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Joint Standing Committee on Foreign Affairs, Defence and Trade

Inquiry into Australia's Relationship with ASEAN

Recommendation 1

The Committee recommends that the Department of Foreign Affairs and Trade develop a single method of costing non-tariff barriers, to assist Australian FTA negotiators to identify, evaluate and target barriers to trade.

In negotiating Free Trade Agreements, the Department of Foreign Affairs and Trade seeks to affirm World Trade Organization (WTO) obligations relating to non-tariff measures and, where appropriate, to eliminate the application of non-tariff measures that operate to restrict market access or impose undue costs on exporters.

Non-tariff barriers to trade take a variety of forms and have varying impacts on trade. The range of non-tariff measures applied by Australia's FTA negotiating partners, and the impact of these measures on Australia's trade with them, varies considerably. The nature of such measures and their impact on Australian market access interests are always identified as part of Australia's stance in negotiating FTAs.

However, determining a single "cost" of these measures would not be practicable, or necessarily meaningful, given the variety of different types of non-tariff measures. The variety of measures means that a range of analytical tools are needed to analyse their effects. While some measures (e.g. quantitative import barriers) may be susceptible to conversion to "tariff equivalent" measures, which can then be subject to reduction like normal tariffs, this approach is not appropriate for other measures (e.g. quarantine measures or technical regulations) which are best addressed through disciplines governing their application. The following examples illustrate the variety of measures that could potentially be major non-tariff barriers:

- **quantitative limits – or tariff rate quotas - on the volume of imports of agricultural products. Such measures are required to be applied in accordance with WTO commitments.**
- **import licensing - which may be administered on either an automatic basis (e.g. for statistical purposes) or non-automatic basis (e.g. for the administration of tariff rate quotas).**
- **fees and charges associated with importation (or exportation) which are required under the WTO to be limited to the approximate cost of services rendered and not to represent an indirect protection of domestic products or taxation of imports (or exports) for fiscal purposes.**

- restrictions on imports for specific purposes, e.g. bans or quantitative limits on imports of alcohol products for religious reasons, or on imports of particular types of weapons for public safety reasons.
- other non-tariff measures that may have an impact on Australian market access interests can include standards and sanitary and phytosanitary measures – which are also subject to WTO rights and obligations.

A range of research and academic work has been done on measuring non-tariff barriers and assessing their effects, and Australian negotiators take this work into account in trade negotiations, including FTAs. This work has proved valuable mainly as a research and analytical tool to inform negotiations.

Recommendation 2

The Committee recommends that the Department of Foreign Affairs and Trade reports annually to the Parliament on the impacts of individual free trade agreements.

The Department of Foreign Affairs and Trade (DFAT) reports regularly to the Minister for Trade on the impacts of individual free trade agreements.

The Department also regularly provides publicly-available assessments of the trade and investment relationship with partner countries including those with which Australia has negotiated FTAs. Examples of these analyses include articles on Australia's trade relations with FTA partners Thailand and the United States, available on the DFAT website. In addition, information, statistics and resources on Australia's trade partners, including FTA partners, is also available from the DFAT website and the Australian Bureau of Statistics

While liberalised market access provided for by FTAs can be very significant in influencing exporters' commercial decisions, a number of other factors also impact on international trade flows, such as fluctuations in exchange rates, the health of the international economy and variations in economic growth in different countries over time. It would not be possible to attribute differences in annual trade outcomes solely to the effects of FTAs. Assessments of FTA impacts need to be both qualitative and quantitative and should be on a medium to long-term basis as many of the impacts of a trade agreement take a number of years to be realised (e.g. through new investment decisions).

For the above reasons, the Government does not consider that annual reports by DFAT would be of value.

It should also be noted that the Minister for Trade reports to the Parliament at the commencement of an FTA negotiation. This includes an assessment of the expected impacts of the FTA. The Minister for Trade also provides the Parliament with regular updates on bilateral, regional and multilateral trade negotiations with significant developments through Statements to the Parliament.

Recommendation 3

The Committee recommends that when Parliamentary delegations visit South East Asian countries with which Australia has a free trade agreement, the Department of Foreign Affairs and Trade facilitate meetings with Asian policy makers to monitor progress with these treaties.

The Government considers that outgoing Parliamentary delegation visits are important to projecting Australian interests and to understanding the policy directions being adopted by foreign trade partners. The Department of Foreign Affairs and Trade (DFAT), through its network of overseas posts, provides advice and other assistance to Parliamentary delegations, including the facilitation of meetings. Arranging programmes and itineraries for Parliamentary delegations is a key responsibility of DFAT, and it will continue to make every effort to arrange meetings with Asian policy makers in accordance with the requests made to it by the Parliament of Australia prior to each proposed visit.

Recommendation 4

The Committee recommends that the Department of Foreign Affairs and Trade should ensure that future free trade agreements contain effective telecommunications chapters.

The Government will continue to make every effort to ensure that FTAs contain effective outcomes for the telecommunications sector, including pro-competitive regulatory provisions and substantial market access commitments for Australian telecommunication providers. The Government notes that recently concluded FTAs contain such provisions.

Recommendation 5

The Committee recommends that the Australian Government make representations to the Singapore Government with a view to assisting Engineers Australia, and other professions not covered by the free trade agreement, to obtain a mutual recognition agreement with Singapore.

For several years the Government has been engaging Singaporean authorities and the Professional Engineers Board (PEB) - through the Australian High Commission in Singapore - with a view to assisting Engineers Australia to obtain a mutual recognition agreement with Singapore. The Government will continue to make representations to the

relevant Singaporean authorities on this matter, and on other mutual recognition issues, seeking to obtain mutual recognition agreements.

Recommendation 6

The Committee recommends that future bilateral free trade agreements include a professional services working group to assist in creating professional linkages, including mutual recognition agreements and when existing free trade agreements which do not contain a professional services working group are reviewed, this issue should be pursued.

Enhancing the ability of Australian professional service providers to sell their services abroad will continue to be a key objective in FTAs negotiated by the Government. This includes supporting efforts by Australian service providers to have Australian professional service qualifications recognised in foreign markets through mutual recognition arrangements. As professional services are largely industry-regulated, there is limited scope for governments alone to solve these issues. The question of whether seeking to include a professional services working group in an FTA is the most effective means for Australia to advance this objective will be addressed on a case-by-case basis, in consultation with relevant industry stakeholders. The Government further notes that demands for professional service recognition can also be made of Australia, and that a balanced approach is required in order to ensure that access opportunities in overseas markets are improved while maintaining professional service standards in Australia.

Recommendation 7

The Committee recommends that the Commonwealth Government should use its influence with the Asian Development Bank to ensure that the adherence to core labour standards become a precondition for loans.

The Government will seek opportunities when Asian Development Bank loan programmes are under discussion to ensure adherence with core labour standards, as articulated through the Fundamental Conventions of the International Labour Organisation.

Recommendation 8

The Committee recommends that human rights, core labour standards, and the environment be pursued in future free trade agreements and, when existing free trade agreements which do not contain such issues are reviewed, these issues should be pursued.

The Government will explore the inclusion of environmental protection and labour standards issues in FTA negotiations and reviews, on a case-by-case basis.

Recommendation 9

The Committee recommends that when the Department of Foreign Affairs and Trade reports annually to the Parliament under Recommendation 2, progress with regard to human rights, core labour standards, and the environment be included.

As noted in the response to Recommendation 2, the Government does not consider that reporting to Parliament on an annual basis would have value given the need to assess FTAs on a medium to long term basis, and because of the difficulties in isolating FTA impacts from annual trade flows.

