
The Parliament of the Commonwealth of Australia

Inquiry into Australia's Trade and Investment Relations with Asia, the Pacific and Latin America

Joint Standing Committee on Foreign Affairs, Defence and Trade

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Canberra

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Foreword

Through a lengthy and informative inquiry, members of the Trade Sub-Committee (TSC) explored how we can improve Australia's trade and investment relations with the countries of Asia, the Pacific, and the Americas. Trade is important to economic health and critical to the development of bilateral and multilateral relationships between countries.

On the eve of going to print with our report, the Minister for Trade, the Hon. Dr Craig Emerson MP, informed the TSC that he would soon publish the Government's Trade Policy Statement. We agreed to wait for the statement and then took evidence on it. This has been incorporated into our report.

When we commenced the inquiry, little did we know that the Global Financial Crisis (GFC) was breathing down our neck and came to besiege our nation and that of most of our trading partners. How Australia weathered the GFC is the envy of the world, in particular those with developed economies. Australia's economy is strong and is ranked 12th within the OECD in terms of Gross Domestic Product (GDP) purchasing power parity (14th if China and Russia are added to the list).

Closer to home, most people seem unaware when the miracle of Singapore is touted that the NSW economy is significantly larger than Singapore's.

The GFC caused some alarm that commitment to open trade would dissolve, and in some cases it did. Surprisingly though, the general commitment to open trade held, largely in order to complete the Doha round of negotiations. Agricultural trade remains the most contentious issue for not only developing countries, but developed economies as well.

Trading figures for Australia are healthy and on the rise. From a deficit in 2007-2008, exports rose 27 per cent to \$278 billion, and imports were up 18.9 per cent to \$283 billion. In 2008, exports dipped to \$249.9 billion and imports fell correspondingly to \$253.9 billion. 2010 saw a rise in exports to \$284.9 billion, with imports increasing to \$267.8 billion. From an historical average monthly trade

deficit, we now have an average monthly trade surplus of \$1,797 million. The Australian Dollar is currently trading at an all time high against other major trading currencies (USD\$1.04, NZD\$1.22, E €0.72, STG £ 0.64 and ¥79).¹ This generally has the effect of making Australian exports less competitive as the purchasing power of foreign currencies is reduced.

Despite this, healthy export revenues are contributing to trade surpluses through strong market prices and demand for Australian resources. Conversely, a strong Australian Dollar sees imported products become more competitively priced for Australian consumers, leading to increased consumption. Both of these strengths are reflected in the current health of Australia's economy. The latter point was also underscored by the representatives from the Department of Foreign Affairs and Trade at the final TSC inquiry public hearing.

During the course of the inquiry, the ASEAN-Australia-New Zealand Free Trade Agreement was signed off in February 2009, which was greeted enthusiastically by business. The Productivity Commission also released its Report on Bilateral Free Trade Agreements. Both of these were the subject of much attention during the inquiry. The Productivity Commission's report noted however that there is little evidence to date to suggest that Australia's six Free Trade Agreement's have produced "substantial commercial benefits". The Productivity Commission's report also found that where trade had increased it was due to trade diversion rather than trade creation.

Trade facilitation features large in our report, as it did for all who gave evidence to the inquiry. Of particular note is the map at the very last page of the report titled "Port of Melbourne Supply Chain Information Map February 2006". This details what can be a maze for importers and exporters seeking to trade effectively. It highlights the complex chain of events that importers and exporters have to follow, to the nth degree of course. I can only say that we are fortunate that we have many businesses and business operators who embrace the world of trade and the inherent benefits for them and the economy.

Australian jobs depend in a large part on reciprocal trade, and it is so for both city and country alike. This often gets lost in partisan political debate, but cannot. Trade requires an open door, and it cuts both ways.

Services in general account for eighteen per cent of Australia's exports. Trade services, particularly education and legal exports were made a feature. To highlight, a little known figure is that education services are Australia's top services export, generating some \$15.5 billion on 2008 figures.

¹ Source, National Australia Bank, 14 July 2011

I finish my foreword by thanking all members of the Trade Sub-Committee, including Senator Michael Forshaw Chair of the Joint Standing Committee on Foreign Affairs, Defence and Trade, who is now retired. We started the inquiry with one set of members, and finished it with others, some continuing, like previous Parliamentary Secretary for Trade The Hon. John Murphy MP, and of course a new Parliament.

My Deputy, The Hon. Mr. Bruce Scott MP for Maranoa, provided me with strong support and valuable input. Mr. Scott and I keep on eye as always on what is good for regional Australia, and we were both pleased to affirm that Australia's general strong trading position of itself helps regional Australia.

I would also like to thank all those who participated in this inquiry, particularly those who have written submissions or given evidence and public hearings.

Ms Janelle Saffin MP
Chair
Trade Sub-Committee

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Terms of reference

The Joint Standing Committee on Foreign Affairs, Defence and Trade shall examine 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;
- 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; and

In addition, the Committee will take into consideration the review of Australia's future trade policy framework.



List of abbreviations

ABAC	APEC Business Advisory Council
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South-East Asian Nations
COALAR	Council on Australia-Latin American Relations
DFAT	Department of Foreign Affairs and Trade
DOHA	Doha Development Round or Agenda
EPG	Eminent Persons Group
EU	European Union
EVSL	Early Voluntary Sectoral Liberalisation
FTA	Free Trade Agreement
G20	Group of Twenty
GATT	General Agreement on Tariffs and Trade
GFC	Global Financial Crisis
GM	genetically modified
MERCOSUR	Mercado Commun del Sur (South American trading agreement)
MERCOSUR- CER	Mercado Commun del Sur – Closer Economic Relations

NAFTA	North American Free Trade Agreement
NZ	New Zealand
OECD	Organisation for Economic Cooperation and Development
PBF	Pacific Business Forum
PECC	Pacific Economic Cooperation Council
REDIEX	Paraguay's export promotion agency
SME's	small and medium-sized enterprises
TFAP2	Tuberculosis Freedom Assurance Program 2
TPP	Trans-Pacific Partnership
US	United States of America
WCO	World Customs Organisation
WTO	World Trade Organisation



List of recommendations

APEC

Recommendation 1

Work towards the admission of India to membership of APEC as soon as possible.

Recommendation 2

That Australia continues to strongly support the work in APEC on the identification and elimination of choke points in regional supply chains and the development of modern and efficient communications networks.

Recommendation 3

That Australia continues to set an example to other APEC member economies by: (i) maintaining its momentum towards trade liberalisation; and (ii) encouraging the APEC membership to push strongly for a positive and forward-looking outcome in the Doha Round.

Trade Facilitation

Recommendation 4

That the Australian Government commit itself to a concerted effort to lift Australia into the top 20 countries in the World Bank's list of economies having the easiest trade access.

Recommendation 5

That Australia work towards the complete introduction of paperless trading as soon as possible and that it encourage and, where necessary, assist its trading partners to achieve the same outcome.

Recommendation 6

That Australia should strongly encourage the complete acceptance of the APEC Business Travel Card by the remaining members of APEC; and also explore the possibility of establishing a similar arrangement with other trading partners, e.g. non-APEC economies in Latin America, the EU and India.

Recommendation 7

That Australia should take a leading role in working towards the improvement of supply-chain processes in APEC and in encouraging other trading partners to undertake a similar program.

Recommendation 8

That, in view of the benefits arising from the Export Market Development Grants Scheme, it should continue indefinitely and be fully funded to provide certainty for exporters seeking to widen their overseas market focus.

Latin America

Recommendation 9

The Sub-Committee considers that the introduction of electronic visa applications would be an excellent, and inexpensive, way to assist in improving trade and investment relations with the countries of Latin America. It would have valuable spin-off benefits for the tourism industry and would also facilitate business travel to Australia.

Recommendation 10

The Sub-Committee recommends that the Government review the processing of applications by skilled migrants and, where appropriate, seek ways to fast track the recognition of their skills.

Recommendation 11

The Sub-Committee also recommends that urgent attention be given to achieving mutual recognition of university qualification between Australia and the countries of Latin America. This would assist the efforts of Australia's universities to attract post-graduate students, who might otherwise go to American or British universities. It would also assist tourism through attracting the relatives and friends of such students to visit Australia.

Recommendation 12

Allied to the previous recommendation, the Sub-Committee recommends the adoption of a "working holiday" scheme for visitors from Latin America. At present, visitors from 27 countries can access such arrangements, but of the Latin American countries only Chile is included in that list.

Recommendation 13

All of the Latin American Ambassadors indicated how much they appreciated visits by Ministers, particularly at the head of business delegations, and by Parliamentary representatives. The Sub-Committee recommends that increased priority be assigned to visits such as these to the countries of Latin America – in line with the Government’s declared intention to engage more closely with Latin America and the Caribbean.

Recommendation 14

That COAG make improved cooperation between the Commonwealth and the States, and between the States themselves, a high priority – to achieve higher levels of efficiency in the transport and logistics supply chains, provision of infrastructure, and trade facilitation.

The Pacific

Recommendation 15

The Sub-Committee expressed its satisfaction that AusAID has given some emphasis to gender issues in negotiations with the Pacific Islands Forum countries. It proposes that these issues should continue to be advanced by DFAT and AusAID as a priority.

