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**Submission to the Joint Standing Committee on Trade and Investment Growth inquiry into the understanding and utilisation of benefits available to Australian industry and communities from trade, including under Free Trade Agreements (FTAs) entered into by the Australian Government:**

**Summary:**

- FTA is a misleading label for agreements about trade facilitation
- Australia has been a leading player in negotiating new rules and regulations for trade that go beyond WTO commitments – and this has benefited Australians.
- Although the benefits from reducing the complexity of international trade are hard to measure, they are no less real and certainly greater than specific market access benefits. Further simplification will continue to bring benefits from trade.
- The trade environment is constantly changing. DFAT needs to keep on top of the situation, by maintaining communication channels with actual and potential traders, state authorities, and like-minded partner countries.

Since the bipartisan reforms of 1983-2003 Australians have benefited from the removal of tariffs and reduction of other barriers to trade. Some jobs have disappeared, but unemployment has remained low as labour markets, sometimes with government support for displaced families, have seen new jobs created. Australians have responded with new trade and investment successes that would not have been predicted, e.g. in Paris Aesop is a major cosmetics chain and the biggest mall was developed by Westfield.

In the 21<sup>st</sup>. century Australia has been a leader in signing trade agreements. Among the Australian public, the level of understanding of these agreements is low, largely because media present them in terms of market access and largely about avoiding tariffs, without asking why two economies with zero tariffs almost across the board - Australia and Singapore - would sign an FTA.

The DFAT website lists eighteen FTAs in force, three under negotiation and one under consideration. They are not all of equal importance, and three of the most important agreements are not called FTAs: the CER with New Zealand, the RCEP with fourteen East Asian countries, and the CPTPP with twelve of the world's most economically open economies (including Canada, Japan and the UK). There is also overlap, e.g. NZ is in all three of those agreements and Japan is in two of them.

**The most important reason for signing agreements is to provide a legal environment within which international trade and investment can take place with confidence about the rules of the game.** For trade, the basic rules are set out in the World Trade Organization (WTO) charter. Things have changed since the WTO was established in 1995, when the internet scarcely existed, but changes to WTO rules have been stymied by the need for consensus. The main purpose of agreements like the CPTPP and RCEP is for like-minded countries to agree on rules beyond WTO commitments.

The benefits for traders and investors from transparent agreed rules are huge, although difficult to measure with any precision. For example, the internet has made it easier for

exporters to identify foreign customers and for importers to find the best foreign supplier. Completing formalities for trading and identifying channels for resolving problems as efficiently as possible is easiest online, with agreed rules and common forms.

It is no surprise that the leading and most efficient traders from Asia have been in the forefront of this trade facilitation process – and Australia has benefited from being one of these leaders. Agreement between Australia and Singapore, for example, on digital rules, practices and legal enforcement is among the world's most advanced.

**As trade is facilitated, Australians will identify international opportunities, just as Aesop and Westfield did in the past. The government does not need to decide what is traded, but still has important roles to play.**

In an ever-changing trade environment, the government can work to ensure that trade and investment agreements benefit Australians. First, create channels for communication about rules and regulations. In particular, small and medium-sized enterprises and regional, diaspora and First Nations communities can be helped to establish international connections and to learn the mechanics of trade. Channels of communication include feedback about practices that are unnecessarily complicating the lives of Australians involved in international trade. The government can work to reduce the complications, either by domestic reform or by negotiation with relevant trade partners.

The government must play a role as umpire when there are potential winners and losers. For example, **negotiations with the EU** have stalled over EU restrictions on Australian beef, sheepmeat and sugar exports and on Australian resistance to EU geographical indications for prosecco and feta. Both issues involve negative risks for parts of Australian agriculture, while reaching an agreement with the EU would bring wider benefits. Australian negotiators should try to resolve the problems in a package acceptable to Australia and the EU; the government's role is to draw redlines on what is not acceptable to Australia.

Apart from EU negotiations, Australia may soon have to take a position on **applications from China and Taiwan to join CPTPP**. China's accession will have little impact on Australia because both are signatories of RCEP which covers similar ground to CPTPP, although with generally weaker obligations. A positive response to China's application, subject to serious examination of whether China abides by all CPTPP obligations (on state-owned enterprises and state subsidies, for example), would help to keep China involved in rules-based trade for our mutual benefit.

Finally, given our federal structure, it is important that federal and state governments collaborate to ensure that state actions do not undermine Australia's commitments. Trade is a two-way street along which parties in a transaction should face, and observe, the same traffic rules.

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