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05 June 2024

Joint Standing Committee on Trade and Investment Growth
Parliament House
Canberra ACT 2600

INQUIRY INTO THE UNDERSTANDING AND UTILISATION OF BENEFITS UNDER FREE TRADE AGREEMENTS

SUBMISSION FROM STANDARDS AUSTRALIA

Standards Australia welcomes the Joint Standing Committee on Trade and Investment Growth's inquiry into the understanding and utilisation of benefits under Free Trade Agreements (FTAs), and the opportunity to make this submission.

This submission focuses on responding to the following terms of reference:

- d) What difficulties are faced by Australian businesses, workers and communities in accessing the benefits created by FTAs, including non-tariff trade barriers;
- f) How the Australian Government works with stakeholders, including States and Territories Governments, to promote trade including the benefits created by FTAs.

By way of background, **Standards Australia** is Australia's foremost standards-setting organisation. We are a not-for-profit and non-government organisation, operating under a Memorandum of Understanding with the Australian Government. As part of this mandate, we represent Australia in the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC).

Standards Australia has taken an active role in supporting the Australian Government to negotiate successive free trade negotiations with a broad range of countries and regional bodies over the last 20 years and more. We have played a key role in supporting the negotiation of chapter text and supporting implementation of Technical Barriers to Trade (TBT) and non-tariff barriers (NTBs) Chapters and provisions, in coordination with the Department of Foreign Affairs (DFAT) and the Department of Industry, Science and Resources (DISR), among other Australian Government agencies.

Standards Australia welcomes the negotiation of free trade agreements (FTAs) and considers they have improved economic opportunities and outcomes for Australians. However, this is not to say there is no room for improvement in supporting Australian business to access the opportunities that FTAs deliver. Moreover, with some 19 FTAs already in effect, a major proportion of Australia's trade is now covered by FTAs, or soon will be. The question that arises is what comes next?

Our recommendations for the Committee's consideration are as follows.

(1) Recognition of the importance of internationally aligned standards

While standards and technical regulations are addressed in Australia's FTAs, especially TBT chapters, we believe more attention needs to be placed on the effect of standards in international trade, as well as their role in facilitating a level playing field for Australian business in international markets.

The economic effects of divergence of goods and services standards between different markets can be difficult to gauge precisely, due to their diversity, and because the incidence of standards are less amendable to measurement and quantification than tariffs, for example.

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There is, nonetheless, fairly clear evidence¹ that standards in importing markets, where these are not harmonised, can result in cost increases for exporters. These effects may be particularly significant for developing country exporters. Conversely, where standards are harmonised with internationally agreed standards, such as under the umbrella of the ISO or IEC, this can result in lower compliance costs for exporters. It also supports a reduction in NTBs, as regulations, policies or conformance requirements that are based on harmonised, internationally aligned standards are more likely to be consistent and compatible.

Accordingly, standards can have significant impacts on the opportunities for Australian exporters, and we would welcome greater focus by the Australian Government on their effect when formulating negotiating objectives and in FTA implementation agendas.

(2) Deeper international economic integration through standards harmonisation

We consider that greater emphasis on standards harmonisation during FTA negotiations can help address NTBs.

Internationally, NTBs in overseas markets inhibit trade, and their impact is large. For example, one study estimates that NTBs globally caused 3.1 percent reduction in international trade, or US\$512 billion, compared to levels that might otherwise have been reached in 2015 in the absence of the NTBs.² This situation has not changed much since 2015.

While Australia's FTAs have successfully achieved very significant tariff reductions, often bringing to zero in excess of 90 percent of foreign trading partner tariff lines, we have been less successful as a nation in addressing NTBs facing our exporters.

Australian Government engagement processes on NTBs in the past have readily identified "shopping lists" of many NTBs that impede Australian exports of goods and services. It is not very hard to know what is preventing our exports. The real challenge, however, is to find ways to make negotiating NTBs more manageable. NTBs often involve a complex range of issues and can be deeply embedded in regulatory systems, making them hard for trade negotiators to address.

The solution we advocate is to move beyond addressing foreign NTBs in an *ad hoc* manner and towards a more systematic approach that involves the pursuit of **standards harmonisation**. This should in our view be a major element in Australia's approach going forward. In some ways, it represents a more indirect approach to NTBs, but we believe it would be far more effective in the long run.

In particular, such an approach would encourage deeper economic integration between Australia and our key trading partners, and would help resolve NTBs almost automatically where these are the result of technical regulations incorporating divergent product standards.

This agenda would require a coordinated, whole-of-government approach. Standards Australia is ready to assist in the preparatory work that would inevitably be required to give life to this agenda.

(3) Australia should be a strong voice on cooperative standards setting and harmonisation processes, particularly in emerging areas including green technologies, digital trade, critical minerals, quantum and artificial intelligence (AI)

Australia needs to play a proactive role in advocating for cooperative global approaches on standards issues, under the umbrella of the ISO and IEC. Coincidentally, this is also in the interests of many developing countries in our region (the US National Bureau of Economic Research (NBER) finds evidence that standards-poor nations are often disadvantaged by standards becoming a trade barrier due to compliance cost effects).³

¹ ISO [research and innovation paper 2020](#): "International standards and trade: What does the research say?"

² BertelsmannStiftung [Policy Brief 2017/09](#): "How Hidden Protectionism Impacts International Trade".

³ NBER [Working Paper 18132](#): "International Standards and International Trade: Empirical Evidence from ISO 9000 Diffusion".

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Standards Australia is concerned that some actors, for example the People's Republic of China and the European Union, are aggressively pursuing the adoption of their own standards in third markets, including with respect to new areas of economic activity such as green technology, digital trade, critical minerals, quantum and AI. Their approach is often to pursue acceptance of their own standards, sometimes in the form of implementing regulation that adopts regional-centric standards rather than inviting discussion, cooperation and agreement on shared standards. These unwelcome attempts by China, the EU and others could create the effect of locking new market entrants out, or advantaging country or regional specific suppliers to the detriment of Australian business.

Addressing such efforts proactively requires DFAT's ongoing economic diplomacy efforts, and more backing by the Australian Government for collaborative, international work on harmonisation issues.

Our FTAs are a key opportunity to pursue our open and collaborate approach to standards harmonisation, by negotiating substantial provisions enshrining these approaches in the agreements and by putting focus on standards harmonisation and cooperation in implementation agendas. We should not lose sight of the opportunity FTAs present to advance Australia's business interests in reducing barriers to trade. Standards Australia stands ready to assist an enhancement of Australia's efforts in this regard.

(4) Ensuring agreements remain fit-for-purpose

Related to the above point, it is also important to update Australia's existing agreements to address new areas of economic activity to ensure that existing agreements continue to provide benefits by facilitating market access. For example, we recommend that when FTA general review processes are commenced, the opportunity be used to seek the inclusion of modernised digital trade rules, such as those agreed in the benchmark Australia-Singapore Digital Economy Agreement, and green economy trade rules, such as those in the Singapore-Australia Green Economy Agreement, including provisions that support collaboration on the development of key standards to support trade.

It is also important Australia's FTAs include provisions that support bilateral cooperation on standards in emerging sectors of mutual interest, such as critical minerals and innovative energy technologies.

(5) Enhanced implementation support: Not just the start of negotiating processes, but also the follow through

We note the Committee is focused to a substantial degree on how the Australian Government works with stakeholders to promote trade including the benefits created by FTAs. Standards Australia would welcome enhanced general review processes following the entry-into-force of FTAs, and for these review processes, and implementation efforts in general, to be backed by greater funding and resources.

For example, the ASEAN-Australia New Zealand Free Trade Agreement (AANZFTA) contained financial support from the Australian Government for the agreement's implementation, and this facilitated productive work by Standards Australia with our ASEAN partner organisations in support of FTA outcomes and Australian business interests.

In this case, funding was available because key ASEAN members are developing countries and thus ODA support was provided under the AANZFTA agreement. However, we would likewise recommend that FTAs with non-developing country FTA partners also be backed by more funding for review and implementation work. Many of our non-developing country FTA partners possess relatively complex standards systems, and a substantial work agenda is required to address their effect. We consider that further support from, and engagement by, the Government to promote standards harmonisation with these partners post-implementation would benefit Australian exporters.

(6) Refinements to FTA consultation processes

Finally, we wish to recommend an enhancement to processes for engaging industry stakeholders on trade matters. We recognise (and commend) the considerable efforts made by DFAT to consult industry

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on FTA negotiating priorities, including inviting and publishing submissions, and managing stakeholder meetings.

Often, however, these stakeholder meetings are general in their focus, and bring together very diverse industry groups and representatives in the one room. While they provide useful update information on how negotiations are going in general, they do not necessarily provide a good opportunity for in-depth discussion.

When discussion on more specific issues does emerge, it is often limited to circulation of relevant draft chapter text or paragraphs already in preparation, with limited opportunity to help set initial objectives.

Accordingly, Standards Australia would welcome greater opportunity to engage in a more structured way on targeted issues that are relevant to Australia's trade agenda, rather than in the more general update setting. Standards Australia, for example, would engage closely in matters related to standards underpinning emerging green regulations in key markets and impacts on Australian business interests, if this opportunity was presented to us.

Once again, we welcome the opportunity to contribute ideas to this Inquiry. We would be delighted to engage further with the Committee on these matters. Ms Karen Batt, Head of International, can be contacted by the Committee Secretariat to assist in coordinating further engagement if required, and can be reached on

Yours sincerely,

Adam Stingemore
Chief Development Officer
Standards Australia Limited