Joint Standing Committee on Treaties

Agreement to Amend the Singapore-Australia Free Trade Agreement, Monday, 19 June 2017.

QUESTION ON NOTICE

Program: DFAT

Topic: Agreement to Amend the Singapore-Australia Free Trade Agreement

Question on Notice

Page: 4

Mr Josh Wilson

Question

Mr JOSH WILSON: I am interested in the process and the feedback loop around preferential trade agreements. When we entered into this agreement initially in 2003, I assume there was departmental and, perhaps, some independent economic analysis of the potential benefits to Australia of entering into the agreement. Are you able to give us some idea of what those expected benefits were and whether they have been delivered?

Ms Brink (Assistant Secretary, Goods and Investment Branch, DFAT): I was not involved with the negotiation of the original SAFTA in 2003, so I am not able to speak to analysis that was done at the time. What I would say is: for an economy like Singapore, which is a free port, essentially, it does not apply tariffs, with a few small exceptions. Those do not apply to us because of the FTA. Economic modelling faces serious limitations in analysing the effect of an agreement that is focused on issues such as services and investment. The models simply do not work. I do not think we did conduct detailed economic analysis of the original SAFTA—I suspect for the reason I have outlined. But I can actually take that one on notice, if you like, and get back to you. Certainly, in relation to the agreement to amend SAFTA, which focuses heavily on services and investment, it would be of extremely limited utility.

Mr JOSH WILSON: If you would not mind taking that on notice, I would appreciate it.

Answer

In 2001, the Department of Foreign Affairs and Trade commissioned a study from Access Economics: "*The Costs and Benefits of a Free Trade Agreement with Singapore*". The report was unable to give precise overall quantitative estimates of the likely impact of the FTA at the macroeconomic level. Due to the paucity of reliable trade data for services, econometric estimates of the likely growth in Australian service exports resulting from the SAFTA were also considered unreliable. Instead, Access Economics decided to consult some of the main industry associations and firms involved in Australian exports to and from Singapore. The report noted that an FTA could lead to potential benefits in the financial services sector of between $8-20 million per year (with the maximum possible being around an additional $60 million per year) and around $50 million per year in additional education services exports. This would be in addition to potential opportunities offered by improved access to Singapore's government procurement market. Services exports have increased significantly since SAFTA came into force. In 2003, Australian exports of services to Singapore were $2.1 billion. Australian exports of services to Singapore in 2016 were $4.84 billion.

The report also noted that, while the overall static gains from an FTA with Singapore would be worthwhile in themselves, the dynamic gains would be much more substantial and could comprise

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around 60 – 80 per cent of the total benefits of an FTA with Singapore, over time. Such dynamic benefits included the stimulus which an FTA could provide in promoting Australia's engagement with the Asia Pacific region. This also included raising Australia's profile in Singapore, and hence encouraging a higher level of focus by Singaporean investors in Australia.

The report is available at http://pandora.nla.gov.au/pan/30883/20020913-0000/www.dfat.gov.au/trade/negotiations/aussing_fta_cost_benefit_study.html