

Dissenting Report from Coalition Senators

Introduction

Coalition Senators welcome the Federal Government's strong commitment to creating more jobs through free trade agreements. Since 2013, trade agreements with China, Japan and Korea have been delivered, while negotiations have been completed for agreements with Peru and Indonesia. As a result, Australia's exports increased to \$401 billion in 2017-18, up from \$307 billion in 2012-13.¹ In 2017-18 Australia had a trade surplus of \$6.4 billion (compared to a deficit of around \$20 billion in 2012-13).

Free trade is vital to the economic success of both Australia as a whole and to individual Australian workers and households with trade contributing one quarter of Australia's economic growth over the past five years and one in five jobs being trade related.

The TPP-11 Agreement between Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore and Vietnam is a ground-breaking agreement by dramatically expanding market access for Australian farmers, producers, services firms and exporters. Indeed, modelling undertaken by economists from Brandeis International Business School and Johns Hopkins University shows Australia is forecast to see \$15.6 billion in net annual benefits to national income by 2030 as a result of this Agreement.²

This kind of expansion in our nation's income will mean more jobs, higher wages and greater investment right around Australia and help to build a stronger more diverse economy.

Coalition Senators strongly support the urgent passage of this agreement.

Background

A Trans-Pacific Partnership has long been envisaged with initial talks commencing in 2008 with the United States agreeing to enter into discussions around the potential liberalisation of trade. By 2016, these initial and early discussions had turned into a much larger bi-lateral agreement that was signed on 4 February 2016 by Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam and the United States.

Despite this earlier agreement, during the 2016 Presidential election campaign both the then Republican nominee Donald J. Trump and the Democratic nominee Hillary Clinton³ indicated that if they were successful they would withdraw from the TPP. On

1 International Trade in Goods and Services, Australia, Australian Bureau of Statistics.

2 *Australia will gain from Asia-Pacific Trade Integration Modelling Report* produced by Peter A. Petri and Michael G Plummer.

3 <https://www.detroitnews.com/story/opinion/2016/09/23/clinton-will-regret-withdrawing-support-tpp/90989824/>

23 January 2017, President Trump signed a Presidential Memorandum to withdraw from the TPP.⁴

Despite these statements, then Prime Minister, the Hon. Malcolm Turnbull MP, worked with Japanese Prime Minister Shinzo Abe to secure a continuation of the deal without the United States. Coalition Senators firmly agree with Mr Turnbull's assessment⁵ that this shows how the Federal Government was fully prepared to stand up and fight for Australian jobs.

Despite Mr Shorten's earlier declaration⁶ that the TPP was not worth pursuing following the decision from President Trump to withdraw from the TPP, we nonetheless note the Labor Party's announced support⁷ for the TPP-11 agreement and the passage of legislation through the Parliament.

On reaching agreement on the Australian-led TPP-11, it was noted that it will eliminate more than 98 per cent of tariffs in a trade zone with a combined GDP of \$13.8 trillion.⁸ For Australia that means new trade agreements with Canada and Mexico and greater market access to Japan, Chile, Singapore, Malaysia, Vietnam and Brunei.

It is also noted that Britain has reportedly indicated an openness to join the TPP-11 following its withdrawal from the European Union.⁹ Coalition Senators strongly welcome the possibility of a post-Brexit Britain joining the TPP-11 noting that this would effectively achieve the aspirations of many for a CANZUK (Canada, Australia, New Zealand and United Kingdom) trade deal.

The TPP-11 Agreement

Coalition Senators accept the evidence that has been presented by the Department of Foreign Affairs and Trade that this agreement will significantly increase market access for our exporters of goods and services and deliver gains across the board.

Modelling undertaken by economists from Brandeis International Business School and Johns Hopkins University shows Australia is forecast to see \$15.6 billion in net annual benefits to national income by 2030 and increases in exports of \$29.9 billion.¹⁰ The analysis also forecasts significant boosts to investment by 2030, with investment into Australia projected to increase \$7.8 billion and additional overseas investment by

4 <http://www.abc.net.au/news/2017-01-24/trump-withdraws-from-tpp/8206356>

5 <https://www.malcolmturnbull.com.au/media/press-conference-with-the-minister-for-finance-senator-the-hon-mathias-corm>

6 <https://www.sbs.com.au/news/tpp-dead-in-the-water-shorten>

7 <https://www.theaustralian.com.au/national-affairs/foreign-affairs/bill-shorten-warns-labor-left-on-trade-deal-dissent/news-story/543804ac3b447dcc4e6933e2562e318c>

8 <https://www.theaustralian.com.au/national-affairs/foreign-affairs/137-trillion-tpp-pact-to-deliver-boost-in-gdp/news-story/a245fdd6b2f42192e49139acdfd129d>

9 <https://www.ft.com/content/73943036-efa9-11e7-b220-857e26d1aca4>

10 Ibid

Australian businesses increasing by \$26 billion. This directly translates into jobs for Australians, in particular, for regional areas.

This modelling reinforces the benefits identified in earlier modelling by the respected Peterson Institute for International Economics that found that the TPP-11 would boost Australia's national income by 0.5% and boost exports by 4%.

This means that this agreement will further enhance the trade surplus, create jobs, support families and build a stronger and more diversified economy.

Specifically, this agreement will provide:

- better access for farm exporters, including beef and sheep meat producers, dairy producers, cane growers and sugar millers, as well as cereal and grains exporters, rice growers, cotton and wool growers, horticultural producers and wine exporters;
- the elimination of all remaining tariffs on Australian raw wool exports to TPP-11 countries from entry into force of the Agreement;
- the elimination of tariffs on sheep meat, cotton, seafood, horticulture, wine and manufactured goods;
- guaranteed levels of access for services and improved regulatory regimes for investment, notably in mining and resources, telecommunications and financial services;
- improved access to markets where Australia already has FTAs, such as Japan (for example, building on our existing bilateral FTA, accelerated reductions in Japan's tariffs on beef and elimination of a range of Japan's cheese tariffs); and
- the creation of Australia's first free trade agreement with Canada and Mexico – which gives Australian exporters preferential access to two of the world's top 20 economies for the first time, including new high-quality goods and services market access commitments by Canada and Mexico for our exporters.

Additionally, the TPP-11 will enhance the level of transparency and predictability for Australian services exporters across the board, reducing the regulatory risks these enterprises confront internationally, for example:

- Recent reforms in the professional services sector in TPP-11 countries, for example in legal, architectural, engineering and surveying services, will be legally guaranteed and enforceable; and
- mining equipment services and technologies and oilfield service providers will benefit from energy sector reforms in Mexico and Vietnam, and new rules on large State-Owned Enterprises, which will help Australian providers compete on an equal footing.

This agreement will be the first regional trade agreement to contain a dedicated SME chapter, which encourages small and medium-sized enterprise participation in government procurement in TPP countries. The agreement also creates common and

transparent trade and investment rules among TPP-11 parties, making it easier for smaller companies to navigate the region. This will be of particular benefit to small businesses around Australia.

This agreement has been strongly supported by numerous stakeholders that have noted the important benefits across the economy. For example, the National Farmers Federation said:

TPP-11 is a regional free trade agreement of unprecedented scope and ambition. It has great potential to drive job creating growth across the Australian economy. TPP-11 promises far greater access to some of the world's largest and fastest growing markets, including three G20 nations. The agreement opens new opportunities in these markets, over and above Australia's existing bilateral trade arrangements.¹¹

And, importantly:

New opportunities for our farmers, manufacturers and exporters underpin job creation and economic growth right across our economy. The NFF considers that there is no doubt [emphasis added] TPP-11 will improve trading conditions for Australia's farm sector.¹²

The Export Council of Australia similarly notes benefits to the Australian economy:

The ECA strongly supports the TPP-11 because it is a very beneficial agreement for Australia. It opens up new markets for Australian businesses and gives better access to existing free trade agreement (FTA) partner markets. It facilitates business across TPP-11 parties by making it easier to move goods and people, and manage services, data and investment. It gives Australia a major role in driving the next generation of trade rules.

By contrast, there are costs to not ratifying the TPP-11. The choice Parliament faces is not whether or not the TPP-11 should go ahead, it is whether the Agreement should include Australia or not. If it goes ahead without Australia, Australia's competitors would gain advantages from the Agreement and Australia would be worse off as a result. With a history of bipartisan support, not ratifying the TPP-11 would also damage Australia's reputation and its credibility as a negotiating partner.¹³

Coalition Senators found these submissions highly persuasive.

11 *Submission 40*, p. 1.

12 *Submission 40*, p. 1. Emphasis added.

13 *Submission 50*, p. 1.

Skills Testing and Labour Market Testing

A number of submissions to the Committee raised concerns about skills testing and experience requirements, some of which are relied upon in the Committee report. Coalition Senators were unconvinced by the submissions made to this effect.

The TPP-11 does not change the skills and experience requirements that need to be met by electricians or any other foreign workers applying for a temporary skilled visa to work in Australia.¹⁴ That means workers from TPP-11 signatory countries (including electrical workers) remain subject to, and must satisfy, any skills assessment required by the visa process (which, for electricians and other trades, is administered by Trades Recognition Australia).

All of Australia's trade agreements with provisions on the temporary movement of professionals also include waivers of labour market testing.

It is important to note that similar concerns have been made in relation to previous Free Trade Agreements negotiated by both Liberal and Labor Governments that have not resulted in the feared influx of workers from those countries. Indeed, following the negotiation of the Korea, Japan and China Free Trade Agreements, there has been a 10% reduction in the number of 457 visas granted.

Investor-State Dispute Settlement

It is noted that some submissions to the Committee have restated their organisation's long-standing opposition to Investor-State Dispute (ISDS) Resolution provisions being included in Free Trade Agreements. Coalition Senators see the value of ISDS mechanisms to provide protections to Australian investors overseas whilst safeguarding the Australian Government's ability to regulate in the public interest and pursue legitimate public welfare objectives.

Contrary to the claims often made by unions, ISDS mechanisms do not in any way protect an investor from a mere loss of profits following a change in government policy nor do they prevent Australia or any other sovereign nation from making decisions in their public interest.

It is noted that ISDS mechanisms have been included in many Australian Free Trade Agreements, including those negotiated under both Liberal and Labor Governments.

Economic Modelling

Despite the extensive publicly available economic modelling, Coalition Senators note that a number of submissions raised concern that there wasn't even further modelling conducted. It is clear that no amount of evidence will convince some submitters who refuse to accept the lived experience of previously highly successful agreements.

14 Department of Foreign Affairs and Trade (DFAT) *Submission 48*.

It is noted that the former Minister for Foreign Affairs provided the National Interest Analysis, which includes the foreseeable economic effects of the treaty action and any direct financial costs to Australia, as well as a Regulatory Impact Statement.

That said, Coalition Senators remain open minded about the prospect of an economic review of the benefits to the Australian economy of the free trade agreements with China, Korea and Japan. Successful as they have been, any review to help ensure future agreements can be even more successful is encouraged.

Ratification

Coalition Senators firmly agree with the submissions made by both the National Farmers Federation and the Export Council of Australia that Australia should be one of the first six nations to ratify the agreement, preferably by the end of 2018.

Submissions

It is noted that the City of Darebin and Yarra City Councils have troubled themselves with making submissions to the Committee.

Coalition Senators are concerned that the rate-payers of Darebin and Yarra are unwittingly funding local councils which instead of focusing on their business of roads, rates and rubbish are spending their time and money on trying to change national and international policy, matters well beyond their expertise.

Further, Coalition Senators are astounded by the undeserved weight given to the unqualified left-wing activist group GetUp submissions in the Labor Majority's report particularly given the hyper-partisan nature of the group.

Coalition Senators observe that the confected concerns raised by GetUp both in their written submission and in their evidence to the Committee mirror the concerns raised in the Communist Party of Australia's submission to the Committee.

Recommendations

Coalition Senators are pleased to recommend – that:

1. The Trans Pacific Partnership Agreement be fully embraced by the Parliament noting the benefits to job opportunities for Australians, the economy, as well as to individual workers and families;
2. The *Customs Amendment (Comprehensive and Progressive Agreement for Trans-Pacific Partnership Implementation) Bill 2018* and the *Customs Tariff Amendment (Comprehensive and Progressive Agreement for Trans-Pacific Partnership Implementation) Bill 2018* be passed as a matter of urgency;
3. The Australian Government fully support the addition of the United Kingdom to the TPP should they wish to join;

4. The Hon. Malcolm Turnbull be congratulated on his personal stewardship of the TPP and ensuring that an agreement could be reached between the 11 nations; and
5. The City of Darebin and the Yarra City Councils refocus their use of ratepayer resources to their core business of roads, rates and rubbish instead of dabbling in areas where they have neither experience nor mandate.

Eric Abetz

Deputy Chair

Liberal Senator for Tasmania

James McGrath

LNP Senator for Queensland

