

Responses to Supplementary Questions from the
Joint Standing Committee on Foreign Affairs, Defence and Trade

Inquiry into Australia's Trade and Investment relations with
Asia, the Pacific and the Americas

Question 1: How important is the services sector in efforts to improve our trade and investment relations with the countries under reference in this inquiry?

The services sector plays a critical role in the Government's efforts to improve Australia's trade and investment relations with countries in Asia, the Pacific and the Americas.

Australia is one of the world's leading suppliers of education services and a rapidly growing provider of many other services, including financial services and professional services such as engineering, architecture and legal services. Despite this, services accounted for only 21 per cent of Australia's exports in 2009 - even though they generate 73 per cent of GDP and 86 per cent of Australian jobs.

Increasing international trade in services is not only good for exporters; it can also be of great benefit to importers. This is because international trade in services provides countries with access to skills and technologies that they do not have, but which can be crucial to improving the productivity and efficiency of their own industries – not just in the services sector but also in the manufacturing, agriculture and resources sectors. Services trade can therefore assist countries to increase their competitiveness and exports in other sectors, boosting economic growth and helping them move up the development ladder. As the Minister for Trade and the Parliamentary Secretary for Trade have said recently, 'The services sector is the key to driving productivity across the global economy.'¹

Australia seeks to improve its trade and investment relationships in the services sector with Asia, the Pacific and the Americas in the first instance through the network of embassies, high commissions and Austrade offices in these countries. The support that the Government can provide to Australian companies in these markets – whether it be practical advice from Austrade on the requirements and customs of particular markets, lobbying in support of the removal of services trade barriers or access to government decision-makers – can often be the difference between success and failure.

Australia's highest trade priority is a successful conclusion to the Doha Round of negotiations in the World Trade Organisation. This must include significant and commercially meaningful liberalisation of international trade in services. The countries under reference of the enquiry include most of Australia's major services trading partners. Many of these key countries participated in a WTO ministerial meeting dedicated to services in July 2008, the primary objective of which was to build support for renewed momentum in the services negotiations. The signals provided by Ministers, including from countries in our region, specifically addressed Australian interests for improved market openness.

¹ Simon Crean and Anthony Byrne, 'Exports of Australian services rise despite global downturn'. Joint media release, 17 March 2010 (http://www.trademinister.gov.au/releases/2010/sc_ab_100317.html).

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Australia also uses a range of other tools and forums to strengthen trade and investment relations in the services sector. For example, all of the free trade agreements that Australia has negotiated are with countries under reference in this inquiry and all contain legally binding commitments that enhance certainty, predictability and transparency for Australian services exporters.

Improving the business environment for Australian services exporters was a high priority for Australia in negotiations for the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), which entered into force on 1 January 2010. The Government consulted closely with industry associations and firms representing services trade interests during the negotiations to ensure that their views informed the development of Australia's negotiating positions and objectives. The Agreement will enhance certainty and transparency for Australian services suppliers and investors, including through improvements to the WTO commitments of ASEAN countries in such areas as professional, financial, telecommunications and education services; strengthened regulatory disciplines, including on matters such as licensing procedures; and legal protections for Australian service suppliers with a commercial presence in ASEAN countries. AANZFTA also creates a platform for ongoing economic engagement with ASEAN countries on services trade issues, including through a built-in agenda to review services commitments three years after AANZFTA's entry into force.

The Australia-United States Free Trade Agreement (AUSFTA) provides an open and non-discriminatory environment for Australian and US service providers, and includes a framework to promote mutual recognition of the qualifications of professional services. Australia is working with the United States on continuing to expand access for the high quality professional service providers Australia has to offer the US market. The United States has also created a new visa category that is available only to Australian nationals. This specialty occupation (E3) visa will help Australian business people and professionals capitalise on the opportunities offered under AUSFTA.

Thailand is Australia's 9th largest trading partner, with total two-way trade of \$18.7 billion in 2008-09 – up from \$8.3 billion before the Thailand-Australia Free Trade Agreement (TAFTA) came into force in 2005. During that same period total trade in services between Australia and Thailand has doubled from \$1.5 billion to \$3 billion (roughly \$1 billion in exports and \$2 billion in imports). Greater market access in the services sector is a key priority for Australia in the mandated additional negotiations with Thailand under TAFTA's inbuilt agenda.

Since the Singapore Australia Free Trade Agreement (SAFTA) came into force in 2003, Singapore has eliminated the remaining tariffs on Australian goods exports to Singapore and further market access gains in Singapore will be concentrated in the services sector. In 2008-09 Singapore was Australia's 6th largest two-way trading partner in goods and services. Trade in services totalled \$7.4 billion in 2008-09.

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Service exports totalled \$3.1 billion in the same year, accounting for approximately 36 per cent of total exports to Singapore.

The Australia-Chile Free Trade Agreement resulted in the immediate reduction of almost 92 per cent of tariff lines covering 97 per cent of goods currently traded. Tariffs on all existing merchandise trade between Australia and Chile will be eliminated by 2015. The FTA also includes commitments by Chile to maintain an open and non-discriminatory market for Australian services, including in important sectors for Australia such as education, professional services, mining, engineering, management consulting and financial services.

Australia also works through regional bodies such as APEC to strengthen trade and investment relations with the countries of Asia, the Pacific and the Americas. In recognition of the growing importance of services, APEC Leaders in 2008 called for *“officials to undertake initiatives designed to promote greater convergence in key areas of APEC’s trade and investment portfolio, including...cross-border services.”* In response to Leaders’ instructions, APEC’s Committee on Trade and Investment in 2009 put forward the APEC Services Initiative, comprising the APEC Principles for Cross-Border Trade in Services and the Services Action Plan (SAP), both of which were endorsed by Ministers and Leaders in November 2009.

Question 2: Almost all of the Cairns Group countries are included in our terms of reference (all except South Africa). We are aware of its role in the Doha negotiations, but outside of that, what role does it play in improving trade and investment relationships with fellow members, especially in the Asia/Pacific region? (Submission p. 7)

The Cairns Group has, since its inception in 1986, focused on agricultural trade reform, primarily through the Uruguay Round and the WTO Doha Round of agricultural negotiations.

Special guests like representatives from the US, the EU, India, Japan, China and the WTO, have been regularly invited and attended Cairns Group Ministerial Meetings. This has fostered relationships between countries and groupings with a diverse range of views and interests in agriculture.

Cairns Group members, including Australia, have also engaged in capacity building activities with other members, particularly developing countries, on technical elements of agricultural trade reform.

The Cairns Group has also actively monitored and commented on contentious agriculture-related issues as they have arisen, including releasing statements on US dairy export subsidies, the US Farm Bill and EU export subsidies and WTO accessions, particularly the Russian Federation.

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Question 3: Would you please outline the main elements of the Services Action Plan endorsed by national leaders and Ministers in November? (Submission p. 9)

The APEC Services Action Plan (SAP) was developed in response to a call by APEC Leaders in 2008 for “initiatives designed to promote greater convergence in key areas of APEC’s trade and investment portfolio, including...cross-border services.” Australia took the lead in developing the SAP, which was endorsed by APEC Ministers and Leaders in 2009.

We (Australia) identified a need for a framework providing an overarching level of coordination and focus to all of APEC’s services-related work being conducted across its sub-committees and working groups. The rationale behind the SAP was to provide common direction and coherence to APEC’s work on services, and to establish a forward work program to foster the development of open and efficient services markets in the APEC region.

The central element of the SAP is a “matrix of actions” which details all of the past, present and future services-related projects underway across all APEC subfora. The matrix is a ‘living document’ – it is updated regularly to provide an up-to-date snapshot of APEC’s services work, for the purposes of coordination and identification of priorities.

The matrix of actions is divided into three broad categories in reference to projects exploring: (1) Policy Issues – broad projects focussed on the nature and importance of services trade, and the regulatory and policy settings required to promote it; (2) Technical Issues – projects relating to the classification, collection and analysis of data relating to services trade; and (3) Sector Specific Issues – projects focussed on promoting services trade in particular services sectors, including professional services, educational services, energy services, environmental services, health and telecommunications services.

Question 4: How would the proposed Free Trade Area of the Asia-Pacific (FTAAP) (Submission pp. 9-10) relate to the Prime Minister’s proposed Asia Pacific community (Submission pp. 8, 11)?

The ultimate shape and role of any Asia Pacific community (APc) and how it would relate to other institutions or initiatives has not yet been defined. The Prime Minister proposed in 2008 that countries discuss the development, over the longer term, of an APc that would have the membership and mandate to address economic, security and other challenges at leaders' level. This discussion among Asia Pacific countries on regional architecture is continuing.

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Question 5: How would you outline the differences/advantages of membership in APEC and the East Asian Summit (EAS)? (Submission p. 10)

The Australian Government is strongly committed to APEC and the EAS, which are both making important and impressive contributions to regional architecture.

APEC is the pre-eminent economic grouping within the region. Its 21 member economies account for over half of global GDP, over two-thirds of Australia's total trade in goods and services, and are home to over 2.7 billion people. APEC's focus on achieving free and open trade and investment through dialogue and consensus has resulted in a long-standing record of forging prosperity and security. APEC continues to play a pivotal role in the region, including supporting the region's recovery from the global economic crises and advancing human security. It is a key leaders-led forum for extending and implementing G20 commitments in the Asia-Pacific and for building consensus for a successful conclusion to the WTO Doha Round negotiations. APEC has also been a useful vehicle for making trade and investment easier, faster and cheaper for Australian businesses.

The EAS is a key regional grouping with an important role to play in advancing closer regional integration and cooperation, at a time of particular dynamism in East Asia. The 16 member countries represent collectively 49 per cent of the world's population, account for almost 30 per cent of global GDP, and receive around 60 per cent of Australia's total exports. Since its inaugural Summit in December 2005, the EAS has identified five key priority areas: (i) energy security and the environment, (ii) finance, (iii) education, (iv) disaster management and (v) avian influenza,

Australia continues to seek to strengthen the EAS agenda and its activities. The EAS has a broad enough mandate to be the venue for promoting regional cooperation in finance, economic integration, environment, energy security, education and regional security. The fact that it is a leaders-led forum means that the EAS can facilitate a meaningful discussion on the region's core strategic challenges.

The Prime Minister attended the Fourth EAS in Cha-am Hua Hin, Thailand, on 25 October 2009. The Summit provided a valuable opportunity for leaders to engage on key challenges facing our region, including financial cooperation, trade, climate change and natural disaster management. The Prime Minister also briefed leaders on the proposed Asia Pacific community initiative. Key developments from the Fourth EAS include:

- Agreement to a meeting of EAS Finance Ministers;
- EAS Senior Economic Officials to consider recommendations in the academic study into a Comprehensive Economic Partnership in East Asia (CEPEA), which includes a possible future EAS-wide Free Trade Agreement; and
- an EAS Officials process for enhancing regional disaster response.

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Question 6: The Minister recently said that the EAS had approved support for the ASEAN plus 6 group. How would that group fit into the overall scheme of things?

Among the key outcomes of the most recent EAS (held in Thailand in October 2009) is the tasking of officials by leaders to consider both the ASEAN +3 (East Asia Free Trade Area or "EAFTA") and the ASEAN +6 (Comprehensive Economic Partnership in East Asia or "CEPEA") FTA proposals in parallel. This followed the signing of ASEAN-Australia-New Zealand FTA (AANZFTA) in February 2009 and the recommendation of EAS Economic and Trade Ministers at their August 2009 meeting for CEPEA work to be taken forward at senior officials level and for CEPEA to be considered together with the EAFTA proposal.

Australia is also a party to negotiations for a Trans-Pacific Partnership together with Brunei, Chile, New Zealand, Peru, Singapore, the US and Vietnam, with the objective of reaching a comprehensive, high quality regional agreement. TPP parties have agreed that the long term goal is to expand membership to include other countries who share their objectives for the agreement.

Australia's involvement in regional initiatives such as AANZFTA (which entered into force on 1 January 2010), CEPEA and the TPP needs to be seen in the context of Australia's FTA strategy whereby the Australian Government supports the negotiation of comprehensive FTAs that are consistent with World Trade Organization rules and which complement and reinforce the multilateral trading system. Some of these FTAs and FTA negotiations are bilateral (e.g. concluded FTAs with Singapore, Thailand, the United States, New Zealand and FTA negotiations underway with China, Japan, Korea and Malaysia) while some involve multiple countries (as is the case with the AANZFTA, CEPEA and the TPP).

Australia's participation in the range of regional negotiations demonstrates our ability to back multiple processes in support of free trade in our region. These initiatives are important features of the evolving regional economic architecture. It is important that Australia participates in each of these initiatives to seek to guide and influence their development.

Question 7. How effectively is the AANZFTA expected to be in reducing costs and improving trade facilitation? (Submission pp. 11-12)

AANZFTA will significantly reduce costs to Australian exporters of industrial and agricultural goods, because it will eliminate tariffs on most of Australia's merchandise exports to the ASEAN member countries – valued at \$21.3 billion in 2008-09. AANZFTA will deliver, by 2020, tariff elimination from the more developed ASEAN member countries and Vietnam on between 90 and 100 per cent of tariff lines – covering 96 per cent of current Australian exports to the region. Prior to AANZFTA's entry into force, only 67 per cent of our exports to the region were tariff-free.

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In addition to the progressive reduction and elimination of tariffs, AANZFTA will bind the 2005 applied tariff rates, for all but a few tariff lines. The binding of the 2005 applied tariff rates for almost all tariff lines affords Australian exporters to ASEAN markets certainty of continued access to these markets and additional opportunities from early in the Agreement's implementation as tariffs are reduced and, in most cases, eliminated. Exclusions from tariff commitments have been kept to a minimum and generally do not exceed 1 per cent of a country's national tariff lines.

In addition, AANZFTA will support the development of more efficient and competitive industries, by allowing them to tap into global supply chains through the regional Rules of Origin (ROO). For example, under the AANZFTA's regional ROO, ASEAN firms using inputs produced in Australia or other AANZFTA Parties that comply with AANZFTA's origin requirements will be able to count these inputs towards meeting the ROO for the final product when exporting to other AANZFTA Parties using the Agreement's tariff commitments. This provides ASEAN member countries with a new incentive to use Australian inputs in their manufacturing processes. Bilateral FTAs usually only allow 'cumulation' of origin on a bilateral basis (i.e. between the two Parties to the FTA) and therefore do not support regional supply chains in the way that AANZFTA does.

AANZFTA will promote trade facilitation through provisions that provide a framework for enhanced cooperation in relation to customs procedures, sanitary and phytosanitary measures, standards, technical regulations and conformity assessment procedures, electronic commerce, intellectual property and competition. AANZFTA reinforces WTO rights and obligations in most of these areas and in some cases builds on them in certain aspects. For example, AANZFTA's commitments on customs procedures encourage systems and procedures that facilitate the clearance of low-risk goods and the use of automated, electronic customs transactions. In addition the commitments provide for enhanced transparency of customs requirements, administrative and judicial review of customs determinations, and wherever possible, the issue of advance rulings by authorities to enable exporters to verify tariff classification, and seek rulings about the valuation and the origin of goods in advance of export.

The AANZFTA outcomes will also facilitate investment and trade in services with the ASEAN countries. For example, the Agreement includes a range of "WTO-plus" regulatory disciplines that will enhance certainty and transparency in relation to licensing and administration processes for services exporters and investors.

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Question 8. Would you outline the differences between PACER Plus and SPARTECA? How will PACER Plus affect the operations of the Pacific Islands Forum? (Submission p. 12)

The South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) is a non-reciprocal trade agreement between Australia, New Zealand and Forum island countries (FICs). It was signed at the 11th Forum in Kiribati on 14 July 1980 and entered into force for Australia on 30 June 1982. It was amended once, in 1989.

SPARTECA provides duty and quota free access of goods from FICs to the Australian and New Zealand markets, subject to meeting rules of origin. The last remaining exclusion, "engines for use in assembly or manufacture of passenger motor vehicles", was removed on 1 January 2010. FICs now enjoy duty free access under SPARTECA for car engines, compared to the MFN rate of 5%. Duty and quota free access for Australian/New Zealand goods are only accorded in accordance with individual FICs domestic laws and regulations.

At their 40th meeting in Cairns in August 2009, Pacific Islands Forum Leaders agreed to commence negotiations on PACER Plus which is a prospective regional trade and economic agreement between Australia, New Zealand and FICs.

Australia's primary objective with PACER Plus is to promote the sustainable economic development of FICs that will provide the opportunity to create jobs, enhance private sector growth, raise standards of living, and boost long-term economic growth. Australia sees PACER Plus as a 'trade plus' agreement with a focus on capacity building and trade development assistance.

Forum Trade Ministers have tasked the Forum Secretariat to provide administrative and secretarial support to PACER Plus negotiations for meetings involving all Members including coordinating meetings, travel, circulation and drafting of documents, and finalisation of outcomes documents.

A Chief Trade Advisor and an associated Office of the Chief Trade Advisor will provide relevant policy and other advice to Forum Island Countries during PACER Plus negotiations. Forum Trade Ministers have emphasised that the provision of such policy advice and capacity building to Forum Island Countries in relation to PACER Plus will be the responsibility of the Office of the Chief Trade Advisor and not of the Forum Secretariat. Australia and New Zealand have agreed to each provide A\$500,000 each per year for three years towards the OCTA, and the Office is able to seek additional funding from other donors/sources.

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Australia is also funding a Pacific Trade Fellowships program (a ten-module training program designed to build the negotiating capacity of Forum Island Countries trade officials) and the Trade Research Initiative which provides A\$65,000 to each Forum island country to commission independent research for the PACER Plus negotiations.

PACER Plus negotiations are therefore not expected to have substantial impact on the operations of the Pacific Islands Forum.

Question 9: How would the proposed Asia Pacific community affect the operation of APEC? Would you see it as a new group or a development of the present APEC? (Submission p. 12)

The ultimate shape and role of any Asia Pacific community (APc) remains to be determined. The Prime Minister proposed in 2008 that countries discuss the development, over the longer term, of an APc that would have the membership and mandate to address economic, security and other challenges at leaders' level. This discussion among Asia Pacific countries on regional architecture is continuing.

The Prime Minister told a conference on the APc in Sydney on 4 December 2009 that countries needed to discuss how to evolve an APc from existing regional institutions.

Question 10: What is the present situation with the PNG Liquefied Natural Gas program? (Submission p. 13)

On 8 December 2009, the PNG Government and its project partners announced that the development of the ExxonMobil-led PNG LNG Project would proceed. Project sponsors are currently in the process of completing project sales and purchase agreements with LNG buyers. On 16 March 2010, Prime Minister Somare announced the financial close for the project, signalling the completion of the Project's USD14 billion loan agreements.

The Australian Government has offered a loan of up to USD500 million (AUD547 million) to support the development of the Project. The loan will be provided through the Export Finance and Insurance Corporation (EFIC). EFIC signed the finance documents on 15 December 2009 and the first drawdown is expected around March 2010.

The Project could have a very positive impact on Papua New Guinea's economic well-being, potentially putting Papua New Guinea on a more sustainable growth path. The Project also has the potential to enhance the significance of the region as a reliable global supplier of energy. The project will create employment and training opportunities for Papua New Guinea and, potentially, other Pacific Island workers. Around 12,000 workers, two-thirds of whom will come from overseas, will be needed during the construction phase. Facilities in Papua New Guinea will train some workers for the project. Preferences for training will be given to PNG nationals, but

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Papua New Guinea has undertaken to consider how opportunities for employment and skills development can be made available to other Pacific Island workers.

Australian companies (Oil Search and Santos) hold just under 43 per cent of the equity in the project. Australian exporters also stand to benefit. With the announcement of the Project going ahead there is up to USD 3 billion (AUD 3.3 billion) of Project-related contracts potentially available for Australian exporters.

The Australian and PNG Governments are focused on ensuring the Project lives up to its potential, and benefits all regions and people of Papua New Guinea. In this regard, the Australian and PNG Governments have agreed on a ***Joint Understanding on further cooperation on the Project*** (copy available at www.dfat.gov.au/geo/png/png_lng_091208.html). The Joint Understanding sets out Papua New Guinea's plans to draw on Australia's experience with the Future Fund and the Infrastructure Fund to develop a fund (or funds) that will enable the effective and transparent management of the PNG Government's share of future petroleum (oil and gas) revenues.

Early cooperation will focus on aligning the structure of the PNG fund (or funds) with the Generally Accepted Principles and Practices of the International Forum of Sovereign Wealth Funds (the *Santiago Principles*). Participation by Papua New Guinea in the International Forum, at an appropriate time, will enable Papua New Guinea to exchange views with Forum members on issues of common interests.

Under the Joint Understanding, Papua New Guinea will also undertake early consideration of the benefits of implementing, or aligning its approach with, the Extractive Industries Transparency Initiative (EITI).

Australia and Papua New Guinea will establish a ministerial subcommittee of the annual bilateral Ministerial Forum to facilitate cooperation and review progress on matters set out in the Joint Understanding.

Question 11: In addition to the AANZFTA, we have some bilateral FTAs with ASEAN countries and we are negotiating with others. What will the individual agreements add that AANZFTA cannot provide? (Submission pp. 22-26)

Australia has existing bilateral Free Trade Agreements (FTAs) with three AANZFTA parties: New Zealand (Australia-New Zealand Closer Economic Relations Trade Agreement), Singapore (Singapore-Australia Free Trade Agreement) and Thailand (Thailand-Australia Free Trade Agreement), and is in the process of negotiating an FTA with Malaysia. AANZFTA preserves the benefits of Australia's existing bilateral FTAs. With AANZFTA's entry into force on 1 January 2010 Australian businesses exporting to ASEAN countries can choose which FTA they would prefer to operate under, on a shipment by shipment basis. This will be determined by commercial considerations, including by reference to the tariff commitments and associated rules of origin of each FTA.

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While the bilateral FTAs generally have somewhat better tariff commitments – due to faster tariff elimination for some products, or more extensive tariff elimination commitments – AANZFTA may offer significant advantages due to its regional rules of origin (ROO). These support the development of regional supply chains by allowing companies to count originating inputs from any other AANZFTA Party towards meeting the origin requirements of their product when exporting to other AANZFTA Parties under the Agreement's tariff commitments.

Given the diversity of countries in ASEAN, and the differences in their level of development, negotiations at a regional level were not always easy. For example, the outcomes in non-goods areas were more modest than those relating to goods, reflecting in large part the limited extent of intra-ASEAN economic integration in these areas. Nevertheless, AANZFTA provides a strong framework to strengthen services and investment outcomes over time in line with development of the ASEAN Economic Community.

Australia's approach in bilateral FTAs with individual ASEAN member countries is to add value to the AANZFTA outcome by focusing more intensively on particular market access and other priorities than has been possible in AANZFTA. This is aimed primarily at delivering some earlier or more far-reaching liberalisation in priority areas, as well as the inclusion of additional disciplines to address non-tariff barriers and provision of institutional arrangements to address specific bilateral trade and investment issues that may arise between the countries concerned. In this context, Australia is seeking to build on AANZFTA's outcomes in its FTA negotiations with individual ASEAN member countries.

Question 12: The Prime Minister has agreed to a strategic partnership agreement with India. How important is it that India also becomes an APEC member? (Submission p. 26)

The Australian Government continues to support India's admission into APEC following the scheduled expiration of a moratorium on new members later this year. As one of the fastest growing emerging economies, and given its increasing strategic weight, Australia considers it appropriate that India be a member of the region's preeminent economic grouping. India's admission would be a boost to regional integration efforts and growth strategies, and bring together all of the Asia-Pacific's major trading economies in a single forum.

Notwithstanding Australia's support for India's admission, APEC membership decisions are made on a consensus basis among the organisation's 21 member economies. APEC also has membership criteria, including that aspirants be situated in the Asia-Pacific region and have substantial economic linkages and a high-proportion of trade with existing member economies.

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Question 13. What are the prospects for an expanded trade and investment relationship with Pakistan? (Submission p.27)

Pakistan economic performance is affected by its political instability, rapid population growth, and relatively high levels of external government debt (30 per cent of GDP in 2008/09). The country continues to be affected by negative investment sentiment with recent data from the State Bank of Pakistan indicating a decrease of 41 per cent in FDI over the period July-December 2009, when compared to the previous corresponding period.

Notwithstanding this, Australia has wide and varied trade links with Pakistan. Australian exports are principally oil seeds, cotton, coal, fertilisers, animal oils and fats. Our imports from Pakistan are mainly textiles and clothing.

Relative to other markets of equivalent size and proximity, the bilateral trade relationship is underperforming and Australian investment in Pakistan is limited. In 2008-2009, Australia's merchandise exports to Pakistan were valued at \$478 million (they averaged \$426 million over the period 2006-09) with imports reaching \$181 million. An Australia-Pakistan bilateral trade agreement has been in force since 12 July 1990. The agreement commits both parties to 'facilitate, strengthen and diversify' trade. Australia and Pakistan have a Joint Trade Committee mechanism to discuss opportunities to expand bilateral trade and investment.

Austrade's presence in Pakistan comprises three locally engaged Business Development Managers, one in each of Islamabad, Lahore and Karachi.

Country management for Pakistan is the responsibility of Austrade's Regional Senior Trade and Investment Commissioner, based in New Delhi.

The current security situation is an impediment to Australian trade and investment. The travel advisory says 'we strongly urge you to reconsider your need to travel to Pakistan at this time due to the very high threat of terrorist attack, sectarian violence and the unpredictable security situation.' This has constrained the development of business linkages and created a greater reliance on arranging buyer visits from Pakistan to pursue commercial opportunities. Trade and investment has also been affected by a poor regulatory environment and relatively high commercial risk.

Austrade sees prospects for growth in trade and investment, particularly in:

- education (tertiary, vocational and corporate training),
- agribusiness (dairy, crop production, quality issues, storage and handling),
- airports (design and construction),
- mining (oil and gas exploration and development),
- processed foods,
- IT and communications products and services.

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Future sectors that may provide opportunities for Australian trade and investment include:

- clean energy technologies (including clean coal, wind and renewables)
- medical technologies; and
- infrastructure investment.

With extensive energy resources, including oil and natural gas reserves, the fourth-largest coal reserves in the world and potential for hydropower, Pakistan offers opportunities for Australia's mining expertise. For example, BHP Billiton operates one of Pakistan's largest gas fields.

In addition, Austrade has recently commissioned two scoping studies to identify the opportunities for Australian companies in Pakistan's agribusiness and energy and resources sectors. The findings of these studies should be available shortly.