



Export Council of Australia
The Voice for Australia's Exporters

4 July 2014

Foreign Affairs, Defence and Trade Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Sent by email to: fadt.sen@aph.gov.au

Export Council of Australia submission to Senate Foreign Affairs, Defence and Trade References Committee Inquiry on the Korea-Australia Free Trade Agreement ("KAFTA")

The Export Council of Australia (ECA) welcomes the opportunity to provide input into the Senate Foreign Affairs, Defence and Trade References Committee Inquiry in its review of KAFTA. This submission to the Foreign Affairs, Defence and Trade Committee is being made on behalf of the ECA's members and the broader export community.

The ECA is a not-for-profit, membership based organisation and the peak industry body representing Australia's exporters and importers. With a membership base of 1,000 and a reach of 15,000, the ECA represents companies of all sizes and across a wide range of sectors, including services.

The ECA's core activities include research, advocacy, skills development and events. Last year the ECA published its Trade Policy Recommendations to Government, which have been well received, with a number of the recommended actions having since being taken by the Federal Government. The ECA is also currently involved in undertaking a major research project in collaboration with Austrade, Efic and the University of Sydney. *Australia's International Business Survey 2014* is a longitudinal survey that captures data on the export behaviour of Australian companies. The 2014 survey captured data from over 1600 Australian exporters, making it the most comprehensive investigation into Australia's international business activity in more than 15 years.

The ECA supports international agreements that serve to further liberalise trade between Australia and the rest of the world. Trade is key driver of jobs, innovation and long term prosperity for Australia and the ECA would therefore like to encourage the Australian Government and the Parliament to act swiftly to ensure that the agreement is passed into law as soon as practicable.

The implementation and early entry into force of KAFTA will deliver worthwhile commercial gains to Australia and will help level the playing field for Australian exporters to South Korea—especially for beef exporters that currently face a 40 per cent tariff while key competitors benefit from preferential access because of existing FTAs with South Korea.

By way of example, the passing into law of KAFTA will have the following impact on tariffs:



- Immediate elimination of tariffs for Australian raw sugar, wheat, wine, and some horticultural products exported to South Korea.
- Elimination of 40 per cent tariff on beef progressively over 15 years
- Duty free entry of 88 per cent of Australia's manufactured, resource and energy exports, with all remaining tariffs phased out within ten years.

Further, the New South Wales Parliament Research Service estimates that the additional revenue that Australian exporters will accrue because of the tariff reductions under chapter two of KAFTA will equate to approximately \$603 million annually by the end of the 20-year implementation period. A significant share of this additional revenue will be received by Australian meat exporters and to a slightly lesser extent, cereal and mineral exporters¹. DFAT estimates that that KAFTA will result in a total of \$653 million a year boost to the Australian economy, which includes both tariff and non-tariff economic gains.

Without limiting the generality of the support for KAFTA, the ECA wishes to make the following observations.

1. Korea is Australia's fourth-largest overall trading partner, with total two-way trade worth approximately \$30.5 billion in 2012-13. Korea was also nominated by respondents of AIBS 2014 as the seventh most popular market companies are looking to target in the next two years.
2. While the ECA would prefer international liberalisation of trade to advance on a multilateral basis, in the absence of any foreseeable completion of the WTO's Doha Round of negotiations, advances in liberalisation of international trade must occur, by default, pursuant to regional, bilateral and other Free Trade Agreements (FTAs) or similar agreements. On that basis, the ECA is of the view that FTAs such as KAFTA represent a reasonable and desirable outcome to advance Australian trade.
3. The ECA is also of the view that negotiations regarding an FTA will not always deliver a "perfect" outcome in which both parties secure all their aims for now and the future. Like any other agreement, any FTA (including KAFTA) represents a compromise outcome reflecting the respective negotiating strengths of the parties. On that basis the ECA believes that KAFTA represents a sound commercial outcome, especially given the need for Australia to advance its interests where its other competing trade partners have already secured FTAs with Korea
4. The ECA believes that KAFTA should not be seen as a static or 'settled' FTA and notes that its terms and benefits will continue to develop over time through the Committees established pursuant to KAFTA. To this end, KAFTA can be seen as setting a sound basis for further liberalisation in the region, particularly in negotiations for the RECP.
5. The ECA is of the view that further work will be necessary on a number of fronts, including advancing the agenda for our exporters, assisting with trade facilitation and assisting with work to further streamline the Rules of Origin (ROO) under KAFTA. The ECA notes with interest the position of other submissions that the ROO would benefit from improvement

¹ By Andrew Haylen, NSW Parliamentary Research Service, *NSW Trade with South Korea: Outcomes for exporters from the KAFTA*, March 2014
[http://www.parliament.nsw.gov.au/prod/parlment/publications.nsf/key/NSWTradewithSouthKorea:outcomesforexportersfromtheKAFTA/\\$File/Korea+FTA+FINAL.pdf](http://www.parliament.nsw.gov.au/prod/parlment/publications.nsf/key/NSWTradewithSouthKorea:outcomesforexportersfromtheKAFTA/$File/Korea+FTA+FINAL.pdf)

and would encourage Government to appoint members of relevant agencies to immediately establish full engagement with industry to further improve those ROO.

6. The ECA does not believe that KAFTA is in any way inconsistent to any other negotiations to which Australia is a party, such as the Doha Round, the Trade in Services Agreement, the Environmental Goods Agreement and the Trade Facilitation Agreement. Indeed, given the strong trading position of the parties to KAFTA, those other Agreements will be advanced by KAFTA.
7. The ECA is also of the view that KAFTA is consistent to and does not detract from the parties obligations to each other within the APEC trading community.
8. Without KAFTA being legally adopted, Australian exporters will remain disadvantaged as strong agricultural exporters such as Chile and the United States continue to benefit from preferential access, having both secured FTAs with Korea. Moreover, with another key competitor, Canada, recently concluding negotiations for a bilateral free trade agreement with Korea—and other countries quickly gaining ground—swift action is paramount in ensuring Australian exporters to remain competitive and retain market share.
9. Expediting KAFTA will benefit Australia by assisting to restore a level playing field for Australian companies trading with Korea. With tariffs of up to 300 per cent to be eliminated on Australian products such as beef, wheat, sugar, dairy, wine and seafood, it is imperative that the Government moves quickly to enforce KAFTA.
10. The ECA is also concerned that delay in, or failure to adopt KAFTA will compromise the ability of any future Australian Government to pursue negotiations with its current FTA or related agreements.
11. The ECA is aware of the wider concern regarding the inclusion of investor-state dispute settlement (ISDS) provisions and, while not necessarily endorsing such provisions, the ECA does believe that it is in the interests of all exporters that they have access to an independent body to mediate and if needs be, resolve disputes in overseas markets. In this case, the ECA believes the adoption of the limited ISDS in the KAFTA is warranted.

The ECA stands willing to provide further input and assistance where required.

Sincerely

Ian Murray AM
Executive Chairman
Export Council of Australia