



*SUBMISSION TO THE JOINT STANDING  
COMMITTEE ON TREATIES (JSCOT)*

**Review of Australia's relationship with the  
World Trade Organisation (WTO)**

*September 2000*

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## **1. Introduction**

### **The importance of international trade**

Australian jobs and living standards now depend more than ever on international trade. Our domestic market of 19.1 million people cannot absorb all that we produce, or produce all that we need. Trade opens up a market of over 5 billion people, a market that increasingly needs what we produce. In 1999 alone, Australia's total exports of goods and services totalled in excess of \$114 billion, or nearly 20% of GDP.

Trade has numerous direct benefits for Australia. It generates wealth, creates employment, raises living standards, provides consumers with access to high quality products and provides business with a source of new ideas and innovation.

Trade also has many indirect benefits. A recent Austrade/ABS study of over half a million Australian companies showed that:

- while exporters only represent 4% of the total number of businesses, they employ close to 20% of the total private sector workforce
- overall one in five jobs depend on exports
- in rural areas, one in four jobs depend upon exports
- exporters are generally better employers than non-exporters, who they outperform in terms of:
  - wages and salaries
  - employment conditions
  - training
  - job security
  - occupational health and safety and
  - employment status.

A recent discussion paper entitled "Why Australia Needs Exports – The Economic Case for Exporting" by Austrade and the Centre for Applied Economic Research at the UNSW more fully explains this and is attached.

The rules-based trading system supported by the WTO provides an open, stable framework within which Australian companies can achieve export success and thus generate these economic benefits for the Australian community.

### **Austrade, the WTO and trade policy**

The Australian Trade Commission (Austrade) is the federal government's export and investment agency. Austrade helps Australian businesses, particularly small to medium enterprises, to develop markets for their goods and services overseas. Austrade also works to attract overseas investment for Australian enterprises and to help Australian companies make export related investments overseas.

International negotiations over market access, tariff levels and the handling of WTO disputes are the responsibility of Austrade's portfolio partner, the Department of Foreign Affairs and

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Trade (DFAT). Austrade works with DFAT and other relevant agencies such as ISR and AFFA both within Australia and at overseas posts to support DFAT in this role.

Austrade is also a major contributor to Australia's trade priorities through the broader trade policy development process, and in particular through the Market Development Task Force (MDTF). The MDTF provides a framework for the development of trade strategies which initially focus on the resolution of market access issues, and then ensure that trade promotion work reaps the full benefits of market openings.

The current portfolio arrangement brings together all the elements of trade in a complementary way. DFAT's responsibility for the preparation and interpretation of policy, market access negotiations and dispute resolution at the bilateral, regional and multilateral level provides a well coordinated approach across federal agencies, with business and the States and Territories. This is now an essential element as business, NGO and State/Territory involvement in international trade policy increases.

### **Austrade services**

Austrade provides advice to companies on which overseas markets hold the highest sales potential for their product, how they can build a presence in these markets, and what sort of practical and financial help is available.

Austrade's research indicates that our clients' needs change as they move up the international business learning curve. Initially, they need information and guidance to take the first steps into exporting, then practical support to enter new markets and finally intensive assistance to internationalise and pursue export opportunities.

Operating through an international network of offices located in 108 cities in 63 countries, Austrade is able to identify potential buyers or agents and to pass on specific business opportunities as they arise. By working with Australian businesses, Austrade can accurately match Australian suppliers with interested local contacts and arrange introductions.

Austrade services reflect the three different stages identified in the international business learning curve. Our services are designed to help Australian companies move along the curve faster than normal, while also reducing the risks and costs associated with developing an export business.

Thus, Austrade's services are grouped into three broad segments:

- Tier 1: *Seeking general information and advice about exporting.* At the start, Austrade helps Australians thinking about export, by providing a range of general information and advice that will assist them in the decision making process.
- Tier 2: *Selecting, understanding and entering new markets.* When companies are ready to export, Austrade helps them select, understand and enter export markets, through focused advice and assistance in Australia and overseas.
- Tier 3: *Expanding overseas business.* Austrade provides tailored assistance and strategic advice to existing exporters looking to expand their overseas business.

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In 1999/2000, Austrade assisted Australian companies with export sales worth \$7.47 billion and introduced more than 1,200 firms to exporting. Austrade also distributed \$135.7 million worth of Export Market Development Grants to approximately 3,000 companies.

Austrade works in close collaboration with other Commonwealth agencies, State and Territory Governments and industry bodies.

## **2. The WTO system benefits Australia**

### **A rules-based trading system**

As a trading nation, Australia must defend and enhance its access to international markets. The WTO rules-based trading system provides us with a mechanism to counter unfair trading practices by economically stronger nations, and thus provides a better trade outcome for a smaller economy such as ours than would a “law of the jungle” approach.

WTO members agree to apply a common set of rules, thus maximising transparency, consistency and predicability in the trade of goods and services as well as trade-related aspects of intellectual property rights. The fact that there is a single set of rules applying to all members greatly simplifies the entire trade regime. In practice, the collective protection provided by these rules of international trade behaviour and guarantees of market access - coupled with the ability to negotiate to change the rules – are of great benefit to Australian exporters.

### **Dispute resolution**

The Government and DFAT work in partnership with Australian exporters to ensure that our rights under the WTO’s Dispute Settlement Understanding (DSU) are exercised for the benefit of all Australians. Assistance in resolving trade disputes is available to all actual and would be exporters including both individual entities and industry associations, irrespective of size or product including through the Disputes Investigation and Enforcement Mechanism, launched by the Minister for Trade.

Australia uses the legal framework of WTO rules, including formal dispute settlement processes, to provide practical benefits for exporters. For example, during 1999, Australia used the Dispute Settlement process to challenge Korean restrictions on beef importers. Australian shrimp exporters also benefited from rulings that found US access restrictions were contrary to WTO rules.

### **Accession to the WTO brings benefits to Australia**

The accession of non-WTO members further improves the trade outlook for Australia, as new applicants must make a commitment to comply with all WTO rules upon joining and make appropriate commitments to improve market access.

Some of Australia’s trading partners are currently not members of the WTO, including China, Taiwan, Saudi Arabia, Vietnam, Oman and Russia. These economies, along with 24 others, are currently negotiating membership with the WTO. Australia’s trade with these economies, amounting to exports of around \$10 billion annually, or 10 percent of our total

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exports, is not currently protected by the WTO rules. The accession of economies such as China and Taiwan into the WTO, with the resulting reductions in trade barriers, has the potential to generate substantial exports for Australia.

For example, China's entry into the WTO and the resulting reduction of trade barriers is expected to significantly increase Australia's export opportunities. In addition to wide-ranging tariff reductions, negotiations are continuing on a number of other trade reforms in areas such as standards, quarantine, tariff quota administration procedures and customs administration.

Australian wool, sugar, wheat, barley, meat, seafood, horticulture, dairy, cotton, rice, oilseeds, wine, processed food, hides and skins, chemicals, pharmaceuticals, metals, information technology and automotive sectors are expected to benefit from China's accession to the WTO.

The entry of both China and Taiwan into the WTO will have significant implications for doing business in those markets. It will create a more certain and transparent trade environment consistent with international trade norms. WTO membership will also provide a clear mechanism for resolving disputes in these markets.

Austrade in partnership with DFAT works to ensure that Australian exporters reap the benefits of the accession of our trading partners.

### **WTO seminars**

For instance, Austrade is actively promoting the opportunities for Australian exporters resulting from China and Taiwan's entry into the WTO. Austrade recently organised a number of seminars in a number of Australian capital cities (all except Darwin, Canberra and Hobart) highlighting the changing trading conditions and export possibilities in these markets.

Speakers included three Senior Trade Commissioners from Beijing, Taipei and Hong Kong, a Senior Trade Adviser from DFAT, a senior Chinese Official from a leading think-tank and two leading Hong Kong business identities.

These events were well attended by over 750 people, indicating a high level of interest amongst Australian business in WTO-related trade opportunities. The evaluations received from attendees indicated a high level of satisfaction with the quality and quantity of the factual material presented in the seminars.

### **Market evaluations**

Austrade is also producing a number of in-depth market evaluations for a wide range of products for the Chinese and Taiwanese markets, including: telecommunications, building materials, dairy products, education sector, fruit and vegetables, meat, medical equipment, seafood, wine, mining, processed food and food and beverages. These are being distributed to interested Australian businesses through the internet.

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### **3. Conclusion**

International trade has numerous direct and indirect benefits for Australia. Trade generates wealth, creates employment and provides consumers and businesses with high quality products and new ideas. There are several indirect benefits of international trade, a recent study showing that exporters are generally better employers, have higher profit margins and have stronger long-term prospects.

As a relatively small nation, it would be difficult for Australia to compete in an international marketplace that allowed larger nations to use their economic strength to protect their domestic markets and/or subsidise their exporters without let or hindrance. The WTO rules based trading system provides us with legal protection to counter unfair trading practices by economically stronger nations. Additionally, the fact that there is a single set of rules applying to all members greatly simplifies the entire trade regime.

Austrade therefore believes that a continuing strong commitment to the WTO system, and a well resourced and professionally managed approach to furthering Australia's interests through the dispute resolution mechanism, is essential.

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