



The Coalition's Policy for Trade

September 2013

Key Points

As one of the world's leading trading nations, Australia depends on open and transparent international markets for jobs and economic growth.

Under Labor, the Doha multilateral trade negotiations have stalled, efforts to pursue bilateral or regional free trade agreements have failed and the export market development grant scheme has been under-funded.

The Coalition will strengthen our trading relationships and grow a stronger economy by fast tracking free trade agreements with China, Indonesia, Japan, India, South Korea and the Gulf Cooperation Council.

To ensure that Australia fully capitalises on the benefits arising from Asia's rapid economic growth and the consumer demands of its rising middle class – and export and investment opportunities elsewhere – the Coalition will elevate economic diplomacy to a core objective of Australian international policy.

We will create a Minister for Trade and Investment whose principal responsibilities will be to encourage exports and direct investment in Australia and Australian-based industries including foreign investment. The Minister will make an annual statement to Parliament outlining the quantum of new investment in Australia and the number of new jobs created.

The Coalition will:

- give priority to concluding long-running free trade negotiations and examine the case for free trade agreements with other important trade partners;
- build our manufacturing export base by progressively restoring funding to Export Market Development Grants starting with an initial \$50 million boost;
- enhance Australia's commitment to APEC, regional trade negotiations and the World Trade Organisation and Doha Round of multilateral trade negotiations; and
- re-establish the Trade Advisory Council as the pre-eminent source of advice from the business sector on trade and investment issues.

We will make growth in exports and two-way investment a key performance indicator for not just our trade missions, but for all our overseas missions.

The Coalition will create a stronger economy that generates two million new jobs over the next decade. We will do so by abolishing unnecessary taxes (like the carbon tax), cutting red tape costs by \$1 billion a year, ending government waste, lowering the company tax rate, and providing incentives for individuals to achieve their potential.



Introduction

Australia's prosperity depends on trade and the jobs and economic growth it creates.

One in seven jobs in Australia is directly linked to exports, while one in 10 is dependent on imports. Overall, more than one in five Australian jobs or approximately 2.5 million positions are trade related.

The economic benefits of trade and investment are shared across Australia. For example, one in four jobs in regional Australia is directly or indirectly linked to exports. In 2011, rural exports of goods and services were worth \$33.7 billion.

While Australia should be alert to export and investment opportunities in all parts of the globe, the potential benefits from closer economic engagement with our region are particularly immense.

According to the Asian Development Bank's Asia 2050 report, if Asia:

*"continues to follow its recent trajectory, by 2050 its per capita income could rise sixfold in purchasing power parity (PPP) terms to reach Europe's levels today. It would make some 3 billion additional Asians affluent by current standards."*¹

Asia's rapid economic growth and the rise of its middle class increase the importance of dismantling the barriers that restrict trade and investment.

Such a transformation presents a unique opportunity for a broad range of Australian businesses, beyond just the resource and commodity sectors.

If the benefits of Asia's re-emergence are to be shared across all industries, an ambitious trade policy supported at the highest levels of government is required.

The Coalition has announced a White Paper on Developing Northern Australia that will examine the particular benefits to Northern Australia of concluding bilateral free trade and taxation agreements.

In concert with our intention to establish regular talks to maximise regional partnership opportunities, the acceleration of bilateral free trade and taxation agreements will help facilitate greater investment and demand in Northern Australia, as well as the rest of Australia.

¹ Asia Development Bank (2011) "Asia 2050: Realising the Asian Century – Executive Summary," p.3.



The Plan

1. Finalise Free Trade Agreement Negotiations

The Coalition is committed to high-quality, comprehensive free trade agreements that produce tangible benefits for the Australian people.

The current impasse in the Doha Round of World Trade Organisation (WTO) negotiations increases the need for Australia to pursue bilateral agreements that expand trade and investment opportunities for Australian businesses.

The Coalition will take a pragmatic approach to trade negotiations and will consult widely with industry bodies and associations to ensure that stakeholder priorities are taken into account.

This includes remaining open to utilising investor-state dispute settlement (ISDS) clauses as part of Australia's negotiating position.

We will devote increased resources from within the Department of Foreign Affairs and Trade to fast track the conclusion of free trade agreements with China, South Korea, Japan, India, the Gulf Cooperation Council and Indonesia.

We will also explore the feasibility of free trade agreements with other trading partners including the European Union, Brazil, Hong Kong, Papua New Guinea, South Africa and Taiwan.

In line with standard overseas practice, the Coalition will seek to provide a greater voice for local industry through the appointment of at least one industry representative who will be directly included in the negotiation of free trade agreements.

The Coalition aims to build a network of regional and bilateral free trade agreements.

2. Enhance Australia's Commitment to Regional Trade Negotiations

The Coalition is strongly committed to the APEC forum and the role it plays in encouraging economic growth and prosperity in the region.

Since APEC's inception, the average tariff rate in the region has fallen from 16 per cent to five per cent. APEC member economies now make up 44 per cent of world trade.

The Coalition supports APEC's lead role in promoting trade and investment liberalisation, business facilitation and economic and technical cooperation within the region.



It is important that APEC continues to evolve to reflect the changing nature of the international economy and the challenges confronting the region.

We are committed to the negotiation of a Trans Pacific Partnership Agreement as a stepping stone to a longer term goal of an Asia-Pacific free trade area.

We also support negotiations for a Regional Comprehensive Economic Partnership centred on the Association of Southeast Asian Nations, and the Pacific Agreement on Closer Economic Relations (PACER Plus).

3. Enhance Australia's Commitment to Multilateral Trade Negotiations

The Coalition remains committed to multilateral trade negotiations, conducted under the auspices of the WTO.

With its global framework of agreed trade rules, the WTO remains crucial in preserving the openness of markets around the world.

As an export-oriented economy, Australia has much to gain in pushing for further international trade reform.

Over the last 20 years, multilateral trade liberalisation has boosted real family incomes by between \$2,700 and \$3,900 per year.

Despite the current WTO impasse, the Coalition remains committed to the Doha Round of negotiations as the best way to improve global economic growth and remove the barriers that restrict trade and investment.

Within this context, we will continue to work through the Cairns Group of agricultural exporting countries to push for the liberalisation of trade in agricultural exports.

We will also seek to improve non-agricultural market access to assist Australia's manufacturing and mining sectors.

A strong and resilient services sector is an essential part of the Australian economy, employing almost 10 million Australians. In 2011, Australian services exports were worth approximately \$50 billion.

The Coalition supports discussions for a Trade in Services Agreement (TISA).

We would be more vigorous in using the WTO dispute settlement system to ensure that markets are not unfairly closed to our exporters.

We would also appoint eminent Australian business people as special envoys for Australia's agricultural, manufacturing and service industries to better promote Australia's wide range of trade interests in the 21st century.



4. A Minister for Trade and Investment

The Coalition will create a Minister for Trade and Investment, within the Department of Foreign Affairs and Trade.

The Commonwealth Government should do much more to attract investment to Australia, including foreign investment, so as to support jobs growth and the development of more high value-added manufacturing industries.

In addition to promoting exports and local investment by domestic firms, the Minister for Trade and Investment will be responsible for encouraging foreign direct investment in Australian and Australian-based industries.

Foreign investment has been a key element in the development of Australia. It has provided critical funding to projects, business and industry that has enabled the development of a sophisticated economy centred on agriculture, financial services, mining and resources, manufacturing, tourism, and retail and wholesale services.

There is no sector in the modern Australian economy that has not benefited from foreign investment and it remains integral to Australia's economic expansion in the future.

Just like any enterprise, Australia must attract capital investment if it is to remain competitive. The Minister for Trade and Investment will be a 'sales rep' for Australia and will encourage greater inward investment in the country by:

- participating in trade missions and private sector investor 'road-shows' or capital raising ventures (at the invitation of the business or principal investor group);
- actively engaging with large multinational enterprises with the intent of promoting Australia as a favourable investment location;
- representing the Australian Government at international business fairs; and
- taking part in the negotiation of Free Trade Agreements.

The Minister will make an annual statement to Parliament outlining the quantum of new investment in Australia.

A Minister for Trade and Investment is a recognition that Australia shouldn't just trade with the world – we should actively compete for the capital investment that underpins greater jobs growth and higher real wages.



5. Boost Australian Manufacturing Export Base

The Coalition will begin to restore funding to the Export Market Development Grants programme, with an initial \$50 million boost.

The Coalition believes exports are the base for a successful manufacturing sector. We will progressively restore funding for Export Market Development Grants, with an initial \$50 million boost and look to further increases as the budget improves.

Over one in five Australian jobs are linked to trade and an increased export capacity will allow Australian manufacturers to grow into new and emerging markets.

This programme will assist in encouraging small and medium sized Australian manufacturers to develop export markets, particularly for those who specialise in unique and high value manufacturing operations.

6. Re-Establish a Ministerial Advisory Council on Trade and Investment

The Howard Government established the Trade Advisory Council as the pre-eminent source of advice from the business sector on trade and investment issues. It was abolished by Labor.

The Coalition would establish a Ministerial Advisory Council on Trade and Investment, modelled on the previous Trade Advisory Council.

The Choice

The Rudd-Gillard Government has been a disappointment to Australia's exporters especially in its failure to conclude bilateral trade agreements with key regional partners.

The choice is between more of Labor giving low priority to exporters in its international policies or the Coalition, which would elevate the priority in Australian international policy of our trade and investment interests.

The Rudd-Gillard Government's failure to conclude free trade agreements with Australia's major trading partners has resulted in a loss of real export income.

Since the launch of free trade agreement negotiations with China in 2005, 19 rounds of discussions have been held without result. The Rudd-Gillard Government's lack of action stands in stark contrast to New Zealand, which concluded a free trade agreement with China in 2008 after three years of negotiations. Since then, New Zealand's goods exports



to China have trebled, with more than 90 per cent of its goods now entering China duty-free.

New Zealand has also finalised a free trade agreement with Taiwan.

The Rudd-Gillard Government's disregard for bilateral free trade agreements and the benefits they provide to Australian exporters and investors is exemplified by former Trade Minister Craig Emerson's statement that a free trade agreement with China is overrated.

This is despite a joint feasibility study finding that a free trade agreement with China could boost Australia's real gross domestic product by approximately \$24 billion over the period 2006-2015.

Labor's refusal to consider a proposal for an investor-state dispute settlement clause in a free trade agreement with South Korea has placed Australian exporters at a direct disadvantage compared to their competitors in other countries. Labor claims to be opposed to ISDS as a matter of principle however it included such clauses in its 2009 free trade agreement with Chile.

The Korea-United States free trade agreement, which entered into force on 15 March 2012, has enabled the USA to capture a significant part of Korea's lucrative beef market at the expense of Australian beef producers who are still subject to higher tariffs.

Rather than assisting Australian exporters, the Rudd-Gillard Government has weakened Australia's trade position.

Its decision to ban live cattle exports to Indonesia without warning not only significantly damaged Australia's valuable cattle export trade to Indonesia but our reputation as a trusted and reliable trade partner.

Labor's frequent changes to the Export Market Development Grant scheme have created unnecessary business uncertainty at a time of global economic instability.

This has been made worse by the imposition of a carbon tax, which has weakened Australian exporters' ability to compete in overseas markets.

When the competitiveness of our exports is lost, so too are Australian jobs.

Cost

The Coalition's *Policy for Trade* will invest \$50 million to boost Australia's exports.



Hope.
Reward.
Opportunity.



THE NATIONALS *for Regional Australia*

For further details of the Coalition's Plan go to
www.realsolutions.org.au