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To: Senator the Hon David Fawcett (Chair of the Committee)
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Joint Standing Committee on Foreign Affairs, Defence and Trade
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RE: Inquiry into expanding membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

I, Dr Shumi Akhtar (Associate Professor at the University of Sydney Business School), would like to express my gratitude for the opportunity to submit to the Joint Committee's inquiry into expanding membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership with regards to the following terms of reference:

- *the opportunity for freer trade between Australia and potential new members*
- *issues related to expanding and improving market access;*
- *the impact of other members committing to similar high standards;*
- *issues relevant to the values, rules and norms of the CPTPP;*
- *the role of the CPTPP as a vehicle for economic collaboration and cooperation; and*
- *any other related matters.*

There is no time better than now to have a discussion around this critical issue and rethink how Australia can implement new, careful and well-thought-out strategies to encourage freer trade between Australia and potential new member countries. To set the scene for this discussion,



Figures 1 and 2 (in conjunction with Table 1a and 1b) shows Australia’s current position in terms of Trade and Foreign Direct Investment.

Figure 1

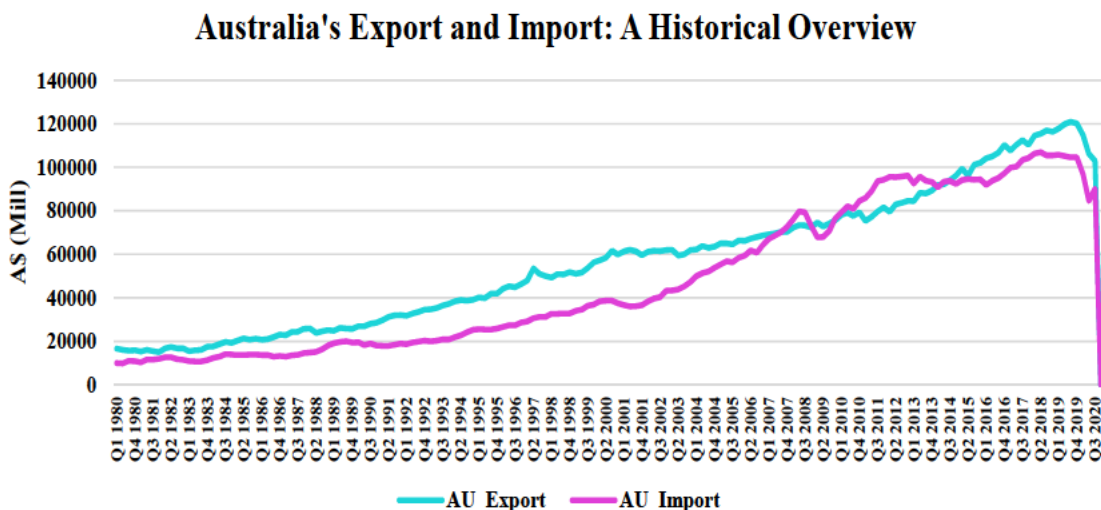


Figure 1 shows that Australia’s imports hit their lowest levels in the entire 30-year history in 2020. Australia’s 2020 exports were also down to the same level as 5 years ago in 2015. These twin phenomena are not surprising, and result from Australia’s overreliance on China and failure to diversify into other markets over the last few decades. While COVID-19 played a role in these declines, there is no doubt that the main cause of our plunging exports is to do with the ongoing trade war between China and Australia. Our current predicament is the legacy of past governments’ lack of attention to developing a smart and sustainable trade strategy for Australia to advance. The current state of our trading partners and trading activities is so backward that it is embarrassing to say the least, given the numerous resources and riches that Australia is blessed with. Our lax immigration policy, greed and short term commercialised mindset got us into the troubling situation that we find ourselves in today.



After an intense year of trade warring between China and Australia in 2020, the latest ABS data presented in Table 1a (Export) and 1b (Imports) shows that China is still by far, our number one trade partner. Given the relationship between the two countries appears to show no signs of reconciliation, we are going to face a catastrophe if we do not form new trade relationships with other trading partners via FTAs, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (“CPTPP”) and the Regional Comprehensive Economic Partnership (“RCEP”). It would be foolish to put all our eggs in one basket and hope for a return to our ‘old’ relationship with China.

Table 1a

International trade in goods - exports by destination country (\$m)

	Jul-20 (\$m)	Aug-20 (\$m)	Sep-20 (\$m)	Oct-20 (\$m)	Nov-20 (\$m)	Dec-20 (\$m)
China	11,220	11,994	11,608	12,431	11,026	13,338
Japan	2,820	2,924	2,835	3,175	3,551	4,415
South Korea	1,455	1,715	1,702	2,279	2,220	1,903
The United States of America	2,384	1,502	1,122	1,150	1,179	1,857
India	554	915	912	942	960	1,299

Source: ABS Data Release 25/01/2021

Table 1b

International trade in goods - imports by source country (\$m)

	Jul-20 (\$m)	Aug-20 (\$m)	Sep-20 (\$m)	Oct-20 (\$m)	Nov-20 (\$m)	Dec-20 (\$m)
China	7,654	6,649	6,895	7,947	8,818	8,177
United States of America	3,338	2,577	2,500	2,627	3,870	2,596
Germany	1,063	1,338	1,171	1,095	1,214	1,088
Thailand	1,199	1,295	1,130	1,340	1,256	1,357
Japan	1,321	1,278	1,451	1,877	1,657	1,752

Source: ABS Data Release 25/01/2021

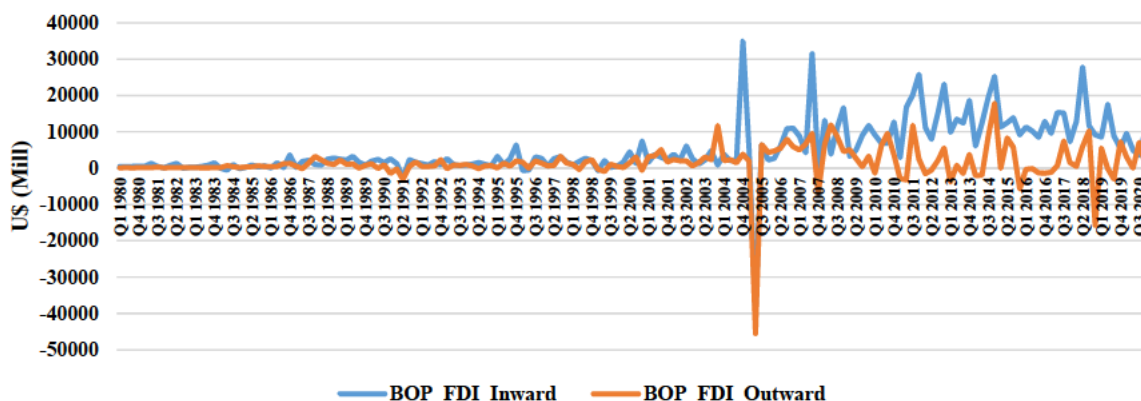
Figure 2 shows that our foreign direct investment (“FDI”), which has been primarily carried by large corporations and multinationals has been extremely volatile over the last



15 years. Our outbound FDI hit rock bottom in the 3rd quarter of 2020, while inbound FDI levels were clearly struggling.

Figure 2

Australia's Foreign Direct Investment Inwards and Outwards: A Historical Overview



The CPTPP is essentially a free trade agreement (“FTA”) between Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore and Vietnam. Australia engages with regional and international trade and investment organisations such as the WTO, OECD and APEC by promoting and protecting trade and investment opportunities. An FTA is an international treaty agreement between two or more economies that reduces or abolishes certain barriers to trade in goods and services as well as investment. Generally, Australia negotiates FTAs to benefit Australian exporters, importers, producers and investors by reducing and eliminating certain barriers to international trade and investment such as tariffs and duties. Australia currently has an FTA with all of the aforementioned CPTPP nations as well as with China, USA, Thailand, Korea, Hong Kong and Indonesia. Recently, Australia has also signed up to the RCEP, which has yet to come into force. A number of FTA agreements are currently under negotiation such as the Australia-European FTA, Australia and Gulf Corporation



Council FTA, Environmental Goods Agreement and Pacific Alliance FTA as well as stand-alone FTAs with India and the UK.

Given climate change is having such a significant impact on our land and agriculture industries through flash floods, draughts and bushfires, it is imperative that Australia considers trade partnerships with countries who respect and value sustainable, ecological investments in goods and services. Eco-friendly and climate-friendly trade and investment activities will help reduce harmful emissions and toxins in the environment. Sustainable development, protection and preservation are fundamental goals of world trade organisations. Many multinational corporations are also increasingly becoming cognisant of society's demand for environmentally friendly products, goods and services. Australia should enhance its FTAs with such like-minded countries. Our wildlife, agricultural products and marine species should be given priority so that we can preserve these areas. Water, air and land pollution should be critical areas that require a high degree of scrutiny when foreign investors attain ownership and governance in these areas. Given Australia is dominated by mining corporations, the government should incentivise these corporations to incorporate energy efficient and carbon reducing technologies in the manufacturing process.

Australia needs human and financial capital to improve innovation and preserve our personal, private and critical national infrastructure. These should not be compromised.

We should have terms and conditions on the CPTPP in relation to our values, national interest and respect of our sovereignty. The CPTPP should have the flexibility to withdraw a nation's membership upon violation of any such rules. Every country is mostly capable of meeting these high standards if the conditions are laid out upfront and



the importance of honoring those conditions are well-understood and agreed before signing the CPTP.

The CPTPP is a vehicle for economic collaboration and cooperation between countries and this should be seen as a privilege rather than a mechanism to unfairly take advantage of a member nation. We need to be proactive and stand by our values regardless of the government of the day.

I welcome the opportunity to discuss which countries may have the most potential to be new members for the CPTPP. I am also keen to discuss the issues that we need to be mindful of to protect our national interest when we choose our new members. It is important to think proactively and strategically in order to safeguard our future generations' prosperity.

Sincerely,

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Source of Data for Graphs/Figures and Table Production: ABS, Bank of International Settlement, Thomson Reuters, Eikon, SDC Platinum, Capital IQ, BvD, Morning Star, Worldscope, Bloomberg and DataStream, Refinitive, Trading Economics, United Nations, Thomson Reuters, OECD, IMF, ATO and World Bank.