

Introduction

Background

- 1.1 Previous Australian Governments have promoted multilateral trade liberalisation through the General Agreement on Tariffs and Trade (GATT) and its successor the World Trade Organisation (WTO). The Australian Government remains a 'strong supporter'¹ of the multilateral trade liberalisation process. The lack of progress in the Doha Round of GATT has, however, seen bilateral and regional free trade agreements (FTAs) come to the forefront of international trade policy.
- 1.2 The GATT was the key instrument used in efforts to liberalise international trade in the post-World War II period. The GATT began in Geneva in 1947 with the participation of 23 countries (including Australia). The initial agreement resulted in the reduction of tariffs on products covering approximately one-fifth of global trade.²
- 1.3 Further progress in the GATT took place during a series of multilateral negotiations known as trade rounds. These trade rounds were negotiated as a 'single undertaking', that is – all of the agreements and commitments were considered jointly where 'nothing is agreed until everything is agreed'.³
- 1.4 The sole focus of early GATT rounds was tariff reductions between member countries. During this time average global tariff rates declined, from approximately forty per cent at GATT's formation to five per cent by

1 Department of Foreign Affairs (DFAT), Submission 28, p. 4.

2 World Trade Organization (WTO), 'The GATT years: from Havana to Marrakesh', https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact4_e.htm, viewed 7 September 2015.

3 WTO, 'The Doha Round', https://www.wto.org/english/tratop_e/dda_e/dda_e.htm, viewed 7 September 2015; Productivity Commission, *Exhibit 3a: Bilateral and Regional Trade Agreements*, November 2010, Canberra, p. 38.

the mid-1990s.⁴ By the 1970s, however, non-tariff measures such as subsidies were increasingly being used to protect domestic industries. The later GATT rounds reflected these changes by broadening the scope of the negotiations to include non-tariff barriers. This occurred for the first time in the Tokyo Round (1973-1979).⁵

- 1.5 The Uruguay Round (1986-1994) broadened the scope of GATT negotiations further and led to the creation of the WTO in 1995. The structure and rules of the WTO were established in the Uruguay Round through agreements on goods trade (the GATT); trade in services (the General Agreement on Trade in Services); intellectual property (the Trade-Related Aspects of Intellectual Property); and procedures on dispute settlement and transparency in government trade policies.⁶
- 1.6 The Uruguay Round also established a set of rules for bilateral and regional free trade agreements. These rules were designed to ensure that agreements reduce trade barriers between partner countries.⁷
- 1.7 As the scope of the GATT and the number of participating countries grew (up to 123 by the time of the Uruguay Round) so did the time needed to reach a 'single undertaking' agreement. The eight-year long negotiations of the Uruguay Round were followed by the establishment of the Doha Round in 2001, which has stalled.⁸
- 1.8 Despite the lack of progress in the Doha Round, the WTO completed its first multilateral agreement, the Trade Facilitation Agreement (TFA), in November 2014.⁹ The TFA is focussed on measures to expedite the movement of goods through customs procedures and includes assistance for developing nations to implement the measures.¹⁰ The TFA will enter into force once it is ratified by two-thirds of WTO members. To date sixteen countries (including Australia) have ratified the TFA.¹¹

4 Productivity Commission, *Exhibit 3a: Bilateral and Regional Trade Agreements*, November 2010, Canberra, p. 39.

5 World Trade Organization (WTO), 'The GATT years: from Havana to Marrakesh', https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact4_e.htm, viewed 7 September 2015.

6 WTO, 'Overview: a navigational guide', https://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm1_e.htm, viewed 7 September 2015.

7 Productivity Commission, *Exhibit 3a: Bilateral and Regional Trade Agreements*, p. 44.

8 Department of Foreign Affairs and Trade (DFAT), *Submission 28*, p. 4.

9 Neufeld, N., 'The Long and Winding Road: How WTO Members finally reached a Trade Facilitation Agreement', World Trade Organization Economic Research and Statistics Division, April 2014, p. 3.

10 WTO, 'Trade Facilitation', https://www.wto.org/english/tratop_e/tradfa_e/tradfa_e.htm, viewed 7 September 2015.

11 WTO, 'China ratifies Trade Facilitation Agreement', https://www.wto.org/english/tratop_e/tradfa_e/tradfa_e.htm, viewed 7 September 2015.

- 1.9 As the progress in multilateral trade liberalisation has slowed, countries have increasingly turned to bilateral and regional FTAs to advance trade liberalisation.¹²
- 1.10 This international trend towards free trade agreements (FTAs) has seen Australia enter into such bilateral and multilateral agreements with: New Zealand, Singapore, Thailand, the United States of America, Chile, the Association of Southeast Asian Nations (jointly with New Zealand), Malaysia, and more recently the Republic of Korea, and Japan.
- 1.11 Following just under a decade of negotiation,¹³ Australia has also recently signed a FTA with China (ChAFTA) which may enter into force by the end of the year.¹⁴
- 1.12 In addition to ChAFTA, Australia is currently negotiating six additional FTAs: India, Indonesia, the Trans-Pacific Partnership Agreement (TPPA),¹⁵ the Gulf Cooperation Council, the Pacific Agreement on Closer Economic Relations Plus, and the Regional Comprehensive Economic Partnership.¹⁶
- 1.13 The FTAs that Australia is signatory to are ‘trade-generating’ and contribute to economic growth because they ‘achieve legally guaranteed elimination or reduction of market access barriers in goods and services, and support transparency and predictability in two-way investment.’¹⁷
- 1.14 Consequently, FTAs ‘provide new opportunities for exporters and investors and result in more competitively priced imports for Australian consumers and businesses.’¹⁸
- 1.15 As a result ‘Australia retains a competitive environment that drives productivity and the efficient utilisation of resources within the Australian economy.’¹⁹
-

12 Productivity Commission, *Exhibit 3a: Bilateral and Regional Trade Agreements*, p. 52.

13 DFAT, ‘China-Australia Free Trade Agreement: News’, <http://dfat.gov.au/trade/agreements/chafta/news/Pages/news.aspx>, viewed 1 September 2015.

14 The ChAFTA will ‘enter into force after completion of domestic legal and parliamentary processes in China and Australia, including review by the Joint Standing Committee on Treaties and the Senate Foreign Affairs, Defence and Trade References Committee’. See: Hon Tony Abbott MP, Prime Minister and Hon Andrew Robb AO MP, Minister for Trade and Investment, ‘Australia signs landmark trade agreement with China’, Media Release, 17 June 2015.

15 The TPPA is a multilateral FTA which includes 12 negotiating countries: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States of America, and Vietnam. DFAT, See: DFAT, ‘Trans-Pacific Partnership Agreement’, <http://dfat.gov.au/trade/agreements/tpp/Pages/trans-pacific-partnership-agreement-tpp.aspx>, viewed 1 September 2015.

16 DFAT, *Submission 28*, p. 6.

17 DFAT, *Submission 28*, p. 5.

18 DFAT, *Submission 28*, p. 5.

19 DFAT, *Submission 28*, p. 4.

About the Inquiry

Objectives and Scope

- 1.16 The Joint Select Committee on Trade and Investment Growth (the Committee) was appointed²⁰ to:
- ... inquire into and report on any measures to further boost Australia's trade and investment performance, including, but not limited to, barriers to trade; reduction of red tape and structural challenges and opportunities for the Australian community.
- 1.17 In mid-March 2015, in order to narrow the scope of its terms of reference (provided to it through its resolution of appointment) the Committee wrote to the Minister for Trade and Investment to request to inquire into: the practical opportunities and challenges for Australia's agricultural and services sectors, in regard to the non trade barriers arising from Australia's recent free trade agreements with China, Japan and South Korea.
- 1.18 Taking into consideration that the Productivity Commission had been tasked with undertaking a review of barriers to growth in Australian services exports and the wide scope of the Committee's resolution of appointment, the Minister wrote to the Committee in mid-April 2015 and referred to it:
- ... the inquiry into business experience in utilising Australia's existing FTAs including those with New Zealand, Singapore, Thailand, the United States [of America], Chile, the Association of Southeast Asian Nations (along with New Zealand) and Malaysia.
- 1.19 The inquiry would inform the Government's efforts to promote utilisation of Australia's North Asia FTAs and future use of FTAs currently under negotiation.
- 1.20 As part of its inquiry, the Committee sought views from a wide range of peak bodies representing the various sectors of the economy including the: agriculture, business, education, manufacturing, resources, services, and tourism sectors.
- 1.21 Evidence received during the inquiry has included comment about business experience of the FTA with the United States of America (US),

20 The Joint Select Committee on Trade and Investment Growth was appointed by the Senate on 4 September 2014 and the House of Representatives on 23 September 2014. Commonwealth of the Parliament of Australia, *Senate Journal No. 52*, 4 September 2014, p. 1429; Commonwealth of the Parliament of Australia, *House of Representatives Votes and Proceedings No. 67*, 23 September 2014, p. 840.

and the more recent agreements with Korea, and Japan, including the opportunities provided by ChAFTA.

- 1.22 As a result, the Committee has included a discussion about the North Asian FTAs in regard to the opportunities and challenges provided by FTAs, with the purpose of informing strategies for negotiating future FTAs and subsequent market access.
- 1.23 In addition to this inquiry, the Joint Standing Committee on Treaties (JSCOT) and the Trade Subcommittee of the Joint Standing Committee on Foreign Affairs Defence and Trade are undertaking inquiries relating to FTAs.
- 1.24 The JSCOT is currently reviewing the ChAFTA and is due to report to the Parliament in mid October 2015.²¹
- 1.25 The Trade Subcommittee of the Joint Standing Committee on Foreign Affairs Defence and Trade is currently reviewing opportunities to expand trade with the countries of the Middle East, several of which comprise the Gulf Cooperation Council (GCC). In March 2014, the GCC Ministerial Council approved resumption of FTA negotiations with Australia.²²
- 1.26 As the JSCOT inquiry will shortly report, comments and discussion about the specifics of ChAFTA rest with that committee.
- 1.27 Under its resolution of appointment, the Committee was required to deliver its final report and recommendations on or before 31 August 2015. On 10 August 2015, the Committee's reporting date was extended to 15 October 2015 to take into account the timing of its new inquiry.

Inquiry Conduct

- 1.28 On 14 May 2015, the Committee adopted the inquiry into the business experience in utilising Australia's current FTAs and advertised via media release for submissions to be received by 31 July 2015. The Committee also invited submissions from a wide range of organisations, including peak bodies in the agriculture, business, education, manufacturing, resources, services, and tourism sectors.
- 1.29 The Committee subsequently received 45 submissions and 4 exhibits, which are listed at Appendixes A and B respectively. The Committee held three public hearings in Canberra, Melbourne, and Sydney. Witnesses

21 Joint Standing Committee on Treaties, 'Current Inquiries', http://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Treaties viewed 3 September 2015.

22 DFAT, 'Australia Gulf Cooperation Council Free Trade Agreement', <http://dfat.gov.au/trade/agreements/agccfta/Pages/australia-gulf-cooperation-council-gcc-fta.aspx>, viewed 3 September 2015.

who appeared before the Committee at these public hearings are listed at Appendix C.

- 1.30 Submissions and transcripts of evidence are available at:
www.aph.gov.au/fta

Report Structure

- 1.31 Chapter 2 considers the features and major outcomes of Australia's seven existing FTAs (entered into between 1983 and 2012). The chapter also examines the broad entry to market terms of existing FTAs including barriers to entry.
- 1.32 Chapter 3 discusses opportunities for Australian businesses arising from Australia's FTAs, business experience in navigating the requirements of FTAs, and the promotion of the opportunities presented by FTAs for Australian businesses.
- 1.33 Chapter 4 examines Australia's framework for negotiating FTAs including the use of new technology for future modelling and suggests possible improvements to post-FTA market access negotiations.