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TRADE POLICY REVIEW

Report by

AUSTRALIA

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 Australia is attached.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Australia.

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I. INTRODUCTION

1. This is Australia's sixth Trade Policy Review. It takes place at a critical time and in the face of the economic challenges associated with the global economic crisis and the impact of these challenges on global trade. The fundamental features of Australia's trade policy remain unchanged despite these challenges. Australia remains firmly committed to preserving and building upon the strength of a rules-based and transparent multilateral trading system. Australia remains committed to the successful conclusion of an ambitious and balanced Doha Round. An ambitious and balanced Doha outcome will help deal with these challenges and deliver a global stimulus package to assist in securing the global economic recovery. Australia will continue to support the WTO's role in monitoring protectionist policy responses to the global economic crisis.

2. Trade is vital to Australia's economy and the prosperity of its people. The Australian Government's commitment to an open, flexible economy has been a key factor in Australia's strong economic and trade performance over the last two decades. Australia is committed to pursuing vigorously the reduction of trade barriers and expansion of its markets through multilateral, regional and bilateral approaches as well as through unilaterally removing barriers to trade and investment on a non-preferential basis.

3. Australia's highest trade priority is the successful conclusion of the Doha Round, and it continues to urge all WTO Members to demonstrate greater flexibility in the negotiations. The final Doha package must deliver substantial new trade opportunities for all WTO Members by opening markets for agricultural and industrial products and services, as well as through reductions in agricultural subsidies. The potential global economic benefits of an ambitious outcome are significant. A comprehensive study in 2009 by the Centre for International Economics found that trade liberalisation had added 2.5%-3.5% to the Australian economy over the past two decades and benefitted the average Australian working family by up to \$A 3,900 per annum.¹ On the other side of the coin, the Productivity Commission found that if all WTO Members increased their rates to bound levels, it could lead to a 2% (or \$A 1 trillion) fall in global output, and an associated drop in world trade of around 8%, in the longer term.²

4. As part of its comprehensive trade strategy, Australia also concludes WTO-consistent bilateral and regional free trade agreement (FTAs) where these yield significant market openings, are comprehensive, and complement and support multilateral liberalisation efforts. Since its last Trade Policy Review in 2007, Australia has concluded FTAs with Chile, and the Association of South East Asian Nations (ASEAN) and New Zealand which meet this high benchmark.

II. GENERAL ECONOMIC ENVIRONMENT

(1) DOMESTIC ECONOMY

5. The Australian economy has been one of the best performing in the developed world, particularly during the global financial crisis (GFC). The Australian economy is now in its nineteenth consecutive year of economic growth. Since 1991, the Australian economy has experienced uninterrupted real growth, averaging 3.5% per annum on a calendar year basis.

¹ Centre for International Economics 2009, Benefits of trade and trade liberalisation, report prepared for the Department of Foreign Affairs and Trade, Canberra. http://www.dfat.gov.au/publications/benefits_trade_liberalisation/index.html.

² Productivity Commission 2009, Annual Report 2009-09, Annual Report Series, Productivity Commission, Canberra. http://www.pc.gov.au/_data/assets/pdf_file/0017/92042/annualreport-0809.pdf.

6. Australia's close trade links to the rapidly growing Asian region are vital for its future growth prospects. Continued strong growth in emerging Asia, particularly in China and India, has driven strong demand for Australia's commodities. The terms of trade are currently at their highest level in about 60 years and are expected to boost income and underpin strong business investment, particularly in the mining sector.

7. Demand for Australia's commodities is expected to remain strong, in line with the strong growth outlook in the major trading partners. Together with solid growth in exports, robust terms of trade have pushed the trade balance into surplus during 2010 and this is likely to continue. According to the Mid-Year Economic and Fiscal Outlook 2010-11, the Australian economy is expected to grow by 3 ¼% in 2010-11 and 3 ¾% in 2011-12.

8. The Australian labour market is also expected to continue to perform strongly. In November 2010, the unemployment rate stood at 5.2%, lower than any of the major advanced economies except Japan. According to the Mid-Year Economic and Fiscal Outlook 2010-11, the unemployment rate³ is forecast to fall to 4 ¾% in 2010-11 and 4 ½% in 2011-12.

9. There are downside risks to the outlook, however, mostly stemming from global uncertainties. Concerns about European sovereign debt, the challenge in China of managing rising inflation and excessive liquidity and the difficulty of managing fiscal consolidation across the advanced economies all present risks for the global outlook and challenges for Australia.

(2) IMPACT OF THE GLOBAL FINANCIAL CRISIS

10. The Australian economy has proven to be one of the most resilient in the developed world. During the GFC, Australia experienced a shallower downturn with only a single quarter of decline in real GDP when most advanced economies were falling into deep recession.

11. The impact of the GFC on the labour market was also relatively mild. From a low of 4% in early 2008, Australia's unemployment rate peaked at 5.75% in the September quarter of 2009.

12. Sound monetary settings, a well functioning financial sector, strong population growth, fiscal stimulus and a strong rebound in demand for Australian resources, particularly from China, all appear to have contributed to Australia's strong performance during the GFC. In addition, the resilient labour market reflected a greater preparedness of employers to reduce hours rather than shed staff.

(3) RESPONSES TO THE GLOBAL FINANCIAL CRISIS

(i) Monetary and fiscal policy responses

13. Between September 2008 and April 2009, the Reserve Bank of Australia (RBA) cut the cash rate by 425 basis points to 3% – its lowest level in almost 50 years. In addition, the RBA implemented several measures to improve market liquidity and enhance financial stability.

14. In terms of fiscal policy, the Government responded to the GFC by implementing a three phase stimulus package to support growth and jobs. The first phase of the stimulus was income support to low- and middle-income households through the \$A 10.5 billion Economic Security Strategy in October 2008. In February 2009, this was followed by the Nation Building and Jobs Plan, which included an additional \$A 12 billion in income support for households and a \$A 29.8 billion

³ Seasonally adjusted, estimate for the June quarter.

investment in infrastructure projects across the country. These included investments in schools, housing, energy efficiency, roads, community infrastructure and support to small businesses. The 2009 Budget marked the third phase of the stimulus strategy, investing in longer term nation building infrastructure – road, rail, ports, universities and hospitals.

15. Both monetary and fiscal stimulus measures are being withdrawn, as private activity builds momentum. Between October 2009 and November 2010, the RBA raised the cash rate from 3% to 4.75%, raising mortgage and business borrowing rates to slightly above their long-term averages. In the 2010-11 Mid-Year Economic and Fiscal Outlook, it was estimated that withdrawal of the fiscal stimulus measures would subtract around 1 percentage point from economic growth in 2010-11 and ½ of a percentage point in 2011-12.

(ii) Financial system responses

16. Australia has supported international efforts to enhance global financial stability particularly through the work program of the G20. Outlined below are measures introduced in Australia in response to the global financial crisis.

17. *Guarantee arrangements*: introduced in October 2008, along with the Financial Claim Scheme, to enable Australia's institutions to compete against guaranteed banks in other jurisdictions to access wholesale funds and also to support investor and depositor confidence in the safety of Australia's financial institutions.

18. *Investment in AAA-rated residential mortgage-backed securities (RMBS) up to \$A 16 billion*: designed to support smaller lenders to promote competition in the residential mortgage lending market, following the dislocation of securitisation markets.

19. *Executive remuneration reform*: a number of initiatives introduced to minimise companies' incentives for excessive risk taking. These include the introduction of new prudential standards on executive remuneration for authorised deposit-taking institutions and general and life insurance companies and legislation to ensure that termination benefits for company directors and executives exceeding one year's average base salary are subject to shareholder approval.

20. *Short Selling*: involves reforms to the regulatory framework governing short selling to help restore confidence in financial markets during a period of extreme market volatility and to reduce the risk of speculation about short selling harming market confidence in the future.

21. *Credit rating agencies (CRAs)*: measures include requiring all CRAs in Australia to hold an Australian financial services licence and comply in the form of annual comprehensive compliance reports to the Australian Securities and Investments Commission (ASIC) on the updated IOSCO Code of Conduct.

22. *Consumer protection framework*: measures include introduction of national regulation of consumer credit (a national licensing regime effective from 1 July 2010), and amendments to the *Corporations Act 2001* relating to issues of margin loans, trustee companies, debentures and mandatory disclosure of long-term superannuation returns. Regulations were also introduced to enable consumers to access less complicated investment advice relating to the first home saver scheme, margin lending, superannuation and straightforward managed investments products.

(4) REFORMS SINCE JANUARY 2007

23. Since the last Review, the Australian Government has acted to improve productivity through investments in infrastructure and improving the skills base. Infrastructure investments include telecommunications via the National Broadband Network, freight and export infrastructure, the national road network, health and hospitals, and education. Action has also been taken to drive competitive and efficient infrastructure markets and lower regulatory costs for infrastructure development.

24. The Government is delivering education reform by improving the transparency and quality of all forms of education, moving towards a single national curriculum, and increasing the flexibility of education providers to meet the needs of their students. There has also been a reshaping of employment services and enhancements to skills programs.

25. Since the last Review, Australia has also made substantial progress in moving towards a seamless national economy by removing many internal regulatory obstacles to private business. In 2008-09 the Council of Australian Governments (COAG) agreed to a "National Partnership Agreement to Deliver a Seamless National Economy" for improving Australia's productivity. These reforms will reduce inconsistent and unnecessary regulation in 27 separate areas. Twelve of the regulatory reforms have been completed and the other reforms are progressing well. These reforms are due for completion in 2013.

26. Australia's automotive and textile, clothing and footwear (TCF) sectors were further liberalised during this period through unilateral cuts in tariffs. On 1 January 2010, Australia's tariffs on imported vehicles were reduced from 10% to 5%. These tariffs are now the third lowest among major automotive producing countries and are between 3% and 4% on an import-weighted basis. Tariffs on all TCF products were also reduced to 5% on 1 January 2010, except for tariffs on apparel and certain finished textiles, which were reduced to 10% and will be reduced to 5% in 2015.

27. Australia has also made substantial progress towards a single national industrial relations system replacing 1,560 workplace awards with 122 modern awards. Further, the establishment of a National Health and Hospitals Network will help improve efficiency and provide a secure funding base into the future.

28. On 26 April 2010, the Australian Government announced the *Future of Financial Advice* reforms. The focus of the proposed reforms is on improving the quality of financial advice, enhancing retail investor protection, and improving trust and confidence in the financial planning industry. Main aspects of the package are proposed to be in place by 1 July 2012.

III. TRADE POLICY

(1) AUSTRALIA'S TARIFF REGIME

29. More than 96% of Australia's tariff lines are applied at an MFN rate of 5% or less, with over 46% duty free. The average applied tariff rate is 2.9%. The Government is committed to a forward program of further tariff reductions. On 1 January 2010, Australia proceeded with scheduled tariff reductions on passenger motor vehicle (PMV) and textile clothing and footwear (TCF) tariffs, with tariffs on clothing and certain finished textile articles being reduced to 10%, and all other TCF and PMV tariffs being reduced to 5%. By 2015, all tariffs on TCF products will be no higher than 5%.

(2) AUSTRALIA'S SERVICES AND INVESTMENT REGIME

30. Services sector businesses are a major contributor to the economy and provide critical inputs to the activity of other businesses. The Government recognises that productive, competitive, creative, innovative, effective services are critical to Australia's long-term economic prosperity. Australia has a vibrant and advanced services sector, which comprises an increasingly significant proportion of economic activity. In 2009–10, the service economy accounted for 76.5% of total industry gross value added (65.8% of GDP), and 20.8% of total exports. As at August 2010, the service economy employed almost 9.7 million persons, which is around 86% of the Australian workforce.

31. To sustain the growth and enhance the international competitiveness of the service sector the Government has put in place an overarching service strategy. The strategy comprises:

- the creation of a sound macroeconomic environment that supports sustainable growth;
- increasing the productivity and competitiveness of the service economy by removing impediments to growth; and
- enhancing the capacity of service-based businesses.

Removing impediments to growth includes regulatory reform to deliver a seamless national economy, which will help to address behind-the-border barriers to services activities.

32. Australia has continued to pursue liberalisation of its foreign investment regime to reduce compliance costs and improve Australia's competitiveness as a place to invest. For example, as a result of changes to Australia's foreign investment regime made in September 2009, investors seeking to establish a new business no longer need to submit a proposal to the Government for review. Proposals by foreign investors to invest in Australian businesses now need to be notified only when they involve acquisitions of 15% or more in a business worth \$A 231 million or more, indexed annually for inflation.

33. Australia is working to enhance international opportunities for service industries through multilateral, bilateral and regional trade negotiations to remove non-tariff barriers to improve market access and address behind-the-border barriers. Australia is one of the most active advocates of services trade reform in the WTO and in regional and bilateral FTAs and has some of the most open services sectors and one of the most highly transparent investment regimes in the world. Australia has undertaken significant reform across the services economy over the last twenty years. This reform agenda has been supported by close attention to the role of regulation and competition, including through the establishment of bodies such as the Office of Best Practice Regulation and the Australian Competition and Consumer Commission.

(3) AUSTRALIA'S QUARANTINE REGIME

34. In 2008, the Australian Government commissioned an independent review of Australia's quarantine and biosecurity arrangements. The review received 220 submissions and held 170 meetings, including with trading partners. It reported in September 2008, finding that Australia operates a good biosecurity system but that improvements could be made. The review highlighted the need for improvements to better deal with increasing risks, arising from climate change, globalisation and increased passenger and cargo movements. Its recommendations were designed to improve the

good aspects of the current system and to rectify any shortcomings. In December 2008, the Government agreed in principle to all the recommendations.

35. The Australian Government is progressing a range of biosecurity reforms to improve the system's efficiency and effectiveness and its ability to adjust to ever-changing biosecurity risks. Work is under way in a number of areas to build a better biosecurity system that fosters partnerships, improves governance structures and targets risks. However, reforms will take some time and changes will be incremental. Reform activities will be staged in a sensible manner so that Australia's biosecurity is not compromised during the process. Trading partners will be kept informed of changes.

36. On the suggestion of applying a cost benefit analysis to Australia's biosecurity regime, it is important to recognise that the SPS Agreement limits the factors that can be taken into account in imposing measures on imports. This point was noted in the Independent Review of Australia's Quarantine and Biosecurity Arrangements (2008), which concluded that:

"Perhaps paradoxically, but quite intentionally, the SPS Agreement excludes consideration of economic losses or gains arising from the import itself as distinct from the potential harm from pests or diseases. This, together with the requirement that any measures should not be more trade restrictive than required, ensures that trade issues are not brought to bear in a way that increases the risk of SPS measures being used as non-tariff barriers."

(4) INTELLECTUAL PROPERTY

37. Australia continues to support the effective implementation of rights and obligations within the framework of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Australia approved the TRIPS Protocol on Public Health in September 2007 and is currently undertaking public consultation on proposals to implement the Protocol and enable the export of pharmaceutical products from Australia to least-developed and developing countries in accordance with the Protocol.

38. Australia continues to be an active participant in the consideration of intellectual property issues within a range of international and regional forums, including WIPO and APEC. During the review period, Australia became a party to the WIPO Copyright Treaty, the WIPO Performances and Phonograms Treaties, the Patent Law Treaty and the Singapore Treaty on the Law of Trademarks. In April 2010, Australia's Attorney-General and Minister for Foreign Affairs announced Australia's intention to accede to the Council of Europe Convention on Cybercrime.

39. Australia is party to various bilateral and multilateral free trade agreements, which contain chapters relating to IP protection and enforcement. It has been an active participant in negotiations for the Anti-Counterfeiting Trade Agreement, which aims to build on WTO standards on enforcement.

(5) TRADE-RELATED DEVELOPMENT ASSISTANCE (AID FOR TRADE)

40. Increased openness and greater market access are not sufficient to drive sustained economic growth. Liberalisation initiatives need to be undertaken in the broader context of a country's overall development strategy and complemented by broader reform, including in the area of governance and institutional strengthening, public financial management, tax reform and social policy initiatives. Australia recognises that, for many developing countries, assistance including for capacity-building purposes is required to effect these changes. Australia therefore strongly supports trade related

development assistance to developing countries, including through the WTO's Aid for Trade initiative.

41. Aid for trade activities are important in helping developing countries to achieve sustainable economic growth, and to help reduce poverty. Many of Australia's development activities have substantial underlying characteristics that encourage or facilitate trade. Specifically, such activities are underpinned by key objectives, which help enable developing countries to engage better in the multilateral trading system and regional trade initiatives, boost their trade flows, diversify their trade activities, and improve economic integration on a regional and global basis.

42. Australia has strengthened its efforts over recent years on aid for trade, including through multilateral, regional and bilateral arrangements. Australia's aid for trade activities – which are supported across different programs – represented about 10% or \$A 400 million of Australia's total aid program in 2009-10.

43. Specifically in connection to the WTO, since 2002 Australia has contributed over \$A 7.5 million to the WTO's Global Trust Fund to provide technical assistance to developing country members to participate in the Doha Round of trade negotiations. Australia's contribution to the Fund for 2010-2011 is \$A 2 million. Australia also provided \$A 750,000 in 2009 to the WTO Standards and Trade Development Facility to help developing countries to analyse and implement international standards on food safety and animal and plant health.

44. In 2003, Australia (unilaterally) removed duties and quotas on all imports from Least Developed Countries and East Timor. Australia's imports from LDCs and East Timor increased substantially since 2003. The growth in merchandise imports from LDCs and East Timor has been stronger than that from the rest of the world.

45. Outside of the WTO, Australia has provided \$A 3 million to the Advisory Centre on WTO Law (ACWL) in 2010. ACWL is an intergovernmental organisation based in Geneva that provides training and subsidised legal services on WTO law to developing countries. A proposal for Australian accession to ACWL is currently being considered by the Australian Parliament

46. Australia has also continued to provide support to Laos PDR, Vanuatu and Samoa in their bid to finalise WTO accession negotiations. Since the last Review, Australian assistance in Laos PDR under the Trade Development Facility (TDF) has supported Laos' regional and economic integration, the capacity of its officials to participate in trade negotiations, and the development of trade policy frameworks in areas such as SPS and TBT. Australia has also assisted Vanuatu and Samoa in the development of WTO-consistent policies in spheres such as Trade-Related Aspects of Intellectual Property.

(6) FUTURE DIRECTIONS OF AUSTRALIAN TRADE POLICY

47. Australia believes that the best trade policy is domestic economic reform: a productivity-raising, competitiveness enhancing microeconomic reform program supported by responsible fiscal policy. The Australian Government's commitment to ongoing reforms to improve the international competitiveness of the Australian economy has been a key factor in Australia's strong economic and trade performance over the last two decades.

48. Australia has a major stake in maintaining a healthy and open multilateral trading system. Australia will continue to support a rules-based multilateral trading system and the conclusion of the Doha Round remains its highest trade priority. An ambitious and balanced outcome would represent

an important boost to the global economy and deliver substantial new trade opportunities for all WTO Members. Australia will also continue to participate actively in the work of the WTO not directly connected to the Doha negotiations, including the WTO's regular committees, the Trade Policy Review Mechanism and the dispute settlement mechanism.

49. Australia will continue efforts to deepen its trade and economic engagement with its region and other important markets. Free Trade Agreements remain part of our overall trade strategy and Australia remains committed to negotiating WTO-consistent FTAs which are competitive, non-discriminatory, transparent, genuinely liberalising and which advance Australia's multilateral trade objectives.

50. On 27 November 2009, the Government announced that the Productivity Commission (PC) would undertake a study into the impact and effectiveness of FTAs in liberalising barriers to trade and investment and their contribution to Australia's trade and economic performance. The report of the study was released on 13 December 2010 and its findings will provide input to the Government review of Australia's future trade policy framework announced by the Minister for Trade, Dr Craig Emerson, on 10 December 2010. The review will be completed around the end of the first quarter of 2011. It will be built on five principles identified by Dr Emerson: unilateralism; non-discrimination; separation between trade policy and foreign policy; transparency; and the grand unifying principle of trade policy as an indivisible part of overall economic reform.⁴

51. Conducting the review will not hold up Australia's present trade policy priorities such as our effort to conclude the Doha Round negotiations and our ongoing FTA negotiations. A program of intensive negotiations across the FTA agenda is expected for 2011. It may be possible to conclude the Korea-Australia FTA during this period. Australia will move forward with its negotiations with China, Japan, Malaysia and Indonesia for high quality agreements and will continue to look for appropriate opportunities to advance FTA negotiations with the GCC. The Trans-Pacific Partnership Agreement negotiations are expected to make maximum headway by the time of the APEC Leaders' meeting in November 2011, with an intensive schedule of meetings planned for 2011.

(7) AUSTRALIA'S COMMITMENT TO THE MULTILATERAL TRADING SYSTEM

52. Australia has been a long-time advocate of an open, transparent and rules-based global trading system. Bringing the Doha Round to a successful conclusion and maintaining a strong multilateral trading system is Australia's highest trade priority. A founding member of the General Agreement on Tariffs and Trade (GATT) in 1947 and the WTO in 1995, and Chair of the Cairns Group of agricultural exporters, Australia has a longstanding commitment to multilateral trade liberalisation that would remove distortions in the global market and deliver new trade benefits for all WTO Members.

(i) Concluding the WTO Doha Round

53. Australia has been a driving force behind efforts to find convergence on remaining issues, building on progress made to date. Successive Australian trade ministers have worked closely with other trade ministers to build the necessary political will and flexibility to conclude the Round.

⁴ The Future of Trade Policy in an Uncertain World. An address by the Australian Minister for Trade, Dr Craig Emerson, to the Lowy Institute, Sydney, 10 December 2010. Viewed at: http://www.trademinister.gov.au/speeches/2010/ce_sp_101210.html.

(ii) Australia's Objectives for the Doha Round

54. Australia strongly supported the launch of the Doha Round in 2001. Australia's key objectives were to achieve a more open global trading environment, primarily by expanding market access and creating new trade flows in agriculture, industrial products and services, as well as reducing subsidies and strengthening WTO disciplines. These objectives remain as important as ever.

Agriculture

55. Global agricultural trade reform is a key objective of Australia's international trade agenda. While agriculture is the most distorted area of international trade, Australia's agricultural sector is one of the most open, market-oriented and competitive in the world. Domestic and international prices for agricultural commodities are closely aligned and the level of assistance provided to agriculture means that Australia remains the second lowest subsidiser in the OECD. Australia's agricultural exporters are frustrated by the lack of progress and the ongoing failure to conclude the Doha Round. Both developed and developing countries continue to suffer from lost trade and development opportunities while the Round remains unresolved.

56. In keeping with the Doha mandate, Australia, as Chair of the Cairns Group seeks to achieve an ambitious outcome which delivers substantial improvements in market access, elimination of export subsidies and substantial reductions in trade-distorting domestic support. While there has been a proliferation of new negotiating groups within the WTO, the Cairns Group continues to represent a broad global cross-section of both developing and developed country agricultural exporters. One of the strengths of the Group is the unique interface it provides between primary producers and policy makers. The dialogue between the Cairns Group Farm Leaders and the Cairns Group Ministers during the Cairns Group Ministerial Meeting (CGMM) places exporter concerns at the forefront of discussion. In both 2009 and 2010, the CGMM has been the impetus driving wider discussions on the state of the Round. The Cairns Group has made clear that there can be no weakening of ambition on the reforms needed in agriculture, including the elimination of all forms of export subsidies by 2013, substantial reductions and disciplines on domestic support, and substantial improvements in market access. Members will continue efforts, both at a technical and political level, to resolve the outstanding issues and bring the Round to a successful conclusion.

57. Australia acknowledges that special and differential treatment is an integral part of WTO Doha negotiations. It exists to balance the structural asymmetry between developing and developed countries, but flexibilities should be designed in a way that reduces the distortions and restrictions in the international agricultural trading system. Australia will continue to work hard to build consensus with the wider WTO Membership and progress the outstanding modalities issues.

Non-Agricultural Market Access (NAMA)

58. Australia's objective in the negotiations on non-agricultural market access (NAMA) is to achieve commercially-meaningful improvements in market access, which will require contributions from developed and developing countries (other than LDCs). Given that trade in non-agricultural products accounts for around 90% of global trade in goods, a strong outcome in the NAMA negotiations will provide a significant boost to the global economy. Australia is supportive of initiatives to negotiate appropriate tariff concessions at a sectoral level and perceives the benefits for business of principles-based outcomes on NTBs.

Services

59. Australia has consistently emphasised the importance of a strong outcome to the services negotiations in the Doha Round in order to ensure a balanced outcome across all three market access pillars of the negotiations. This approach recognises the important role the services sector plays in the modern economy, but also the integral relationship between the services sector and other parts of the economy, including the commodity and manufactured goods sectors.

60. To that end, Australia has explored constructive options to build momentum in those negotiations. Australia was a strong supporter of the ministerial signalling conference on services in July 2008. Australia indicated commercially meaningful improvements to our offer, which were of particular interest to developing countries. Australia is committed to an open and competitive services sector, and to reflecting that openness in our WTO commitments. Our initial and first revised offers were acknowledged by WTO Members as very comprehensive. Australia has coordinated a new plurilateral request on accounting services, and has helped develop new and complementary approaches to negotiations to group together a number of existing and related sector-specific plurilateral negotiating proposals.

61. Australia recognises that the services market access negotiations are complemented by effective services rules negotiations. For example, are actively working with others to develop proposals to find common ground to move the negotiations forward in areas such as domestic regulation (licensing and qualification requirements and procedures, for example) and special and differential treatment for least developed countries.

Rules

62. Australia supports clarifying and improving the existing WTO rules relating to anti-dumping, subsidies and countervailing duties. As both a user and a (lesser) target of anti-dumping measures, Australia takes an active role to ensure improvements to trade remedy rules would encourage transparency and clarification of anti-dumping practices rather than prescriptive, mandatory rules which favour one practice over another. Australia also has an interest in ensuring Australian exporters are treated fairly and due process is afforded them.

63. Australia strongly supports strengthening the rules relating to subsidies, including those relating to prohibited export subsidies and their enforcement, subsidy practices such as regulated pricing and certain trade-distortive forms of financing to loss-making institutions. Where appropriate, Australia is also supportive of harmonising the WTO Anti-Dumping and Subsidies Agreements relating to trade remedy investigations.

64. Australia has been an advocate of specific and strengthened disciplines for fisheries subsidies. Australia is seeking an ambitious outcome in these negotiations. As a member of the 'Friends of Fish', Australia is aiming for an outcome incorporating the broadest possible prohibition on harmful fisheries-specific subsidies that lead to over-fishing and overcapacity in the fisheries sector. Australia is also supportive of appropriate and effective special and differential treatment for developing countries that reflects their development priorities, poverty reduction and livelihood and food security concerns.

65. Australia also strongly supports efforts to clarify and improve the WTO rules applying to RTAs, and sees progress in this area as an important element in any desirable outcome of the rules negotiations. As an important first step Australia welcomes the provisional application of the RTA transparency mechanism and hopes to see it permanently adopted as part of any such outcome.

Trade Facilitation

66. Australia supports a meaningful Doha outcome on trade facilitation, which reduces delays and cuts "red tape" at the border resulting in cost savings for traders. Australia's approach to the negotiations is to propose and support concrete commitments of practical value to business. While it is recognised that developing countries and least-developed countries are expected to gain significantly from more efficient trade processes and procedures, implementing some measures may require technical assistance and capacity building. Australia will continue to provide assistance in this area, including through its work in APEC and its aid program.

Trade and Development

67. Australia believes an ambitious and balanced Doha outcome can make an extremely valuable contribution to the economic development of developing countries. Australia continues to advocate a successful conclusion of the Doha Round as a key measure to support developing countries' sustainable development by helping them better reap the benefits of international trade. We advocate the need for trade reform in core negotiating areas of the Doha Round, particularly the highly distorted agricultural sector, to fulfil the Doha Round's development mandate.

Trade and Environment

68. Australia's objectives in the negotiations on trade and environment issues are to liberalise international trade in environmental goods and services, recognising the important role that trade can play in addressing climate change and other environmental goals. Australia continues to work with other WTO Members on the relationship between WTO rules and specific trade obligations in multilateral environmental agreements. Since its joint submission with Argentina on this in 2007, Australia has continued to advocate a focus on practical outcomes in this area of the negotiations, for example on the need for effective national-level coordination between domestic agencies and stakeholders and for the sharing of national experiences.

Intellectual Property

69. Australia has been an active participant in the Doha negotiations on the establishment of a multilateral system of notification and registration of geographical indications for wines and spirits. Along with 18 other Members, Australia co-sponsors the "Joint Proposal", which sets out a proposed mechanism of registration to facilitate the protection of wines and spirit geographical indications, while preserving the principle of territoriality for intellectual property rights. Australia has been participating constructively in negotiations in the Special Session of the TRIPs Council, including by engaging in detailed technical discussions regarding the practical implementation of a register.

(iii) Dispute settlement

70. Australia is a firm advocate of binding dispute settlement as a fundamental underpinning of the rules-based multilateral trading regime. An active participant in WTO dispute settlement, Australia has been involved in a number of disputes as a complainant, respondent and third party. Since 1995, Australia has been a complainant in 7 cases, respondent in 10 disputes, and third party in 55 disputes, making it one of the more active Members on WTO dispute settlement. It views the system as an important mechanism for promoting and defending Australia's trade interests. To mark the tenth anniversary of the WTO dispute settlement system, a collection of Australian perspectives on the system was published in 2007.

(8) AUSTRALIA AND THE G20

71. Australia considers the maintenance of open and competitive global trade and investment flows as essential to supporting the global economic recovery, and a key element of the G20 Leaders' agenda to promote strong, sustainable and balanced growth.

72. Australia strongly supported the agreement by G20 Leaders to renew their anti-protectionist pledge, which commits G20 members to refrain from imposing protectionist measures to investment or trade in goods and services until the end of 2013, and to maintain momentum on aid-for-trade initiatives to enable developing countries to fully share the benefits of trade liberalisation.

73. Australia also welcomed G20 Leaders' strong commitment at their Seoul Summit in November 2010 to bring the Doha Round promptly to a successful, ambitious, comprehensive and balanced conclusion, recognising that 2011 is a critical window of opportunity. Australia believes that by mobilizing political will at what is a critical juncture in the Doha negotiations, G20 Leaders and Trade Ministers can make an important contribution to achieving an outcome on Doha.

(9) AUSTRALIA AND THE OECD

74. Australia strongly supports the work of the OECD, including through Australia's permanent delegation to the OECD in Paris, at regular meetings of the OECD Trade Committee and its subsidiary bodies, and by chairing its working party in 2010. We encourage the OECD to continue to undertake work of interest to Australia, including efforts focused on non-tariff measures, regional trade agreements (RTAs) and aspects of trade and environment. We support the OECD Trade Committee continuing to deepen its work on the role of trade in economic growth and employment, including in response to the G20, as well as work on the role of trade and investment coming out of the crisis. We appreciate ongoing efforts by the OECD to better understand emerging trade issues such as global value chains, measuring trade in value-added terms, dynamic gains from trade and trade in tasks. We also support continued work on the Services Trade Restrictiveness Index (STRI) which aims to identify and measure the degree to which existing regulations restrict the international exchange of services.

(10) REGIONAL INITIATIVES

75. Australia pursues an active agenda of ambitious trade liberalisation on the multilateral, regional and bilateral levels. Australia's active involvement and promotion of regional and bilateral free trade agreements reflects our belief that comprehensive, high-quality RTAs complement rather than detract from the multilateral system. Australia is pursuing multilateral, regional and bilateral objectives simultaneously and, by effectively coordinating these efforts, can obtain mutually reinforcing results. Australia has been in the forefront of completing comprehensive RTAs, which can serve as building blocks for wider multilateral liberalisation.

(i) Asia-Pacific Economic Cooperation (APEC)

76. Australia has a strong commitment to APEC as the principal vehicle for the promotion of trade and investment liberalisation and economic cooperation in the Asia-Pacific region. APEC's work on trade and investment liberalisation, business facilitation and economic reform is instrumental in enabling sustained economic growth in the region's economies.

77. 2010 marked the end of the Bogor Goals of free and open trade and investment for developed economies. APEC's developing economies have until 2020 to achieve this objective. APEC's

self-assessment of the 2010 Bogor Goal is balanced, highlighting the areas where more work is needed, most importantly in agriculture, services and investment. Australia remains committed to working with member economies to accelerate APEC's regional economic integration agenda and to intensify its work on structural reform that aligns with G20 commitments. In particular, domestic economic structural reform can help drive new trade and investment reforms furthering progress towards meeting the Bogor Goal. Australia supports the Yokohama Vision announced by APEC Leaders in Japan in November 2010 which calls for an economically-integrated, robust and secure 'APEC community'.

78. A key pillar of APEC is its economic and technical cooperation work and practical capacity-building assistance. Australia provides strong policy and financial support for this work, particularly where it enhances developing economies' capacity to reap the benefits of improved trade and investment. For example, Australia is playing a leading role in enhancing trade logistics 'across the border' through a supply-chain connectivity initiative that aims to address chokepoints, which impair the smooth flow of goods and services in the region.

(ii) East Asia Regional Architecture

79. Australia is an active participant in discussions among East Asia Summit (EAS) participating countries that have FTAs with ASEAN. These discussions are considering the recommendations in the Phase II report on a Comprehensive Economic Partnership in East Asia (CEPEA), and looking at promoting regional economic integration based on existing free trade arrangements in the East Asia region. ASEAN Plus Working Groups have been established on rules of origin, tariff nomenclature, customs procedures and economic cooperation to look at these issues as building blocks in the process of realizing East Asian integration. The Working Groups have initially involved ASEAN countries only, but meetings on rules of origin and tariff nomenclature have also included Australia and ASEAN's other FTA partners. Australia sees this process as an important avenue to assess the current pattern of regional FTAs, consider measures to improve their functioning and interaction, and to explore the scope to build further on them through enhanced trade liberalisation, facilitation and economic cooperation.

(iii) ASEAN-Australia and New Zealand Free Trade Area

80. The Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) entered into force on 1 January 2010 for 8 of the 12 countries that signed the Agreement: Australia, New Zealand, Brunei, Burma, Malaysia, the Philippines, Singapore and Vietnam. Thailand implemented the FTA from 12 March 2010. Cambodia and Laos have ratified the Agreement and will implement the FTA from 4 January 2011 and 1 January 2011, respectively. Indonesia is still in the process of ratification. AANZFTA will result in the elimination of tariffs on 96% of Australia's current exports to ASEAN countries by 2020; currently only 67% of Australia's exports to the region are tariff-free. Australia's trade with ASEAN countries has grown by an annual average of 9% over the last decade. AANZFTA contains regional rules of origin and substantial tariff reduction and elimination commitments, as well as WTO-plus commitments in other areas such as services, which will provide commercially meaningful benefits to Australian business and further strengthen Australia's commercial ties with ASEAN. AANZFTA also provides for an economic cooperation work programme to support implementation of the Agreement.

(iv) Trans-Pacific Partnership Agreement

81. Australia is participating in the Trans-Pacific Partnership (TPP) negotiations along with Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, the United States and Viet Nam. Australia was pleased to host the first round of TPP negotiations in March 2010 in Melbourne. Further rounds were held in San Francisco in June 2010, in Brunei in October 2010 and in Auckland in December 2010. There has been solid progress on developing architecture for the TPP Agreement and negotiators are now considering draft text in a range of areas. In Brunei discussions were held across a wide range of subject areas including goods, services, investment, government procurement, intellectual property, competition policy, capacity building, labour and environment. Five rounds of negotiations are scheduled to take place in 2011.

82. Australia is committed through the TPP to achieve a high-quality, comprehensive, 21st century, regional free trade agreement, which will strengthen economic integration in the Asia-Pacific region, particularly as membership expands over time. In addition to ambitious liberalisation of trade and investment, TPP negotiators have agreed on a set of cross-cutting issues to progress in the TPP Agreement, including small business priorities and behind the border issues like reducing customs paperwork and achieving greater regulatory coherence across the region. These elements will further assist in fostering genuine integration in the Asia-Pacific region.

(11) BILATERAL INITIATIVES

(i) Australia's FTAs

Australia New Zealand Closer Economic Relations Trade Agreement

83. The Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) entered into force on 1 January 1983 and covers substantially all trans-Tasman trade in goods and services. Since 1 July 1990, all goods meeting the ANZCERTA rules of origin (ROOs) have been free of duty and quantitative import restrictions. In 2010, an ANZCERTA ROOs review recommended that Product Specific Rules (PSR) applying to a relatively small number of tariff lines for which factory-cost Regional Value Content requirements had been retained in 2007 be changed to Change of Tariff Classification-only rules, bringing them into line with other FTA commitments. In 2010, Australian and New Zealand officials also negotiated an Investment Protocol but the details are still subject to normal treaty making processes. The Trade in Services Protocol, signed in 1988, brought services into ANZCERTA from January 1989, providing for free trade in services in all but a very small number of areas. ANZCERTA has also provided the foundation for a large number of related agreements and arrangements to facilitate trade and promote economic integration. This includes mutual recognition arrangements relating to goods and registered occupations (the trans-Tasman Mutual Recognition Agreement) and the Single Economic Market initiative to increase regulatory harmonisation and seamless business interaction across the Tasman.

Australia–US Free Trade Agreement

84. The Australia–United States Free Trade Agreement (AUSFTA) entered into force on 1 January 2005. AUSFTA provides a comprehensive and 'living' framework for economic and trade policy engagement between Australia and the United States. Its 23 chapters set out a broad range of provisions for liberalising bilateral trade and for the legal protections investors and service providers will receive. AUSFTA contains far-reaching provisions on government procurement which are applied on a non-discriminatory basis. The Agreement also makes substantial commitments to liberalise services and investment. The Australian Minister for Trade and the U.S. Trade

Representative meet regularly to review implementation of the Agreement and discuss the international trade agenda. AUSFTA established a number of working groups, committees and inbuilt chapter reviews, which are designed to enhance the bilateral trade and investment ties.

Singapore–Australia Free Trade Agreement

85. The Singapore–Australia Free Trade Agreement (SAFTA) entered into force on 28 July 2003. SAFTA is a comprehensive agreement, making substantial commitments in goods, services and investment between Australia and Singapore. In addition to complete tariff elimination, SAFTA guarantees liberal conditions of access for many service suppliers, and provides a more open and predictable business environment. SAFTA provides for ministerial-level review of the agreement every two years or as otherwise deemed necessary by Ministers. The first SAFTA review was held in July 2004 and the second SAFTA review was substantively concluded in July 2009.

Thailand–Australia Free Trade Agreement

86. The Thailand–Australia Free Trade Agreement (TAFTA) entered into force on 1 January 2005. TAFTA achieved strong, liberalising outcomes on goods, eliminating immediately or locking in zero tariffs on 78% of Australian exports to Thailand and 83% of Thai exports to Australia at the time of entry into force. Under phased tariff elimination, around 95% of tariffs on goods traded bilaterally at the time of entry into force had been reduced to zero by the start of 2010. TAFTA liberalises bilateral trade in services by binding "GATS-plus" commitments in some key sectors. TAFTA also mandates further negotiations on trade in services, with the aim of enhancing the commitments given by both Parties. The Agreement also provides for further negotiations on government procurement, business mobility, investment and competition policy.

Australia-Chile Free Trade Agreement

87. The Australia-Chile Free Trade Agreement (ACIFTA) entered into force on 6 March 2009. The Agreement is Australia's first FTA with a Latin American country, reflecting a commitment to build on growing trade and investment ties with the region. The ACIFTA provides substantial liberalisation in goods and services trade. The agreement covered 99.5% of Chile's goods exports to Australia and 98.6% of Australian goods exports to Chile by value on entry into force. By 2015, tariffs will be eliminated on all traded lines. The Agreement delivers WTO-plus outcomes through commitments to open and non-discriminatory market access for services and investment, including but not limited to the key sectors of education, professional services, mining, engineering, management consulting and financial services.

(ii) FTAs under negotiation

Australia-China FTA

88. Australia and China launched negotiations on an FTA in 2005. The fifteenth round of negotiations was held on 28-30 June 2010 in Beijing. This round continued the positive approach that developed at the fourteenth round in February 2010, which had been the first round since December 2008.

Australia-Malaysia FTA

89. Australia and Malaysia launched FTA negotiations in 2005 but were paused in early 2007 to allow both sides to focus on concluding the AANZFTA negotiations. Negotiations formally resumed

in 2009 and both sides are engaged in substantive discussions aimed at building on the regional AANZFTA. As at November 2010, eight rounds have been held.

Australia-Japan FTA

90. Australia-Japan FTA negotiations commenced in April 2007 following the conclusion of a joint government study on the feasibility of a bilateral FTA. The study concluded that a comprehensive FTA between Australia and Japan would bring significant benefits to both countries. Solid progress has been made to date and negotiations are expected to intensify in 2011. The twelfth round of negotiations will be hosted by Japan in early 2011.

Australia GCC FTA

91. Australia and the Gulf Cooperation Council FTA negotiations commenced on 30 July 2007. The fourth round of negotiations was held from 31 May-2 June 2009 in Muscat, Oman.

Australia-Korea FTA

92. Australia and Korea commenced FTA negotiations in May 2009, and progress in the negotiations has been good to date. The fifth round of negotiations took place in Canberra in May 2010. There have been subsequent intersessional/technical discussions held in August 2010, October 2010, November 2010, and January 2011.

Australia-Indonesia Comprehensive Economic Partnership Agreement

93. On 3 November 2010, Australian Prime Minister Julia Gillard and Indonesian President Susilo Bambang Yudhoyono together announced the commencement of negotiations between Indonesia and Australia for a Comprehensive Economic Partnership Agreement (IA-CEPA). The Agreement will cover trade, investment and economic cooperation issues and will take into account the results of the regional AANZFTA. The launch of negotiations on an IA-CEPA a joint feasibility study to examine the merits of a bilateral FTA released in April 2009, which found that a comprehensive FTA covering trade and investment would provide worthwhile economic benefits for both countries.

(iii) FTAs under consideration

Australia-India Feasibility Study

94. Australia and India commenced a joint feasibility study to examine the merits of a bilateral FTA in April 2008. The study was concluded in May 2010 and recommends that the Australian and Indian Governments consider negotiation of a comprehensive bilateral FTA that includes trade in goods, trade in services, investment and other trade and investment facilitation measures as a single undertaking.
