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JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS,  
DEFENCE AND TRADE

TRADE SUBCOMMITTEE

**Reference: Australia's trade and investment relations with Asia, the Pacific and  
Latin America**

WEDNESDAY, 25 NOVEMBER 2009

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**JOINT STANDING COMMITTEE  
ON FOREIGN AFFAIRS, DEFENCE AND TRADE**

**Trade Subcommittee**

**Wednesday, 25 November 2009**

**Members:** Senator Forshaw (*Chair*), Mr Hawker (*Deputy Chair*), Senators Mark Bishop, Ferguson, Fifield, Furner, Hanson-Young, Johnston, Ludlam, Moore, O'Brien, Payne and Trood and Mr Baldwin, Mr Bevis, Ms Julie Bishop, Mr Danby, Ms Annette Ellis, Mr Fitzgibbon, Mr Gibbons, Ms Grierson, Mr Hale, Mr Ian Macfarlane, Mrs Markus, Mr Murphy, Mr Oakeshott, Ms Parke, Ms Rea, Mr Ripoll, Mr Robert, Mr Ruddock, Ms Saffin, Mr Bruce Scott and Ms Vamvakinou

**Trade Subcommittee members:** Ms Saffin (*Chair*), Mr Bruce Scott (*Deputy Chair*), Senators Ferguson, Forshaw (*ex officio*) and Furner and Mr Gibbons, Mr Hale, Mr Hawker (*ex officio*), Mrs Markus, Mr Ian Macfarlane, Mr Murphy, Mr Oakeshott, Mr Ripoll and Ms Vamvakinou

**Members in attendance:** Senators Ferguson, Forshaw and Furner and Mr Murphy, Ms Saffin and Mr Bruce Scott

**Terms of reference for the inquiry:**

To inquire into and report on:

Opportunities for expanding Australia's trade and investment relations with the countries of Asia, the Pacific and Latin America, with particular attention to:

- the nature of existing trade and investment relations;
- likely future trends in those relations;
- the role that these countries might play in advancing the Doha round of multilateral trade negotiations in the WTO; and
- the role of the Government in identifying opportunities and assisting Australian companies, especially those in rural and regional areas, to maximise opportunities in these regions.

**WITNESSES**

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**Subcommittee met at 11.15 am**

**ADAMS, Dr Michael Graham, Director, G20 and International Economic Branch, Trade and Economic Policy Division, Department of Foreign Affairs and Trade**

**BROWN, Mr Nicolas, Assistant Secretary, Canada and Latin America Branch, Department of Foreign Affairs and Trade**

**CHURCHE, Dr Milton Patrick, Coordinator, Goods and Government Procurement, South-East Asia Goods Branch, Free Trade Agreement Division, Department of Foreign Affairs and Trade**

**COPPEL, Mr Nicholas, Assistant Secretary, Pacific Regional and New Zealand Branch, Pacific Division, Department of Foreign Affairs and Trade**

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**RAPER, Ms Cathy, Assistant Secretary, Trade Commitments Branch, Office of Trade Negotiations, Department of Foreign Affairs and Trade**

**TIGHE, Mr Paul Joseph, First Assistant Secretary, Trade and Economic Policy Division, Department of Foreign Affairs and Trade**

**CHAIR (Ms Saffin)**—Welcome, everybody, including the Department of Foreign Affairs and Trade, ambassadors and other officials. I declare open this 10th public hearing into Australia's trade and investment relations with the nations of Asia, the Pacific and Latin America which is being conducted by the Trade Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade.

Today is a very important stage of the inquiry. The subcommittee will be taking evidence from the Department of Foreign Affairs and Trade. The department has provided a comprehensive submission to the inquiry and the subcommittee members are looking forward to an informative discussion on some of the main issue it covers. The subcommittee hopes that the discussion this morning will assist in clarifying some of the main trade issues facing Australia at the moment. This inquiry is seeking ways of improving trade and investment relations with the countries covered by its terms of reference including the members of such important regional groups as APEC and ASEAN. It aims also to assist Australian companies to make the most of current and developing opportunities.

Although the subcommittee prefers that all evidence be given in public, should you at any stage wish to give any evidence in private you may ask to do so and the committee will give consideration to your request. Although this committee does not require you to give evidence on oath, you should be aware that these hearings are legal proceedings of the parliament and

therefore have the same standing as proceedings of chambers themselves. Before proceeding to questions, I invite you to make a short statement.

**Mr Tighe**—I thank you, Chair, and all members of the committee for allowing us to be here today and discuss these very important issues with you. I do not think I need to say very much. I think we have given you a fairly comprehensive submission—

**CHAIR**—You have.

**Mr Tighe**—so I will not repeat the information that is in that. I think I would just highlight the fact that we have a very active trade policy agenda which covers not only trade negotiations at the multilateral, regional and bilateral level, including a very active agenda on bilateral and regional free trade agreements, but also a heavy workload of trade policy work across the portfolio, not all of which is from the Department of Foreign Affairs and Trade but is also from Austrade, AusAID and the Export Finance and Insurance Corporation, and this agenda covers trade promotion, trade facilitation work and trade finance work, so we are very actively involved in trade policy across the whole raft of activities that we have conventionally been engaged in in the international economy.

This inquiry is very important to us because it covers regions which are very significant in terms of our global trade flows. Clearly, we have very major trading partners—indeed, among our most important trading partners—in North Asia, the Americas, South-East Asia, and, increasingly, in Latin America and in the Pacific. Collectively, these countries account for something like 80 per cent of our merchandise exports and around 70 per cent of our imports. So this is a very significant collection of countries dealing with a very significant collection of policy. We are very happy to do our best to answer whatever queries the committee has.

**CHAIR**—Thank you. I would like to welcome Senator Michael Forshaw, Chair of the Joint Standing Committee on Foreign Affairs, Defence and Trade.

**Senator FORSHAW**—Thank you, and I apologise for being late—there is something called ‘the Senate’!

**CHAIR**—And you had a few divisions.

**Senator FORSHAW**—There were a lot of divisions around here today—but let’s keep it within the trade!

**CHAIR**—We understand. I will lead off with the first question. What steps has the G20 taken to rein in moves towards protectionism arising from the GFC? I know there is some reference to this—it is on page 5 of your submission.

**Mr Tighe**—The G20, as you know, is a very significant body in the global economic architecture these days—in fact, at the most recent leaders meeting of the G20 which was held in Pittsburgh in the US in September last year, a decision was made to, if you like, entrench the G20 as the pre-eminent global economic management forum. Australia is a member of the G20 of course and we are very pleased with that outcome because it gives us a seat at what is a very significant table. The G20 leaders process grew out of a G20 finance ministers process which

has existed for quite a few years. At the time of the global financial crisis, I think the finance ministers took a decision that there was a need for some global economic leadership to deal with the global financial crisis.

**CHAIR**—Excuse me, Paul. We need to accept your submission.

**Mr BRUCE SCOTT**—We can do it in the House of Representatives quite easily but we are going to prevail on our senators to do this.

**CHAIR**—We will just do that now.

**Senator FERGUSON**—I will move that.

**CHAIR**—I have got four items of committee business here. The first is the acceptance of minutes, meeting No. 25. Who will move for their acceptance?

**Senator FERGUSON**—I so move.

**CHAIR**—I declare them approved. The next item is the approval of minutes, meeting No. 26.

**Senator FERGUSON**—I move their acceptance.

**CHAIR**—I declare them approved. I would like somebody to move that we accept two submissions; we can do them en globo. The first is from the Ambassador, Republic of Indonesia, Canberra, by way of letter to me. The second is the Australian government Department of Foreign Affairs and Trade, Inquiry into Australia's trade and investment relations with Asia, the Pacific and the Americas, submission to the Joint Standing Committee on Foreign Affairs, Defence And Trade, November 2009.

**Senator FORSHAW**—I so move.

**Senator FERGUSON**—I second that.

**CHAIR**—I declare those submissions received. I would also like someone to move that, at the end of our proceedings, we authorise the publication of proceedings of today's hearing.

**Senator FERGUSON**—I so move.

**Mr BRUCE SCOTT**—I second that.

**CHAIR**—I declare that carried. Please proceed.

**Mr Tighe**—We now have a G20 leaders process. The leaders have held three summits since the onset of the global financial crisis. The first was in Washington in October 2008 I think it was, the second was in London in April 2009 and the third was the one I mentioned in Pittsburgh. The leaders set about addressing the global financial crisis in terms of impacts on financial flows, looking at regulation of financial markets and at a range of other facts which

potentially were affecting our economic performance during the crisis. Key among those was the issue of trade liberalisation and, more particularly, protectionism. I think the leaders very early on recognised that it would be a very retrograde step to engage in any form of protectionism during the crisis. I think they had learnt the lesson from the Great Depression in the 1930s when that was the policy response to the crisis that emerged at that time and I think everybody accepted, without too much argument, that that had worsened the situation and, indeed, made the Great Depression deeper and longer than it otherwise would have been. So there was a very strong commitment made by G20 leaders to avoid, as best they possibly could, protectionist measures and also to give a fillip to as rapid as possible a conclusion of the Doha Round of multilateral trade negotiations.

That commitment made by leaders was subsequently adopted by different groups which the leaders were members of. For example, at the APEC leaders meeting towards the end of 2008, APEC essentially signed up to the same agreement. I think the G20 has done an excellent job of putting a lid on any protectionist urges which might have been around at that time and also promoting a greater degree of political commitment to conclude the Doha Round. Since then there have been a number of international reports assessing how the actual policy response had gone in comparison to the commitment the leaders had made, in particular assessments by the World Trade Organisation and also by the Organisation for Economic Cooperation and Development. Those reports have assessed that whilst the record globally and even of the G20 members is not perfect in terms of resisting protectionist responses, certainly the responses in the main have been very responsible. There has been no major outbreak of protectionism and the assessment is that that has contributed to the processes that have seen a recovery in the global economy since then.

There was a fairly significant collapse in trade flows particularly at the latter part of last year and into the early part of this year, but the assessment has been that that was much more strongly associated with the fall in global demand rather than an increase in protectionist measures on the part of the G20 and other countries. We would argue that that has been a very worthwhile response and one which has helped us move out of crisis and into a recovery phase much more quickly and much more sure-footedly than we otherwise would have been able to do.

**CHAIR**—Did I see somewhere this week that the EU talked about rolling back their dairy subsidy? I think I read that.

**Mr Tighe**—That is correct. The EU had introduced dairy subsidies at one stage, I think it was in the early part of this year, but they have now reduced the subsidies to zero, so they are effectively withdrawn.

**CHAIR**—I just wanted to check that. I thought it was good news to read that. My second question is: how can regional groups such as APEC and ASEAN best assist in achieving a satisfactory outcome in the Doha Round?

**Mr Tighe**—I might look for some help from Cathy Raper from the Office of Trade Negotiations. Again, as I mentioned, one of the responses to the global financial crisis has been to recognise that trade liberalisation is actually part of a solution to the crisis. It is not the right time to be backward looking and trying to diminish trade flows or protect markets, because that only generates the ‘beggar thy neighbour’ responses that we saw back in the 1930s. Certainly the

G20 leaders have been very active in promoting greater progress towards conclusion of the Doha Round. That is an approach that has been endorsed by APEC leaders, and that includes the members of ASEAN as well.

I might refer to Cathy to give you a bit of an update, if I may, on the processes coming forward. But I can tell you, for example, that Mr Crean leaves at the end of this week, I think it is, to go to a very important ministerial meeting of the WTO in Geneva. That is the next critical step in moving towards the commitment that we have made to conclude the round next year.

**CHAIR**—He gave us a briefing last week. Mike was present at that one.

**Mr Tighe**—Cathy may wish to add something.

**Ms Raper**—On your question about what these regional groups could do, it is in terms of endorsing the commitment at a political level to move to concluding the Doha Round in 2010 and to putting in place the processes that are needed to achieve that political commitment. We have seen in Geneva a re-intensification of the negotiating process at the senior officials' level. Senior officials are meeting this week as part of that process. As Mr Tighe mentioned, that is in the lead-up to the WTO ministerial conference to be held in Geneva next week. That conference is more of a regular WTO conference and it will be exploring the functioning of the WTO and the way that it should go forward. But it also provides a very important opportunity to do a stocktake of where countries are at on the Doha Round. Mr Crean will, of course, be representing Australia at that conference and will be very active in different meetings of different WTO members, including many of our regional partners, in exploring ways that we can take that negotiation to a successful conclusion next year.

**CHAIR**—Thank you.

**Mr Tighe**—I think he is also hosting a meeting of the Cairns Group during his time in Geneva. There are a number of members in common between APEC, ASEAN and the Cairns Group.

**Mr BRUCE SCOTT**—Would you like to expand on the Trans-Pacific Partnership Agreement—I think it is referred to on page 10 of your submission—and its value to us.

**Ms Raper**—The Trans-Pacific Partnership Agreement is a new free trade agreement that—

**Mr BRUCE SCOTT**—With?

**Ms Raper**—There will be eight initial participants. The most recent and important development was that the United States confirmed its participation in remarks by President Obama on 14 November, which were also confirmed by comments by the United States Trade Representative, Mr Kirk, at the APEC meetings in Singapore. This negotiation will be proceeding between Australia, the United States and a group of countries who are party to an agreement called the P4—that is, New Zealand, Singapore, Chile and Brunei. Peru will be joining this process and also Vietnam as an associate member.

The aim of this agreement is to put in place a comprehensive high-quality agreement that we hope will form a building block for greater regional economic liberalisation and integration. It is one possible pathway towards a free trade area of the Asia Pacific but by no means the only one. It is an agreement by a group of countries who are interested in taking a high-quality approach to these agreements and exploring ways in which we can be responsive to business needs in the 21st century.

**Mr BRUCE SCOTT**—In terms of Latin America, we have Chile and Argentina. In the Latin American area, there is also Peru and—

**Ms Raper**—Peru and Chile will be the initial participants. The door is most certainly not closed to other countries who want to join the negotiations and who share those same goals of achieving the high-quality, comprehensive agreement that I referred to.

**Mr BRUCE SCOTT**—Who is taking the biggest lead? Is it the United States? It is wonderful to have them on side for this.

**Ms Raper**—It is very much a group effort. We have been meeting at ministerial level most recently in the margins of the APEC meeting to talk about the type of approach that negotiators should take to this process. The eight initial countries are working very much together, so I would not say that there is one driving partner. But of course the US announcement confirming its participation was important in giving it the push to move forward.

**Mr BRUCE SCOTT**—I think I asked this the last time we met. We are going into Copenhagen and where we come out of it we do not know. In terms of the implications for trade through WTO, I do not think we have had much written commentary on trade. There could be possible distortions if we have a move together. I am wondering whether the implications of any outcome is on the agenda? Is it a Doha?

**Ms Raper**—As the minister said last week, trade and climate change is an issue that we are monitoring very carefully. It is an area which offers some challenges and also some opportunities. Our essential approach is that trade agreements and climate change agreements can and should be implemented in a mutually supportive fashion. We see them as two areas that can very much work in partnership. We are sure that any result in Copenhagen will be in keeping with its mutually supportive element with our trade agreements and our trade relations. Opportunities lie through liberalisation of trade in environmental goods and services and particularly climate friendly goods and services. There is a negotiation under way in the WTO to look at ways in which we can achieve a great liberalisation in that area. Australia is very supportive of that negotiation and keen to see it move forward. I think in terms of the result in Copenhagen and beyond, the best way to ensure a mutually supportive approach is to have a comprehensive climate change agreement involving all major emitters. That would certainly be the best way to ensure that we continue on a mutually supportive path.

**Mr Tighe**—Ms Raper mentioned the negotiations in Doha about freeing up the trade in environmentally structured goods. That is an issue that we are following in other forums as well, including through APEC for example. We are very conscious of the potential risks of having trade related measures introduced which are more trade restrictive than need be, but at the same time also very conscious of the need to improve the flow of environmental goods and services.

**Mr BRUCE SCOTT**—I think the concern would be if there are border tariffs placed on all this. That is a very low-level complaint but I think it is a very real risk if we do not consider the WTO implications of how we move.

**Mr Tighe**—I can assure you that WTO is very sensitive to it.

**Mr BRUCE SCOTT**—We have made so much progress on this. In relation to New Zealand, to get a single economic market between Australia and New Zealand, what has to be done to complete that? Are we making progress? We have cooperation. Will the government deal with it or have they changed pace?

**Mr Tighe**—I might ask Mr Coppel to comment, but before he does I might add that we regard the closer economic relations agreement with New Zealand as an enormous success. It has been there for 25-odd years and has resulted in what many regard as one of the purest bilateral free trade agreements—in fact, it is beyond a free trade agreement now—economic agreements that exist—and has brought great benefits to both sides. In terms of the future agenda I refer to Mr Coppel.

**Mr Coppel**—The single economic market agenda is quite a large one. The two governments have been working on it quite closely for some time now. The negotiations are very detailed and they get into very complex specialised areas. Different agencies in government take those forward with their counterparts in New Zealand. In our next FIFTA submission it lists some of those areas in which work is ongoing and which you might like to have a look at. The agenda is large and it covers things such as prudential regulation, business law, superannuation, the portability of superannuation, interaction between retirement income schemes—things of that nature—and taxation, double tax agreements and imputation credits.

**Mr BRUCE SCOTT**—Where are we up to?

**Mr Coppel**—Each one is progressing in its own right, rather than as a single entity.

**Mr BRUCE SCOTT**—Each one of those areas. That is a regulation or a retirement benefit. You could get one rather than waiting for the whole lot to come together.

**Mr Coppel**—Exactly.

**Mr BRUCE SCOTT**—So progress is good. Are they keener over there than we are?

**Mr Coppel**—No—we are both very keen. As you know, our two economies are very integrated and very close. But there is potential to do a lot more, so we are keen to take it to that next step.

**Senator FORSHAW**—Firstly, I would like to say thank you to the department. I visited Korea a couple of weeks ago and I very much appreciated the briefings I received before I went there and also the assistance at the embassy from Ambassador Gerovich. That prompts me to ask about the FTA we are negotiating with Korea. From what I gather, that is looking very promising, and we will conclude that next year, I hope. From what I understand—and you may be able to clarify this for me—there are a number of countries in the North-East Asia region who

are all seeking to negotiate agreements with each other. I think Korea and Japan may be doing that—and we are trying to negotiate an FTA with China. It seems like there is a lot of activity going on. At the same time, there are also proposals for various new regional structures—the East-Asia Summit and the Asia-Pacific community. How do you think progress is going on the FTA with Korea and also with Japan? There is a new government in Japan. I know that you refer to these matters in your submission, but can you tell us about the dynamics of the region.

**Mr Tighe**—I might ask one of my colleagues to respond specifically in respect of Korea in a moment. But at the broadest level—and I think this is spelt out in the submission—our trade policy agenda is pretty active across a whole raft of activities, whether it is multilateral, regional or bilateral. I think it is widely accepted, including by us, that the greatest benefits are obtained from trade liberalisation if you liberalise multilateral trade. That is why the Doha Round has for some time now been our top trade policy priority. But, in the absence of an agreement at a multilateral level, there are plenty of things we can achieve at a bilateral and regional level which allow us to get access to other countries markets either more quickly or more competitively than we may be able to do through the multilateral processes. That is why we are so active—and we have been active for several years now—with, for example, the US FTA, the FTA with Chile, ANZFTA and various others that you are aware of, including the agreements with Thailand and Singapore. We also have to be conscious of the fact that other countries are active as well. As you mentioned, Japan talks to Korea—and everybody talks to everybody.

**Senator FORSHAW**—They all watch each other too.

**Mr Tighe**—They all watch each other. To the extent that they successfully negotiate bilateral free-trade agreements between themselves, if they are preferential agreements then we will be on the wrong side of those preferences. So we have an interest in actively engaging with our major partner countries to make sure that we maintain the same degree of access to their markets as is being granted to our trade competitors. That is one of the reasons we are doing that—as well as the fact that we can on occasions get more comprehensive or faster access through bilateral mechanisms than we can through multilateral or regional mechanisms. Perhaps I might hand over to my colleague to answer your question specifically on Korea.

**Mr Mugliston**—Senator, to put this in some sort of context, I think it is fair to conclude that the global spread of free-trade agreements really gained pace in the mid-1990s and accelerated following the failure by the World Trade Organisation ministerial meeting in Seattle in 1999 to launch a new round of multilateral trade negotiations. Since the late 1990s the situation has been that many East Asian countries have sought free-trade agreements. This is a relatively new and recent development. This trend is sometimes described as ‘the new Asia-Pacific regionalism’. There are many characteristics of it, but it includes countries which had not previously participated in FTAs becoming actively involved in them. In that category you would put China, Japan and Korea. You have also got countries negotiating many agreements simultaneously and countries making agreements with others that are not close neighbours—for example, Japan and Mexico and Korea and Chile. There is also an increasingly broad FTA agenda extending beyond goods. Those are the broad characteristics. But, if you put it in the context of Australia and where we are at, as noted in our submission we have bilateral free-trade agreements in place with New Zealand, Singapore, Thailand, the United States and Chile. And then we have this new regional agreement, the ASEAN-Australia-New Zealand FTA, which will enter into force on 1 January next year. The countries covered by the concluded FTAs actually account for 30 per cent

of Australia's total two-way trade in goods and services, so it is quite a significant chunk of our trade.

**Mr BRUCE SCOTT**—That is not total trade?

**Mr Mugliston**—It is total trade in goods and services in 2008. If you look at those FTAs that we are currently negotiating, we have China, Japan, Korea, Malaysia, the Gulf Cooperation Council, which Mr Scott raised in terms of the Trans-Pacific Partnership negotiations, as well as the PACER Plus negotiations. If you aggregate all the trade accounted for in terms of the countries covered by those negotiations it is an additional 35 per cent. The countries covered by the FTAs that we are currently negotiating account for a further 35 per cent of our total two-way trade in goods and services, so it is a very substantial chunk. Mr Tighe made the very important point that it is important to recognise what other countries are doing and that standing still is not an option in terms of all this FTA activity.

Senator Forshaw, in terms of your very specific questions on Australia's FTA negotiations with Korea and Japan, I should mention that our colleague Jan Adams, First Assistant Secretary of the Free Trade Agreement Division, is in fact the chief negotiator and the person responsible for those negotiations. She is currently in Tokyo because there is currently a round underway with Japan in Tokyo.

**Senator FORSHAW**—Does that responsibility extend to Korea?

**Mr Mugliston**—Yes.

**Senator FORSHAW**—So it is overarching?

**Mr Mugliston**—The way we are structured is that Jan Adams is responsible for leading the negotiations with the North-Asian countries and I am responsible for South-East Asia. In terms of Korea, these negotiations were launched in May this year. We have had two negotiating rounds so far. The third round we will be having next week here in Canberra. The point that I would make here is that I think it is fair to suggest that the fact that we both have a bilateral FTA with the United States is proving to be a reference point for us in terms of the many aspects of how we will approach negotiating the text of the FTA, although there are, of course, some major areas of key difference which we are conscious of. So these are still early days, but progress to date is pleasing, but a lot of work remains to be done.

**Senator FORSHAW**—One of the things I find interesting about North Asia—unlike some of the other FTAs we have already finalised—is the political overlay, if you like, of the region itself. That is, without going into detail on the record, the longstanding issues between Korea, Japan and China. It does not arise in terms of Australia and the US, for instance, because it is a strong alliance. That was something I picked up. They are all very keen to develop these agreements, but there is a lot of history. The history of the country may affect how that regional structure ultimately develops. For instance, there are different views about whether the US should or should not be in an East Asia summit, APC or whatever.

**Mr Tighe**—Sure. At the broadest level I would say that free trade agreements are not only about economic benefits. There are political and strategic benefits as well by more closely

integrating neighbouring or even not-so-neighbouring economies, because it gives you a shared interest in supporting each other's development. I guess the classic example of it these days is the success of the European Union, which in one generation has shifted from a very divided continent to one that is very closely integrated and much more prosperous and stable than people could have imagined 60-odd years ago.

**Senator FORSHAW**—With a new government in Taiwan there is now a lot more discussion going on across the strait, as you note in your submission, about the possibility of an economic agreement and certain agreements.

**CHAIR**—Your submission picks up nicely the reasons for certain agreements and stability. I remember reading that point in there.

**Senator FURNER**—I have a similar question dealing with FTAs, in particular down the south, regarding India. I understand in your submission you refer to the Australian-Indian forums, the gathering in 2010. I understand that there is a feasibility study being released as well. Given the strength of trade between the nations, what will be the likelihood of seeing an FTA between the countries?

**Mr Tighe**—It is certainly under consideration. The feasibility study, as you correctly point out, has not yet been finalised. I guess each respective government will make a decision on that in due course. Certainly I think we would not have entered into the feasibility study unless we were prepared to look very favourably at a possible free trade agreement with India.

**Senator FURNER**—It is good to see our friends the excellencies from the respective areas of Latin America here today. They do work well as a group, particularly the major five. Is there any likelihood in the future of doing a combined FTA or arrangement with those groups?

**Mr Tighe**—I would not rule it out. We have looked at various times at cooperation between Australia and a grouping of Latin countries, like Mercosur.

**Mr Brown**—There is a thing called the CER-Mercosur dialogue, which has been in abeyance from some time, but there have been discussions recently with a view to trying to develop a new dialogue which has an expanded agenda, including discussion of behind-the-border and trade facilitation issues. That has got a little way to go. As I am sure you appreciate and would have gathered from your discussions with my Austrade colleagues a few days ago, Latin America is an area full of promise for trade in both directions. There are handicaps involving transport links and the like, but nonetheless trade is growing strongly, albeit off a very low base. In the last financial year our exports grew by over 50 per cent, which is more than twice the rate of growth of exports from Australia to the world, and also the total value of trade held up very well indeed. I qualify that because our exports to Latin America are still very much based on coal and of course coal values played a big part in that, but nonetheless there is no doubt that the volume of trade is continuing to grow and I need not expand on what my Austrade colleagues told you. We see it as being full of promise and it is just a matter of consolidating our start through the Australia-Chile FTA and of course looking at further opportunities to expand our links, not just for economic reasons but for all of the good strategic reasons.

**Mr Tighe**—I should add that, not only do we have an excellent FTA with Chile, but we are also engaged with the region somewhat more broadly now through the TPP discussions that were referred to earlier.

**CHAIR**—I will come back to that later.

**Mr MURPHY**—Mr Tighe, there have been a number of media reports in recent times about the emergence of the G20 as the pre-eminent forum for our country and how this is somewhat weakening APEC. I have had a look at your submission and when you talk about APEC being well placed to contribute to and support the G20 agenda and about APEC intensifying the work on regulatory reform, competition policy, regional integration et cetera and also progressing the infrastructure challenges within the APEC region, that suggests to me that it has a very important complementary role. But I am not seeing that out there in the public forum, rather there seems to be some forces of darkness who might want to torpedo APEC in the future. I am just wondering what your views are on that and how we would combat it because I think APEC has been a magnificent forum for our country hitherto.

**Mr Tighe**—We certainly see APEC as having a future. We think it has delivered a lot in its 20-odd years of existence up until now, and in fact we had a very successful series of ministerial and leaders meetings earlier this month. So it continues, in our assessment at least, to deliver excellent results. Of course, APEC was never a negotiating forum per se in the same way that the WTO is for example. So its agenda has been much more about encouraging closer regional economic integration and trade facilitation. It has delivered that very effectively in our view and has important ongoing agendas in the area of structural reform, in the area of trade and logistics and in the area of services trade and investment facilitation, which were endorsed by leaders earlier this month. In fact, Australia will be hosting a ministerial level meeting of transport ministers from APEC countries in Melbourne in February. So APEC still has a very important role and not just in addressing what we call in the jargon at-the-border measures in terms of tariffs. From memory I think the figures are that tariffs in the APEC region have reduced from an average of 17 per cent when APEC came into being to five per cent now. Again, that is not a result of direct negotiations among the APEC countries, but of the support that APEC as an institution has given to trade liberalisation and closer economic integration. We have achieved that excellent outcome.

Increasingly APEC is now looking to the other part of the equation, which is the behind-the-border measures—the areas where regulation can impact on trade and the areas that can make it easier for trade to flow across borders. It is the logistic areas, the connectivity. So, no, we see it with a very significant ongoing agenda and one which is perfectly complementary not only to the agenda of the WTO but also to the agenda of the G20. Bear in mind that nine APEC members, I think, are also members of the G20. We have seen, through the meetings that I referred to before in November and last year's APEC leaders meeting, a willingness of the broader APEC membership to embrace the sort of agenda that was determined by G20 leaders. So it is an effective form of spreading the endorsement and spreading the agenda that G20 leaders have sensibly come up with. That has happened quite willingly and, to the best of my assessment, there has been no clash between the activities of the two groups. They have worked very well together and should continue to do so.

**Mr MURPHY**—Just moving away from specifically APEC, do you think if China revalues the yuan it is going to cause us and America major problems in the future?

**Mr Tighe**—There is an agenda around for what in the jargon is called a ‘rebalancing of growth’. For some period now the US has run a fairly substantial trade deficit, and China of course has a fairly substantial trade surplus. There are discussions going on and there have been discussions in the past about whether there needs to be some sort of realignment of the currency values between, in particular, China and the US. Those discussions are ongoing and the Chinese are willingly participating in them as well. If the Chinese currency were to be revalued, then I suspect it would logically be a plus for us because it would make our goods less expensive in the Chinese market and potentially more competitive with Chinese goods in the other, third-country markets. I am not sure that I see it as a disadvantage, but, in a longer term sense, to the extent that it rebalances growth in China away from a very heavy dependence on exports towards more domestically driven growth, then that is probably a reasonable thing.

**Mr MURPHY**—Do you get the sense that China might do it sooner rather than later?

**CHAIR**—Some crystal ball gazing here!

**Mr Tighe**—I do not think I could make an assessment on that, other than to say that I think China has, in response to the global financial crisis, very actively instituted very substantial stimulus packages within the Chinese economy. I think that is in part a recognition of the fact that—again partly in response to the fall in demand from especially North America and Europe as well due to the global financial crisis—they had to rebalance their growth towards a more domestically generated one. They seem to have done that very willingly and very successfully up until now, because their economy has grown quite strongly throughout the global financial crisis and, according to respectable forecasters, is expected to do quite well both this year and in 2010.

**Mr MURPHY**—Just moving to another area, I had a meeting with Trade Commissioner Peter Beattie recently. He is a very good ally for Central and Latin America, and of course he is very parochial about his own state, but he does speak about Australia when you have a meeting with him. He is very anxious that we open a consulate in Colombia co-located with an Austrade office and that Virgin Australia should be encouraged to fly into Lima to get into that area of South America and Central America. How do you see his role complementing what the department is doing?

**Mr Tighe**—A number of state governments have representative officers overseas. Mr Crean chairs a COAG group called the Ministerial Council on International Trade which is charged, amongst other things, with coordinating the efforts of our Commonwealth and state governments, and in particular making sure that we are not cutting across each other. I think that process is working quite effectively in terms of presenting, if you like, a ‘team Australia’ approach to foreign markets. Mr Crean has certainly been very active in doing that. We welcome the presence of the Queensland government and other governments in the North American market and would encourage them to be active in the Latin American markets as well. As Mr Brown pointed out, we have got a fairly active agenda ourselves at the Commonwealth level of expanding our trade relations, and our broader relations as well, in Latin America. That does not always extend to opening up new missions which, I am sure you would understand, is a very expensive and resource intensive exercise. But certainly we are always open to those sorts of

proposals and we are always looking to encourage a greater presence. The transport links that Mr Brown mentioned before are commercially driven and there is a limit to what the government can do to establish those links. Certainly in the past I know we have been actively supporting greater flights between the Latin American continent and Australia, and will continue to do so to the extent that we reasonably can.

**CHAIR**—You would be aware that several Latin American ambassadors have given evidence to the subcommittee on those issues you have raised. One of them is about getting faster visa processing. In terms of the business relationships, that is problematic. On page 1 of your submission you mentioned the inadequate transport links so I am aware that you are very conscious of that, but it is also a private sector area. You have really answered the question we wanted to ask, which was what the prospects were of those issues being addressed in the near future. I know you cannot give a definitive answer but at least it has been raised and we have taken it as evidence as well, and presumably it will feature in our report.

**Mr MURPHY**—When are we likely to open the embassy in Peru?

**Mr Brown**—We are on track to open an embassy in Peru in the second half of 2010. I cannot add very much to the visa processing issue. I think the questions need to be directed towards our immigration portfolio. We are aware of the representations and we certainly understand the perspective of our Latin American friends. Of course, DIAC is aware of the need to gradually become more progressive in the way it handles access to visas.

**CHAIR**—Thank you. Are you able to talk about the issues delaying the negotiation of the FTA with Mexico? It is on page 16 of your submission.

**Mr Brown**—As you are aware, the Australia-Mexico Joint Experts Group report was finalised earlier this year. The report considered a number of alternatives of which an FTA was one. The conclusion of the group, which comprised members from both the Mexican and Australian sides, was that now was not the right time to progress towards an FTA with Mexico. There just was not the support within the business communities in both countries to pursue one and certain sensitivities would need to be overcome. Having said that, in the longer term I have no doubt that the commercial relationship with Mexico will expand considerably. We have a very robust trading relationship with Mexico and a burgeoning investment relationship too, I believe. With respect to areas in which trade can flourish, once again, Austrade colleagues would have focused particularly on the areas of minerals, energy and so on.

So the prospects there for the medium to longer term are very positive, but the joint experts group has recommended that in the meantime we reinvigorate what is called the Joint Trade and Investment Commission. We are hoping that this will convene earlier rather than later next year and that it will look at ways to strengthen the links between us, including in the area of investment.

**CHAIR**—One of the key issues with the Australia-United States Free Trade Agreement was that in the negotiation access for Australian companies to US government contracts was talked about. Can you give us an update, either now or on notice, on the success of Australian companies in gaining such contracts?

**Mr Tighe**—We may have to take that on notice unless Ms Raper knows the answer off the top of her head. I am not expecting that she will.

**Ms Raper**—Briefly, under the Australia-United States Free Trade Agreement, Australia gained access to the US federal government procurement market and those of 31 US states for the first time, so access was obviously dramatically improved from not being guaranteed access before to having it under the agreement now. Neither side collects data on the number of contracts that are won by particular nationalities, so I do not think that we would be able to give you a figure for that.

**CHAIR**—Is there any anecdotal feedback? Maybe I need to talk to Austrade about that.

**Ms Raper**—Yes. I know Austrade has some examples. Sometimes they are subject to confidentiality arrangements, but I do think that you may be able to talk to them about some examples.

**CHAIR**—This question relates to Hong Kong, which was discussed on page 21 of your submission. How important is Hong Kong now to the Australian trade relationship with East Asia?

**Mr Tighe**—It is a very significant trading partner. It does not feature in our top 10 trading partners, I have to say. If you will bear with me, I can probably tell you exactly where it does come, but it will probably take me a moment to find it. Notwithstanding the fact that it is not in the top 10, we do not undervalue the strength of our relationship with Hong Kong.

Trade with Hong Kong accounted for 1.5 per cent of our total trade in goods and services as of 2008-09 with a five-year trend growth of about 3.4 per cent. So it is significant, and I am guessing that would put Hong Kong's ranking as a trading partner—and this is just a guess—at somewhere around number 13 or 14. Those exports are well worth having and we will continue to develop our relationship with Hong Kong as actively as we have done in the past.

**CHAIR**—We have a timing issue—we have to be out of here at 12.15. There is a heavy demand on rooms here in this last week as well, so I suggest that we give you some questions on notice if you would be happy to provide us with the answers. We have got the questions prepared.

**Mr Tighe**—Sure.

**Mr BRUCE SCOTT**—They are particularly about India and Pakistan.

**CHAIR**—Yes, and we have a whole range of other questions as well, if you don't mind.

**Mr Tighe**—No, we are very happy to take them on notice. Again, thank you for the opportunity to come up. I hope we have provided some useful information today and that you find the submission valuable. If there are follow-up questions, we are happy to take them on notice.

**CHAIR**—Thank you. It was very nice that you were able to appear. I have read the submission, but there was additional information in some of the comments that could not be written in the submission, so to be able to hear it was very good.

I thank you for coming. You will get a copy of the *Hansard* proceedings, and, if there are any errors of transcription, you can have a look and correct them. I thank Hansard and everybody else who appeared here today in difficult circumstances.

Resolved (on motion by **Mr Scott**):

That this committee authorises publication of the transcript of the evidence given before it at public hearing this day.

**Subcommittee adjourned at 12.15 pm**