

SENATE STANDING COMMITTEE ON ECONOMICS QUESTION
(Supplementary Budget Estimates 20 October – 21 October)

Question: SBT 172

Topic: Australia's participation in bilateral/multilateral trade agreements

Senator Cameron asked:

Senator CAMERON—This is for the Foreign Investment and Trade Policy Division. I am happy for this to be taken on notice. It is in relation to our participation in bilateral and multilateral trade agreements. Could you advise on the increase or decrease of GDP for each bilateral trade agreement that we have entered into? Could you advise on the effect on Australia's trade balance for bilateral trade agreements that we have entered into? Could you advise on the availability of empirical as opposed to theoretical evidence on the benefits of the free trade agreements that have been entered into by various Australian governments? Could you advise on the efficacy of the assumptions underpinning the econometric modelling—the CGE model—used by governments to promote the various bilateral agreements? Could you advise on the outcomes of these free trade agreements compared to what the modelling proposed the benefit was under these various trade agreements? Is that clear?

Mr Murphy—Yes. There is a string of questions there. I do not know whether we would have that information.

Senator CAMERON—I am happy to put it on notice.

Answer:

Treasury has not conducted modelling into the impact of bilateral and multilateral trade agreements. The decision to launch free trade agreement (FTA) negotiations is usually based on a joint feasibility study prepared by the Department of Foreign Affairs and Trade (DFAT) and the negotiating partner. To assist with this process, DFAT usually commission consultants to model the potential economic impacts of the proposed FTA. Feasibility studies for each of Australia's FTAs and the associated modelling is available on DFAT's website. However, care needs to be taken with this economic modelling as it assumes all barriers to trade and investment will be removed. This has never occurred in practice.

We note though that the Government has asked the Productivity Commission to undertake a study into the impact of bilateral and regional trade agreements on trade and investment barriers, and on Australia's trade and economic performance. The report is expected to be released shortly. Further information on the PC study is available at: <http://www.pc.gov.au/projects/study/trade-agreements>.