will participate in examining ways to improve and clarify these agreements.

Regional trade agreements

49. Australia has taken an active role in the Rules Negotiating Group in relation to the WTO rules on regional trade agreements (RTAs). Consistent with the Doha Declaration, Australia is seeking to work with other members to clarify the rules governing RTAs and improve the procedures for examination of RTAs by the WTO membership.

Trade and Competition Policy

50. Australia's priorities are to work constructively towards the development of a balanced framework on multilateral rules on competition consistent with the Doha mandate. Australia has a world class competition policy regime and would not have any difficulty in complying with any multilateral rules. Australia notes, however, that many developing countries still do not have any competition policies in place and are concerned about the impact of any agreement on national development policies. Australia recognises that in the lead up to and during any negotiations there needs to be a strong emphasis on capacity building and technical assistance. Australia stands ready, given our considerable expertise in the area of competition policy, to contribute to a better understanding of the role of competition policy in economic development and the role that any multilateral agreement could play in this process.

Trade and Investment

51. Australia has not been a demandeur in respect of investment in the new round but, consistent with the Doha Declaration, has undertaken to work constructively towards the development of balanced rules on investment. Australia sees merit in a strong and comprehensive framework for international investment that would enhance investment flows, contribute towards economic development and provide greater certainty and predictability for foreign investors.

Trade Facilitation

52. Australia supports negotiations on trade facilitation. Transparent and consistent rules that expedite the clearance of goods and reduce red tape will deliver significant benefits to exporters accessing international markets.

Transparency in Government Procurement

53. Australia supports negotiation of an agreement on transparency in government procurement and will continue to work constructively with members to build for support for future negotiations in this area.

Review of the Dispute Settlement Understanding

54. Australia is an active participant in the negotiations for review of the Dispute Settlement Understanding (DSU). In accordance with the Doha Declaration, Australia is seeking to work with Members to improve and clarify the DSU particularly in relation to procedural time-frames for dispute settlement on safeguards.

Accession Negotiations

55. Australia encourages an expansion of WTO membership through the admission of new members on commercially acceptable terms based on full implementation of WTO rules. Expanded WTO membership provides a unique opportunity to encourage global trade reform and to achieve greater transparency and stability in global trading conditions. Australia was therefore pleased to see the recent admission of China and Chinese Taipei after many years of negotiations. Australia is engaged with most countries currently seeking WTO membership and is keen to see substantive progress in negotiations that would enable early membership for all applicants. Australia also particularly wants to accelerate the accession of least developed countries, and provides technical assistance to assist these countries and others with the reforms necessary to comply with WTO rules.

Trade and Development

56. Australia believes that the active participation of developing country members in the new round of multilateral trade negotiations is a fundamental prerequisite for success. The efficient provision of targeted and effective trade-related technical assistance will be a crucial element in the quest to increase the capacity for meaningful participation by all WTO members. In recent years, the Australian Government's overseas aid programme has increased its focus on trade-related technical assistance and capacity building. Direct trade-related assistance increased by more than 36 per cent in the period from 1996-97 to 2002-03, from around \$18 million to an estimated \$25 million per annum. In addition, multi-year trade-related development assistance projects worth over \$160 million are currently underway, as well as an estimated \$250 million in 2002-03 on programs to support food security. Broader assistance on economic governance and public sector reform programs – estimated to be around \$245 million in 2002-03 -- is also critical for creating the enabling environment for trade in developing countries. These initiatives reflect Australia's appreciation of the vital role that trade can play in the promotion of economic development and the alleviation of poverty and demonstrate Australia's ongoing commitment to advancing the interests of developing countries.

57. Australia has actively contributed to new technical assistance initiatives in response to the Doha Development Agenda. These include a contribution of \$A460, 000 to the Doha Development Agenda Global Trust Fund. Australia looks forward to working with WTO members and the Secretariat to ensure that the activities funded by the Global Trust Fund will advance our efforts to ensure that developing countries are fully engaged in the new Doha Development Agenda negotiations. Other new initiatives include \$A500, 000 to the Agency for International Trade Information and Cooperation (AITIC) to support non-resident WTO members and the delivery of training courses on dispute settlement procedures and intellectual property issues to Indonesian officials. Furthermore, Australia, in conjunction with the Government of South Africa, delivered a training programme for trade negotiators from 16 African countries in May 2002. This may be followed by further trade policy training in other regions.

58. Australia has for many years provided generous preferential market access for developing and least developed countries (LDCs). LDCs have duty free access for 85 per cent of tariff lines. For a limited range of products (textiles, clothing and footwear, automotive parts and cheese) LDCs receive

a five per cent margin of preference. Over 93 per cent of LDC imports enter Australia duty free. There are no quantitative restrictions and no special safeguard arrangements on textiles or other sectors of interest to LDCs.

IV. FUTURE DIRECTIONS OF AUSTRALIAN TRADE POLICY

59. Australia's trade policies reflect Australia's strong support for trade liberalisation and its active participation in initiatives to open market access and promote trade reform.

60. Australia will focus on expanding its export market to increase trade performance and to reduce impediments to free and open trade. Exports are critical to generating wealth, creating jobs and raising living standards for all Australians. The Government is aiming to double the number of Australian businesses exporting by 2006. To this end, it is providing information campaigns on the role of exporting and the benefits of trade as well as committing resources to encourage businesses to export.

61. Australia will continue to pursue its trade objectives through mutually reinforcing multilateral, regional and bilateral trade initiatives. Australia places great importance on and has committed significant resources to the new Doha round of multilateral trade negotiations which Australia believes will bring significant benefits to Australian businesses and markets. Australia also sees merit in pursuing comprehensive free trade agreements (FTAs) with other countries which can deliver more ambitious outcomes within a shorter time frame than within the WTO while at the same time contributing to the overall objective of building support globally for trade liberalisation and reform. In this context, Australia sees considerable bilateral and wider benefits from the FTAs currently being negotiated with Singapore and Thailand, and, similarly, from pursuing an FTA with the United States.

Appendix A

Reduction of Tariffs in the Passenger Motor Vehicle Industry

| Industry/Year | 1998 (1 January) | 1999 (1 January) | 2000 (1 January) | 2005 (1 January) |
|---------------------------|---------------------|---------------------|---------------------|---------------------|
| PMVs and components | 20% | 17.5% | 15% | 10% |
| PMV replacement parts | 15% | 15% | 15% | 10% |
| Light commercial vehicles | 5% | 5% | 5% | 5% |
| Off-road vehicles | 5% | 5% | 5% | 5% |

Reduction of Tariffs in the Textiles, Clothing and Footwear Industry

| Industry/Year | 1998 (1 July) | 1999 (1 July) | 2000 (1 July) | 2005 (1 January) |
|--|------------------|------------------|------------------|---------------------|
| Apparel and certain finished textiles | 31% | 28% | 25% | 17.5% |
| Cotton sheeting and woven fabrics | 19% | 17% | 15% | 10% |
| Textile yarns | 5% | 5% | 5% | 5% |
| Sleeping bags, table linen, tea towels | 12% | 11% | 10% | 7.5% |
| Footwear | 21% | 18% | 15% | 10% |
| Footwear parts | 10% | 10% | 10% | 7.5% |
| Carpets | 19% | 17% | 15% | 10% |