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Cabinet Submission JH96/0425 - Australia's trade policy - Decision JH96/0425/CAB
CABINET MINUTE

Submission JH96/0425 AUSTRALIA'S TRADE POLICY

1. The Cabinet agreed that:

   (a) the Minister for Trade develop, in consultation with other relevant Ministers, and table in Parliament, an annual Trade Outcomes and Objectives Statement as the Government's core trade policy strategy document addressing all major factors, domestic and international, bearing on Australia's export performance;

   (b) a short Trade Impact Assessment (TIA) be included in the revised Regulatory Impact Statement Guidelines for Cabinet submissions, with the Cabinet Secretariat determining the need for such a TIA on a case-by-case basis; and

   (c) in order to strengthen co-ordination of the Government's efforts to maximise opportunities in international markets, the Minister for Trade:

      (i) continue to be consulted at an early stage in the development of all policy and positions for international negotiations with trade implications; and

      (ii) develop integrated approaches to address market access barriers to trade and investment overseas.
2. The Cabinet also agreed that the Minister for Trade bring forward for Cabinet consideration further Submissions on:

(a) progress on Australia’s objectives for the Asia Pacific Economic Cooperation (APEC) Ministerial and Leaders' meetings in November 1996 and Australia’s approach to the World Trade Organisation (WTO) meeting in December 1996; and

(b) the outcomes of the meetings referred to in sub-paragraph 2(a) above and their implications for Australia’s trade policy agenda, including regional trading arrangements and options for Australia to explore free-trade arrangements.

3. The Cabinet further agreed that the issues raised in paragraph 26 of the Submission be deferred for consideration by Cabinet at the same time as the additional submissions referred to in sub-paragraph 2(a) above.

Secretary to Cabinet
AUSTRALIA'S TRADE POLICY

The Hon. Tim Fischer MP, Minister for Trade

To seek Cabinet’s agreement to an overall trade policy strategy, including the balance between bilateral, regional and multilateral strategies, how Australia’s trade liberalisation can be used to achieve improved market access for Australia’s exports, and to provide a comparative analysis of regional market access regimes.

DFAT: Program 1 - International Relations, Trade and Business Liaison: Sub-Program 1.5 Multilateral Trade Policy and Negotiations

Cabinet Minute JH96/0085/NS of 8 May 1996, called for a Cabinet Submission on Australia’s overall trade strategy.

Yes. Trade policy/market access activities attracting growing domestic attention. Continuing consultation with industry and State/Territory Governments will be necessary.

No

Yes. It is timely to review Australia’s trade policy settings to reflect the Government’s priorities and in the lead-up to the APEC Ministerial and Leaders’ meetings in November and WTO Ministerial Conference in December.

PM&C, DPIE, DIST, Treasury, Finance, AGs, DEST, DOCA, DEETYA, DOTRD, Customs, Austrade, Australian Bureau of Statistics

No - but the extent of disagreement is relatively minor. Full comments at Attachment K.

N/A

Draft media release at Attachment A.
The rapid pace of globalisation and the increasing contestability of markets are creating new and substantial pressures for Australia. In our trade policy response to these pressures, Australia is fundamentally in an alliance of one. Australia's trading interests differ significantly from other OECD countries and we are heavily dependent on Asian markets. We have no "constant" allies on trade matters but need to rely on our own efforts and the building of issue specific coalitions. And globalisation means we must improve domestic competitiveness at all levels if trade performance is to be strengthened.

2. At the same time, the international trading environment is becoming more complex. While there has been good growth in Australia's exports in recent years, Australian firms still face formidable tariff barriers in certain markets. Where tariffs overall have declined in significance, other impediments, such as the misuse of quarantine and standards and conformance assessment requirements, are of increasing concern. An expanding range of trade-related regulatory and social issues also need to be addressed. These "new" trade issues are blurring the traditional boundaries between domestic and international policy. The rapid growth in regional trade arrangements (RTAs) in recent years adds to the challenges we face.

3. Our trade policy needs to be regularly reviewed in light of changing opportunities, and to ensure we can defend our unique position. Priorities based on a critical assessment of the trade environment and emerging challenges are therefore set out in the recommendations.

ISSUES

4. The key aims of Australia's trade policy are to promote Australian business overseas, to improve market access, and to develop stronger and fairer international rules. Our trade policy approach integrates multilateral, regional and bilateral elements, with the emphasis changing with circumstances. The multilateral system sets the framework within which regional and bilateral strategies are conducted, with each element reinforcing the other.

5. The multilateral system is a means for securing market access while also providing a framework of rules for settling disputes between trading partners. It offers the biggest market access gains, but is slow to achieve results. To maximise benefits, Australia has built coalitions around specific negotiating objectives, such as with the Cairns Group of agricultural fair traders. In between rounds of negotiations, opportunities exist for securing improved market access through implementation of agreements or when countries negotiate to become members of the World Trade Organization (WTO). At all times we must guard against backsliding on agreements and defend our interests in dispute settlement processes.
6. The Uruguay Round resulted in a big package of benefits for Australia. While the Round was being negotiated, Australia's own outward-looking, microeconomic reform program of tariff reductions was being implemented. This had been adopted quite independently of any trade negotiations, to cut costs on business and promote greater efficiency. The current and proposed domestic regulatory reforms (e.g. telecommunications, coastal shipping and the Hilmer competition reforms) extend the reform process. We are already seeing the benefits of this process (Attachment B), but more needs to be done.

7. Australia's reforms, however, also made it easier to meet tariff cutting commitments under the Round. In only 20 tariff lines out of some 4,000 in total did Australia's Uruguay Round commitments go beyond tariff phasing undertaken by the then Government for domestic policy purposes. The Industry Commission estimated that the new market access from the Uruguay Round for Australia was worth about $5 billion a year. In addition, rules and disciplines were extended to non-tariff measures in agriculture, and to trade in services and intellectual property. (Attachment C)

8. A common misconception is that Australia has reduced protection while others have not (Attachment D). In the Uruguay Round, Australia bound many of its tariffs at rates higher than our actual applied rates. This was in part to store-up "negotiating coin" for the future, while retaining domestic policy flexibility, and because ASEAN's offers were inadequate.

9. Since the Round, our multilateral market access efforts are concentrating on: implementing fully Uruguay Round Agreements; protecting the concessions previously negotiated (e.g. $30 million in compensation was won from Europe over EC enlargement); challenging a range of non-tariff measures, especially quarantine, food standards and related areas; and securing new market access of over $7 billion per year from the 30 countries currently seeking membership of the WTO. (Attachment E)

10. The 1990s have seen unprecedented activity on the regional front, with some 40 RTAs created. In certain circumstances, regional approaches may offer quicker market access gains, stronger rule making, and improved trade facilitation than can be achieved multilaterally. But they can also distort trade and investment flows and often confront business with competing rules. They can take time to negotiate, as with the Closer Economic Relations Agreement with New Zealand (CER). CER has, however, resulted in clear net benefits. (Attachment F)

11. APEC is at the centre of Australia's regional efforts. APEC Individual Action Plans (IAPs) are not expected in the near to medium term to add much to existing plans for liberalisation, especially in sensitive sectors like agriculture and motor vehicles, but APEC
has introduced a new dynamic in the region. It encourages underlying liberalisation trends through high level "peer" pressure. The pressure of hosting the annual APEC Leaders’ meeting can offer potential for breakthroughs (e.g. the proposal being advanced this year by the Philippines for ASEAN to "multilateralise" its AFTA tariff reductions). APEC also has an extensive work program on a range of trade facilitation and economic cooperation issues.

12. A formal dialogue on trade facilitation work has started between CER and AFTA. This dialogue requires careful nurturing to build confidence among ASEAN, while keeping open the option of more ambitious linkages in the future (Attachment G). Dialogue has also started between CER and the Mercosur customs union between Argentina, Brazil, Uruguay and Paraguay.

13. **Bilateral** approaches have the potential to improve Australian exports. Bilateral efforts involve market access, market development and promotion. Targeted, integrated approaches which are concentrated on particular sectors in a single or regional market can establish and strengthen Australia’s commercial presence and improve exports when conducted in a coordinated way across government and with industry involvement.

14. Bilateral market access efforts have in the past been most effective when conducted within the framework of WTO obligations or negotiations on accession to the WTO. However, where Australia has enough negotiating coin or can bring to bear high-level political influence, there is promising potential for bilateral efforts to open markets. Bilateral market access efforts can be effective against non-tariff barriers, with sustained pressure.

15. Austrade plays a key role in promotion and market development, together with other agencies. This is complemented by a range of government-to-government activities to influence the commercial environment, such as trade and investment frameworks or mutual recognition agreements. Major coordinated efforts at show-casing Australia in key markets have been made in recent years. This year the priority market is India with the New Horizons program. The Export Finance and Insurance Corporation’s (EFIC) export finance and insurance facilities are also very important in facilitating Australia’s exports.

**Challenges**

16. Longer term challenges and directions are being addressed in the forthcoming White Paper. More immediate objectives include: attacking high tariff peaks in key markets, addressing emerging non-tariff barriers, achieving greater disciplines on export subsidies,
securing fairer treatment for Australian firms investing abroad, and re-engaging on multilateral negotiations on agriculture, manufactures and services trade (Attachment H).

17. Although Australia is running healthy trade surpluses with East Asia, except China, Australian exporters still face particularly high tariffs in certain sectors in some of these countries. These countries got off relatively lightly in the Uruguay Round. Their barriers are more important to Australia than they are to some others because they account for a higher share of our overall trade. But as their incomes rise, they are undertaking their own programs of unilateral liberalisation, albeit slowly in sensitive sectors.

18. Non-tariff barriers are emerging as a problem for Australian exports (Attachment I). New domestic regulatory and social issues, such as trade and investment, trade and competition policy, trade and illicit payments, and trade and labour standards, have entered the agenda (Attachment J). They are best approached in terms of whether they are potentially trade liberalising or not. Only investment and competition have the potential to liberalise trade. Australia will need to assess carefully proposals made for the purposes of protecting the environment as these could significantly impact on Australia’s competitiveness and access to overseas markets. We need to ensure that measures taken are the least trade restrictive and have the smallest impact on our trade performance and competitiveness.

19. Increasingly, as a result of globalisation, effective market access requires the establishment of a market presence through investment. Practical concerns associated with the interlinkage between trade and investment and the negotiation of clear rules are a focus of industry’s expectations of DFAT and Austrade in the area of market access.

Actions

20. A comprehensive multilateral round provides the best chance for attacking the tariff barriers of interest to Australia, as it provides for the trade-offs necessary for the major players to make important, politically difficult, concessions. I propose to bring forward to Cabinet a submission on our approach to the WTO Ministerial meeting in December. But a new multilateral round of negotiations will be unlikely to start before the end of the century. While we must begin now to build momentum, and undertake preparatory work for a new multilateral round, we cannot simply wait for another multilateral round.
21. APEC will help us sustain momentum behind trade liberalisation and may offer some modest "early harvests", but not in key, sensitive sectors. APEC IAPs have been the subject of a separate Cabinet Minute (JH96/0058/CAB of 6 May 1996). A further submission will address progress on the objectives for the Ministerial and Leaders’ meetings at Subic Bay.

22. The Government will also need to keep our approaches to regional trading arrangements under review. I propose to bring forward to Cabinet a separate review of the issues in the light of developments in APEC and the WTO.

23. Meanwhile, to strengthen bilateral efforts, I have established an inter-departmental Market Development Task Force, chaired by the Secretary of DFAT, to focus and link more closely market access and promotional efforts across the Government. This will develop and drive a coordinated strategy directed at specific sectors and markets. The Task Force will support sectoral efforts such as the Supermarket to Asia program.

24. Our trade policy must recognise the important links between trade and domestic policies flowing from globalisation. To help concentrate our attention on these links, I propose that a Trade Impact Assessment be included in the revised Regulatory Impact Statement Guidelines for Cabinet Submissions, and that my Department be consulted at an early stage on all Cabinet Submissions with trade implications. Also, close consultation with industry is essential. I suggest that I and my Department be consulted at an early stage in the development of policies with international trade implications.

25. In accordance with pre-election commitments, my Department has begun to prepare the annual Trade Outcomes and Objectives Statement which I propose to table in Parliament. The Statement will outline our foreign trade and investment performance and provide benchmarks against which to improve. As market access and development efforts will only result in stronger export performance if domestic economic conditions support the competitiveness of Australian firms, the Statement will address domestic competitiveness issues as they affect exports.

RECOMMENDATIONS

26. I recommend that Cabinet note:

(a) the significant gains achieved for Australian exporters through trade liberalisation negotiations in recent years, particularly as a result of the Uruguay Round;
(b) that while there has been considerable liberalisation of tariffs globally and in the region, Australian exporters nevertheless continue to face a very wide range of market access barriers, particularly in regional markets;

(c) the benefits to Australia's export competitiveness of continuing the domestic micro economic reform program;

(d) the benefits to Australia of further comprehensive, multilateral trade negotiations at an early stage, while utilising fully the range of bilateral, regional and multilateral approaches in dealing with market access issues;

(e) the importance and particular role of APEC as a focus of Australia's regional economic strategy;

(f) the trend towards the regionalisation of trading arrangements and the implications for Australia;

(g) that the globalisation of trade, inter alia, has resulted in a blurring of the boundaries between international and domestic policies;

(h) that Australian business increasingly regards impediments to off-shore investment as trade barriers and is seeking to have these barriers addressed as a central part of Australia's trade policies to improve market access, including by developing fair international rules and disciplines;

(i) the potential for trade liberalisation from the inclusion of trade and competition and trade and investment, but the dangers of introducing other "new" issues with social implications, to the WTO; and

(j) my intention to make greater use of bilateral approaches to market access, including through the bilateral Market Development Task Force, and targeted bilateral and sectoral strategies such as the Supermarket to Asia program and the New Horizons country promotion.

27. I recommend that Cabinet agree to:

(a) the development of an annual Trade Outcomes and Objectives Statement, as the Government's core trade policy strategy document addressing all major factors,
domestic and international, bearing on Australia’s export performance, which I will prepare in direct consultation with other relevant Ministers and table in Parliament;

(b) the inclusion of a Trade Impact Assessment in the revised Regulatory Impact Statement Guidelines; and

(c) strengthen coordination of the Government’s efforts to maximise opportunities in international markets by:

(i) the Minister for Trade being consulted at an early stage in the development of all policy and positions for international negotiations with trade implications; and

(ii) the Minister for Trade developing integrated approaches to address market access barriers to trade and investment overseas.

28. I further recommend that Cabinet note that I will bring further submissions to Cabinet in due course on:

(a) progress on Australia’s objectives for the APEC Ministerial and Leaders’ meetings in November and Australia’s approach to the WTO meeting in December; and

(b) the outcomes of these meetings and their implications for our trade policy agenda, including regional trading arrangements and options for Australia to explore free-trade arrangements.

29. I recommend Cabinet agree to my issuing a press release as at Attachment A.

2 September 1996

TIM FISCHER
### AUSTRALIA’S TRADE POLICY

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DRAFT MEDIA RELEASE

THE DEPUTY PRIME MINISTER AND MINISTER FOR TRADE

TRADE POLICY INITIATIVES

Federal Cabinet has endorsed a number of trade policy initiatives aimed at strengthening the Government’s bilateral market access and market development strategies, the Deputy Prime Minister and Minister for Trade, Tim Fischer, announced today.

"Cabinet has given strong endorsement to the strategy of mutually reinforcing bilateral, regional and multilateral trade streams to maximise Australia’s trade opportunities," Mr Fischer said.

This would be achieved by:

- greater use of bilateral approaches to improve market access, while recognising and pursuing the benefits of continuing comprehensive multilateral negotiations;
- using APEC as a focus of Australia’s regional trade and investment efforts;
- developing new initiatives to focus bilateral trade activity and strengthen Australia’s commercial presence in important markets, such as the Market Development Task Force, the Supermarket to Asia program, the annual Trade Outcomes and Objectives Statement to be tabled in Parliament; and
- an increased role for the Minister for trade in the co-ordination, within the Government, of policy initiatives and negotiations that have implications for Australia’s trade and off-shore investment, including a Trade Impact Assessment in Cabinet Submissions which have a direct bearing on export performance.

"It will also be important in the broader and longer view to identify the implications for Australia of the trend toward regionalisation of trading arrangements," Mr Fischer said.

"In the domestic context, the micro-economic reform program of this Government will deliver significant dividends for the export sector and so is also vitally important to Australia’s trade effort," he added.
AUSTRALIA'S TRADE PERFORMANCE

1. In 1995/96, Australia's exports of goods and services increased by 13 per cent, despite the significant appreciation of the $A. Together with the easing in import growth, the strong export performance has recently returned the trade component of the current account to surplus. The improved trade balance outlook (Chart 1) will contribute significantly to reducing the current account deficit. However, if Australia is to make the shift to a higher savings/low inflation economy and, at the same time, generate faster employment growth, net exports will be central in generating future GDP growth.

2. Growth prospects in our major export markets are favourable (Chart 2) and will contribute to a strong export performance. GDP growth in Australia's major export markets has significantly exceeded GDP growth for the world economy as a whole. While the growth 'premium' benefiting Australian exporters may narrow over the next several years (particularly as the Japanese economy recovers), the premium will remain.

3. Reflecting the strong GDP growth in Asia, Australia is sending an increasing proportion of exports toward Asia (Chart 3). The strength of Australia's trade relationship with the Asian region has also been based on the complementarity between our exports and Asia's imports and our geographic proximity which has resulted in relatively deep market penetration.

4. Australian exporters are increasing penetration of nearby markets (Chart 4). Australian industries, on average, have achieved increases in market share in Asia and other nearby markets. On the other hand, our penetration of markets in some other regions has fallen, particularly in the Americas. This trend is related to a number of factors, including: Australia's geographic proximity to Asia; developments in freight costs; moves towards 'just-in-time' inventory management; a reduction in transactions costs in Asian markets; the investment strategies of multinational companies; and the impact of regional trade agreements.
5. Changes in the composition of Australia’s exports have followed global trends (Chart 5). While agriculture and resources industries hold much larger shares in Australia’s exports than in other OECD countries, Australia’s composition of exports has changed with global trends. Both manufactures and services have increased their shares of Australia’s exports.

6. Australian industries have maintained or improved their market shares (Chart 6). Since Australia has matched the global trends in the composition of trade, Australia has also been able to maintain or improve its share of world trade in each of these broad industry sectors. However, our overall share of world trade has declined from 1.34 per cent in 1989 to 1.22 per cent in 1994. This decline has occurred because of the greater relative importance of manufactures in world trade compared with Australia’s exports, combined with the fast growth of world manufactures trade relative to trade in commodities.
URUGUAY ROUND BALANCE SHEET

(i) The Uruguay Round outcome for industrial and agricultural goods is estimated by the Industry Commission to add about 1.1% ($3.7 billion) a year to Australia's income and $5 billion a year to Australia's exports of goods when commitments are fully implemented.

(ii) Australia's tariff reform - undertaken for domestic reasons - meant Australia easily met its Uruguay Round commitments. Only 20 tariff lines - or 0.5% of Australian tariff lines subject to negotiations in the Round - went beyond microeconomic reform tariff cuts. In return, Australia received substantial tariff cuts and other benefits.

(iii) As a part of the Uruguay Round:

(a) 43% of Australian industrial exports will now face zero tariffs;

(b) An average cut was made in agricultural tariffs of 36%. Many quotas are now tariffed, leading to market access for 1.8 million tonnes of coarse grains, 1.1 million tonnes of rice, 807,000 tonnes of wheat and 729,000 tonnes of dairy products, and a reversal of the long-term increase in export subsidies, leading to significantly less subsidised product on world markets. Over the period 1995-2000, there will 50 million tonnes less subsidised wheat, 1 million tonnes less subsidised beef, 1 million tonnes less subsidised rice, and over 400,000 tonnes less subsidised cheese;

(c) Multilateral disciplines were extended to the services sector for the first time, standstill commitments were made on market access with further market opening secured in sectoral negotiations held subsequently as part of the Round package; no specific new concessions were made by Australia;

(d) For the first time, protection was extended to intellectual property rights under multilateral trade rules, benefiting Australian exporters of intellectual property, especially in Asia;

(e) Stronger rules, fairer dispute settlement and greater transparency were secured, but also more disciplines were introduced, including on Australia.

GOODS

1. In the Uruguay Round, Australia obtained a balance of benefits at little cost. Separate microeconomic reforms - quite independently of any trade negotiations - made it relatively easy for Australia to meet its Uruguay Round commitments.

2. At the same time, Australia bound its tariffs at rates mostly well above the actual applied rates under the tariff reduction program.
3. This was in part to save negotiating "coin" for future Rounds and because in certain sectors, in some key Asian markets, offers were simply not good enough.

(i) In only 20 tariff lines (6 industrial and 14 agriculture) did Australia go beyond the tariff reform packages announced in the 1988 and 1991 industry policy announcements (see below). This represented less than 0.5% of all tariff lines Australia negotiated in the Uruguay Round:

(a) the largest cut for these 20 lines was five percentage points.

(ii) Australia committed to bind 96% of its tariffs, compared with about 20% before the Uruguay Round commenced.

(b) most of Australia's bound tariffs are above current applied rates.

4. Reflecting the low level of commitments from ASEAN and our desire to limit commitments to our 1988 and 1991 domestic liberalisation packages, Australia met only 34% of tariff requests made by our APEC trading partners.

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The 1988 and 1991 Tariff Reform Programs

The previous Government introduced two tariff reduction programs, in 1988 and 1991, to create a more efficient, outward-looking Australian economy. The objective was to encourage firms to compete internationally by opening the Australian economy to competition.

The 1988 program introduced an across-the-board reduction in the general tariff rate to 10% or 15% by 1992 - PMVs and TCF were excluded from this general phasing. The 1991 program extended the 1988 announcement. The general tariff was to go to 5% by 1 July 1996 - again PMVs and TCF were excluded. Both the PMV and TCF sectors were to follow a different phasing program which would reduce tariffs to maximum rates of 15% and 25% respectively, by 2000.
<table>
<thead>
<tr>
<th>What we got</th>
<th>What we gave up</th>
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<tbody>
<tr>
<td>Before the Round was completed the US requested further concessions from Australia in which it offered in return:</td>
<td>To meet the US request (opposite), Australia offered the following, which went beyond our 1988 and 1991 packages:</td>
</tr>
<tr>
<td>• US zinc alloy tariffs cut from 19% to 3%</td>
<td>• Six medical equipment tariff lines reduced from a scheduled 5% to zero</td>
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<tr>
<td>• Offers on 91 US non-ferrous metal lines cut by a further 50%</td>
<td>• both the WTO bound and current applied rates will be zero by 1 January 1999</td>
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<tr>
<td>• An additional 500 tonnes of US quota cheese</td>
<td>• Guaranteed minimum access to US sugar quota of 89,308 tonnes a year (8.3% of the base quota)</td>
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<td>• A commitment by the US not to sell subsidised rice into Japan, Korea or the Pacific Islands</td>
<td>• A commitment by the US not to sell subsidised rice into Japan, Korea or the Pacific Islands</td>
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<tr>
<td>• Over 43% of Australian exports will face zero tariffs when commitments are fully implemented compared with 20% previously</td>
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<tr>
<td>• Duty-free access secured for:</td>
<td>• All other Uruguay Round tariff commitments on industrial goods met from within the tariff liberalisation packages announced in 1988 and 1991 as unilateral domestic economic reform measures</td>
</tr>
<tr>
<td>• 70% of Australian aluminium</td>
<td>• 96% of Australian tariff lines, bound compared with 20% before the Uruguay Round, which reduces future tariff flexibility</td>
</tr>
<tr>
<td>• 58% of chemicals</td>
<td>• But, most tariff lines are bound above current applied rates</td>
</tr>
<tr>
<td>• 68% of textiles</td>
<td>: e.g. clothing is bound at maximum rates of 37% and 55%, while current applied rates are 37% falling to 25% by 2000</td>
</tr>
<tr>
<td>• 79% of medical equipment</td>
<td>: new PMVs are bound at a maximum rate of 40%, while current rates are 25% falling to 15% by 2000. We did not make commitments on used PMVs ie current tariff on used PMVs is 25% plus $12,000 per vehicle</td>
</tr>
<tr>
<td>• 77% of leather and goods</td>
<td>• 77% of farm machinery</td>
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<tr>
<td>• 77% of farm machinery</td>
<td>• 49% of paper and goods</td>
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<tr>
<td>• 95% of furniture</td>
<td>• 84% of coal</td>
</tr>
<tr>
<td>• The EU will eliminate tariffs on coal</td>
<td></td>
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<td>• an immediate standstill in aggregate level of subsidised coal production with gradual reductions</td>
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## Industrials (continued)

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<th>What we gave up</th>
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<tr>
<td>The revised Subsidies and Countervailing Measures Agreement defines and categorises subsidies as ‘red’, ‘amber’ or ‘green’. Subsidies contingent upon the use of domestic over imported goods are now categorised as prohibited.</td>
<td>New rules increase the vulnerability of some of Australia’s &quot;at risk&quot; industry programs to WTO action - such as the TCF Import Credit Scheme and PMV Export Facilitation Scheme - the PMV Export Facilitation Scheme was clearly and publicly identified as a subsidy by the Industry Commission as early as 1990.</td>
</tr>
<tr>
<td>The revised Agreement on Anti-Dumping elaborated the rules on the use of anti-dumping measures. These rules should reduce countries’ protectionist use of anti-dumping - particularly important with the greater recourse by developing countries to anti-dumping.</td>
<td>Australia’s anti-dumping/countervailing legislation was amended to be in conformity with the new rules; the EU may challenge one aspect of our legislation (the definition of &quot;domestic industry&quot; for close-processed agricultural goods).</td>
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<tr>
<td>New rules on investment measures (the TRIMS Agreement) elaborated National Treatment on local content and rules on quantitative restrictions in regard to local content and import/export ratios.</td>
<td>Reduced flexibility for future industry policies and increased exposure of value-added local content schemes (e.g. TCF).</td>
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<tr>
<td>The Standards Agreement strengthens the previous Agreement, preventing the use of standards unjustifiably to inhibit trade - as Australian firms have faced on occasions.</td>
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## Agriculture

<table>
<thead>
<tr>
<th>What we got</th>
<th>What we gave up</th>
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</table>
| • All agricultural tariffs bound, providing market access certainty  
  - simple average cut of 36% for developed countries - 24% for developing countries  
    - WTO estimates developed countries, which account for 66% of total agricultural imports, cut tariffs, including tariff equivalents, by an average of 37%  
    - minimum cut of 15% (10% for developing countries) for each tariff line.  
  • ABARE estimated Australian farm exports will increase by $1 billion from Uruguay Round agreement. | • 100% of tariff lines bound reducing future tariff flexibility, but most bindings are above current applied rates  
• 13 tariff lines reduced beyond the tariff reform announced in 1988 and 1991  
  - nine were reduced from a scheduled 5% to 4% to meet minimum reductions  
  - two were reduced from a scheduled 5% to 1% to meet minimum reductions  
  - two were bound at zero, but applied rate was already at zero.  
• The majority of these lines were for horticultural products mostly imported from New Zealand duty free under CER.  
• All other tariff commitments met from within the domestic tariff liberalisation packages announced in 1988 and 1991.  
• Almost 50% of Australia’s beer exports now face zero tariffs.  
• One beer tariff line (for light beer) reduced from 5% to zero  
  - both the bound and current applied rates will be zero by 1999.  
• Non-tariff measures, such as discretionary import licences, converted to tariff equivalents  
  - US tariffed its Meat Import Law and increased market access by 17%; Australia is guaranteed in-quota access of 57.6% (378,214 tonnes in 1995 up from 263,404 tonnes) in 1994  
  - EU’s horticultural ‘reference price system’ was tariffed  
  - Australia’s High Quality Beef quota to the EU (5,000 tonnes) is WTO bound  
  - Korea will increase its global beef quota to 225,000 tonnes by 2000 and will liberalise with a tariff only import regime by 2001  
  - ASEAN agreed to convert non-tariff measures to transparent tariffs for dairy. | • Local leaf content scheme for tobacco was converted to tariff protection.  
• Quotas on certain cheese imports were converted to tariffs.
<table>
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<tr>
<th>What we got</th>
<th>What we gave up</th>
</tr>
</thead>
</table>
| - Dairy access to the US and EU improved - 133,000 tonnes global increase in cheese, 17,000 tonnes in butter and 74,000 tonnes in skim milk powder. | - 20% cut (13.3% for developing countries) in domestic support - from 1986-88 base period  
  - genuine relief to farmers excluded. |
| - Japan and Korea rice markets opened with a global quota rising to 758,000 tonnes by 2000 in Japan and 205,228 tonnes by 2004 in Korea. | . Local content based sales tax differential for fruit and vegetable juice eliminated. |
| . 20% cut (13.3% for developing countries) in domestic support - from 1986-88 base period  
  - genuine relief to farmers excluded. | . Export subsidies for dairy products terminated  
  - new domestic support arrangements were introduced, providing same level of support. |
| . 36% cut in value (21% volume) of export subsidies - from 1986-88 base period  
  - Cuts of 400,000 tonnes (t) in subsidised cheese, 1 million t in subsidised beef, 1 million t in subsidised rice and 50 million t in subsidised wheat and flour exports on world markets  
  - Importantly, subsidised exports, which had been growing for 20 years, will now decline. | . Some new restrictions on the ability of Australian wine and spirit producers to use European place names and the use of European geographic indications. |
| . Geographic indications (denomination of origin): improved protection for the use of Australian place names - important for wine and spirit producers. | . Australia cannot veto establishment of panel or adoption of panel reports, but has (new) right of appeal.  
  . Longer time frames, but accelerated procedures for prohibited subsidies. |
| . Strengthened Dispute Settlement System will benefit Australian exporters. WTO Members will no longer be able to prevent WTO dispute procedures from having legal effect. | . Tighter disciplines requiring scientific justification for quarantine measures are being used to challenge Australian quarantine restrictions on salmon, and may be used to challenge restrictions on  
  - chicken meat, pork, blueberries, citrus and apples. |
| . The Agreement on Sanitary and Phytosanitary (SPS) Measures requires science-based approach to introduction and maintenance of quarantine restrictions, including procedures.  
  - Korean shelf life restrictions (eg on UHT milk) being challenged in the WTO SPS Committee. | . Some new restrictions on the ability of Australian wine and spirit producers to use European place names and the use of European geographic indications. |
### URUGUAY ROUND NEGOTIATIONS

**Tariff Lines Where Reductions were Sought**

#### Australian Requests on APEC Members

<table>
<thead>
<tr>
<th>Member</th>
<th>Requested number of lines</th>
<th>Met Australian request</th>
<th>Did not meet Australian request</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>205</td>
<td>84</td>
<td>121</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>125</td>
<td>75</td>
<td>50</td>
</tr>
<tr>
<td>Indonesia</td>
<td>597</td>
<td>0</td>
<td>597</td>
</tr>
<tr>
<td>Japan</td>
<td>693</td>
<td>245</td>
<td>448</td>
</tr>
<tr>
<td>Korea</td>
<td>659</td>
<td>174</td>
<td>485</td>
</tr>
<tr>
<td>Malaysia</td>
<td>569</td>
<td>56</td>
<td>513</td>
</tr>
<tr>
<td>Mexico</td>
<td>181</td>
<td>1</td>
<td>180</td>
</tr>
<tr>
<td>Philippines</td>
<td>297</td>
<td>11</td>
<td>286</td>
</tr>
<tr>
<td>Singapore</td>
<td>205</td>
<td>69</td>
<td>136</td>
</tr>
<tr>
<td>Thailand</td>
<td>350</td>
<td>79</td>
<td>271</td>
</tr>
<tr>
<td>United States</td>
<td>751</td>
<td>475</td>
<td>276</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,632</strong></td>
<td><strong>1,269</strong></td>
<td><strong>3,363</strong></td>
</tr>
</tbody>
</table>

#### APEC Members’ Requests on Australia

<table>
<thead>
<tr>
<th>Member</th>
<th>Requested number of lines</th>
<th>Australia met request</th>
<th>Australia did not meet request</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>1,368</td>
<td>722</td>
<td>646</td>
</tr>
<tr>
<td>Chile*</td>
<td>107</td>
<td>107</td>
<td>0</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>106</td>
<td>7</td>
<td>99</td>
</tr>
<tr>
<td>Indonesia</td>
<td>34</td>
<td>0</td>
<td>34</td>
</tr>
<tr>
<td>Japan</td>
<td>225</td>
<td>41</td>
<td>184</td>
</tr>
<tr>
<td>Korea</td>
<td>59</td>
<td>8</td>
<td>51</td>
</tr>
<tr>
<td>Malaysia</td>
<td>379</td>
<td>86</td>
<td>293</td>
</tr>
<tr>
<td>Mexico</td>
<td>10</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Philippines</td>
<td>71</td>
<td>16</td>
<td>55</td>
</tr>
<tr>
<td>Singapore</td>
<td>161</td>
<td>17</td>
<td>144</td>
</tr>
<tr>
<td>Thailand</td>
<td>52</td>
<td>20</td>
<td>32</td>
</tr>
<tr>
<td>United States</td>
<td>949</td>
<td>165</td>
<td>784</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,521</strong></td>
<td><strong>1,192</strong></td>
<td><strong>2,329</strong></td>
</tr>
</tbody>
</table>

* Chile did not specify a rate in their request, so any reduction from the base rate is considered to meet the request.

Note: Australia did not make requests on Chile, New Zealand or Brunei. China and Taiwan are in the process of acceding to the WTO. Australia held bilateral negotiations with Papua New Guinea in its WTO accession negotiations.

Only 20 tariff lines went beyond our 1988 and 1991 domestic liberalisation packages.
MARKET ACCESS - COMPARATIVE ANALYSIS

(i) Over the past decade, the Asia Pacific region has grown rapidly. In parallel with that growth, many regional economies, including Australia, have substantially liberalised their markets.

(ii) Australia’s trade-weighted average applied tariff rate fell from about 16.6% in 1988 to about 4.7% in 1996 - approximately 71% cut.

(iii) Cuts in regional tariff rates are broadly similar to Australia’s:

(a) ASEAN countries (excluding Brunei and Vietnam) cut applied tariffs, on a trade weighted average, by about 66% between 1988 and 1995.

(b) Tariff barriers facing Australian industrial exports have also fallen substantially - by around 30% in major regional trading partners.

(iv) But liberalisation in some key regional economies has not included some sectors of export interest to Australia, such as agriculture, processed foods and automotive goods.

(v) And as tariffs come down, non-tariff measures in some markets have emerged as significant impediments to trade in several sectors; e.g. quarantine barriers affecting agricultural goods and processed foods.

(vi) Australia, however, also has relatively high tariffs in the automotive and TCF sectors. (While we do not accept their arguments, some trading partners accuse Australia of too readily resorting to anti-dumping action and using quarantine restrictions as disguised barriers to trade.)

(vii) Despite remaining barriers, Australian exports to emerging Asian markets have grown quickly - by an average of 16.2% a year since 1990. Australia now has significant trade surpluses with most East Asian trading partners - except China.

(viii) In key regional emerging markets, countries have plans to deregulate further; e.g. a uniform 5% MFN tariff rate in the Philippines by 2004. In addition, APEC members are committed to regional free trade and investment by 2010/2020.

Some definitions
- A bound tariff is a treaty obligation not to raise MFN tariffs on particular products above specified rates agreed in WTO negotiations and incorporated in a country’s schedule of concessions.

- An applied tariff is the tariff actually imposed by a Customs Administration at the border.

- A trade-weighted average tariff measures tariffs based on the amount of trade under a given tariff line. Because this measure is based on actual trade, it may understate situations where a tariff peak effectively denies market access for a particular good.
1. Australian exporters are increasingly targeting markets in the Asia Pacific region where trade barriers in some economies impede market access for Australian exports in certain sectors.

2. Yet despite trade barriers in some regional economies, Australian exports to key emerging Asian markets have grown by over 16.2% a year since 1990 (Chart 1).

**Chart 1: Growth of Australian Exports to Key Emerging Asian Markets**

<table>
<thead>
<tr>
<th>Country</th>
<th>1990-95</th>
<th>1985-89</th>
<th>1980-84</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>596%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>1239%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td>530%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>743%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>446%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taiwan</td>
<td>888%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Australian exports to key Asian markets have increased rapidly...

3. Australia also has substantial trade surpluses with nearly all key emerging Asian economies (Chart 2). Australia also has substantial trade surpluses with Japan and Korea.

**Chart 2: Australia’s Trade Balances With Key Emerging Asian Markets - 1995**

...and Australia enjoys trade surpluses with most key emerging Asian economies.
Tariffs

4. Tariffs are just one type of market access barrier. They are also the most transparent form of protection. As such they are readily measurable and are usually the main element in trade negotiations. But other forms of market access barriers are becoming increasingly important. Such non-tariff barriers are often difficult to identify and are harder to measure consistently across countries.

5. Australia's positive trade balances with many regional economies reflects, in part, recent improvements in market access. Driven by the Uruguay Round and unilateral liberalisation, Asian Pacific economies have significantly reduced tariffs (Chart 3).

Chart 3: All Tariffs

 đẳngการร้อยละของค่าสินค้าที่มีการศึกษาไว้ (Trade-weighted average applied tariffs)

<table>
<thead>
<tr>
<th>Country</th>
<th>1988</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>50</td>
<td>30</td>
</tr>
<tr>
<td>Thailand</td>
<td>40</td>
<td>20</td>
</tr>
<tr>
<td>Philippines</td>
<td>30</td>
<td>15</td>
</tr>
<tr>
<td>India</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Canada</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Korea</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>New Zealand</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Malaysia</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Singapore</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>United States</td>
<td>1</td>
<td>0.5</td>
</tr>
<tr>
<td>Japan</td>
<td>0.5</td>
<td>0</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Australia's growing trade with regional economies has resulted, in part, from lower tariffs. Most regional trading partners have reduced tariffs significantly in recent years.

6. Australia has also lowered tariffs. Between 1988 and 1995, Australia cut applied tariffs by 77%. This approximated cuts by most regional trading partners. Overall, the average cut in applied tariffs by China, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore and Thailand, was approximately 60%.

7. In some cases the Uruguay Round actually resulted in higher tariffs for agricultural goods and processed foods this was because many other, less transparent barriers such as quotas, were converted to tariffs.

8. Notwithstanding the marked regional trend to lower tariffs on industrial goods, some countries still retain high tariffs in some sectors (Chart 4).
Tariffs on industrial products have been reduced significantly, but protection is still high particularly in China and some ASEAN markets.

Australia too has relatively high tariffs in some sectors (i.e. automotive and TCF products). But this can also be because Australia has moved from quantitative restrictions to a tariff only regime. On a trade-weighted basis, China, Hong Kong, Japan, Korea and Singapore face higher average tariffs on their exports to Australia than those faced by Australian exporters into their markets (Chart 5).

Depending on the trade mix, tariffs faced by individual economies can be higher or lower than the overall average.

But using average applied measurements can overstate the level of protection. Many economies allow imports at zero or concessional duties for special economic zones, duty drawbacks on exported goods, special rates for investors and, where products are not manufactured in the importing economy, which significantly reduces the actual duty paid. For instance, while Indonesia’s MFN trade-weighted average applied tariff was about 12% in 1995, the actual duties collected, as a proportion of imports, was less than half this level, indicating that a significant proportion of imports were duty exempt. Tariff exemptions are particularly important in the case of China; some estimates suggest that only about 20% of
imports attracted duty in 1995. Nearly every APEC member allows tariff exemptions under certain circumstances. But measures of trade weighted average tariffs only capture goods that are actually traded. Consequently, they may understate the level of protection when trade in a good is substantially restricted because of quotas or other types of protection, including prohibitively high tariffs.

11. Tariffs in some of the key ASEAN markets are likely to fall further:

(i) The Philippines intends to have a uniform 5% MFN applied tariff rate by 2004.

(ii) By 2003, Indonesia will have applied MFN tariffs (with the exception of auto components and primary chemical, plastic and metal products) at or below 10% (56% of Indonesia’s tariffs will be 10% or less).

(iii) Malaysia continues to reduce applied MFN tariffs on raw materials, manufacturing components and inputs for food production. A key exception is the auto industry.

(iv) Thailand is simplifying its tariff regime to six levels (zero to 30%). Average applied tariffs on industrial goods were 24.8% in 1995 and will be 17.3% in 1997.

Non-Tariff Measures

12. With tariff cuts underway in the region, some non-tariff measures have grown in importance. These range from customs formalities which delay the importation of goods (especially important for fresh food imports), domestic standards which are too severe or do not reflect international standards to quotas.

13. For instance, in China non-convertible currency and central allocation of foreign exchange are also means by which to restrict access to the Chinese market.

14. In the Uruguay Round, WTO Members agreed to strengthened rules to curtail the use of non-tariff measures which inhibit trade. Australia supported, in particular, the new, and stronger, rules in the Agreement on Sanitary and Phytosanitary (SPS) Measures. While the Agreement imposes stricter disciplines on Australia in the area of quarantine measures, i.e. any measures must be based on scientific principles and evidence, and is being used by some trading partners to challenge some Australian practices, on balance, Australia’s interest are well-served by these rules. Australia exports approximately five times more food than we import. Nevertheless, Australia will continue to consider carefully the potential impact on export competitiveness if new diseases were to enter Australia as a result of removal of existing quarantine measures.

15. The following two tables contain indicative lists of important non-tariff measures which inhibit Australian exports and measures used by Australia which some trading partners claim are barriers to trade.
### Quarantine/SPS Barriers - Indicative List*

<table>
<thead>
<tr>
<th>Concerns Raised By Australia</th>
<th>Concerns Raised About Australian Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea: UHT milk affected by shelf-life regulations</td>
<td>Australia’s quarantine requirements for salmon, chicken, pork, blueberry, pears and citrus have been criticised.</td>
</tr>
<tr>
<td>Horticultural exports to Japan, Korea and China</td>
<td></td>
</tr>
<tr>
<td>- do not recognise Australia’s fruit-fly free regions for apples, cherries, table grapes, oranges, mangoes, pears and mandarins</td>
<td></td>
</tr>
<tr>
<td>EU: Australian meat must meet EU specific standards</td>
<td></td>
</tr>
<tr>
<td>- it must be hormonal growth promotent-free</td>
<td></td>
</tr>
<tr>
<td>Korea: Customs and import procedures cause losses of live seafood and high rejection rate of frozen prawns</td>
<td></td>
</tr>
<tr>
<td>Problems with transparency in quarantine procedures, certification requirements and timeliness of decision making are endemic to many of our key markets</td>
<td></td>
</tr>
</tbody>
</table>

*This list is not exhaustive.*

SPS: Sanitary and phytosanitary measures are those considered necessary for the protection of human, animal and plant life and health. They can be border measures such as import prohibitions or conditions on entry, or internal measures such as standards and certification requirements.
## Other Non Tariff Barriers - Indicative List*

<table>
<thead>
<tr>
<th>Concerns Raised By Australia</th>
<th>Concerns Raised About Australian Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA: Jones Act - limits Australia’s exports of fast ferries</td>
<td>Foreign investment screening processes</td>
</tr>
<tr>
<td>USA: EEP/DEIP - subsidies on US exports of agricultural products (grains, dairy, chicken and oil seeds) disrupt the global market and depresses prices</td>
<td>TCF: Import Credit Scheme - US claims it could be a subsidy to domestic producers</td>
</tr>
<tr>
<td>State trading arrangements in both Japan and China for agricultural products limit Australian exports</td>
<td>PMV: Export Facilitation Scheme - US claims that it could be a subsidy to domestic producers</td>
</tr>
<tr>
<td>Japan: Standards - often inconsistent with international norms</td>
<td>State Trading Enterprises: US has raised concerns regarding bodies such as the Australian Wheat Board</td>
</tr>
<tr>
<td>Japan: Regulations and domestic subsidies limit Australia’s exports of fast ferries</td>
<td>Pharmaceutical Benefits Scheme, especially Factor (F).</td>
</tr>
<tr>
<td>Malaysia: Autos - Local content requirements reduces imports</td>
<td>Australia’s use of anti-dumping has been criticised in the past.</td>
</tr>
<tr>
<td>Philippines: Autos - Quantitative restrictions on imports</td>
<td>Government procurement programs including the Partnership in Development Schemes.</td>
</tr>
<tr>
<td>Indonesia: Agriculture - Monopoly import and licensing arrangements restrict imports of rice and sugar</td>
<td>Export Licensing arrangements applying to coal, minerals sand, bauxite and aluminium. Japan has raised concerns.</td>
</tr>
<tr>
<td>Malaysia: Processed foods - Uplift duties on honey, dairy products and orange juice</td>
<td>Aviation services: restrictions on access to Australia’s aviation market</td>
</tr>
<tr>
<td>Korea: Import licenses - Arbitrary application of regulations</td>
<td></td>
</tr>
</tbody>
</table>

* This list is not exhaustive.
WTO ACCESSIONS - BENEFITS TO AUSTRALIA

(i) Accessions give Australia bilateral market access gains at no cost because existing World Trade Organisation (WTO) members do not need to provide reciprocal benefits.

(ii) Negotiations typically lead to reductions in tariffs, removal of import bans, increases in quotas, commitments on barriers to services trade, elimination of discrimination against Australia.

(iii) Thirty economies, including some major trading partners (such as China and Taiwan), are currently negotiating membership of the WTO, accounting for over $7 billion in Australian exports in 1995. Thirteen percent of Australian exports are not currently covered by the international trade rules of the WTO.

(iv) Significant barriers against Australian exports are also being addressed in accession negotiations for Saudi Arabia, the Russian Federation, Ukraine, Vietnam, Oman, Jordan and Kazakhstan. Tonga and Vanuatu are also negotiating WTO membership, providing opportunities to address commercial access issues, but also to support efforts elsewhere to secure improved economic management and good governance in the South Pacific.

(v) Major gains in market access are on offer. For example, Bulgaria will guarantee new access for 250,000 tonnes of sugar and over 11,000 tonnes of beef, Taiwan will reduce beef tariffs to one-third of current levels, provide greatly increased access for motor vehicles, cut the tariff on motor vehicle engines to 20% (from 25%), and phase tariffs on iron and steel to zero (from 8-11%). China will guarantee access for a range of commodities including wool, wheat, sugar and barley (see below). However, China’s current market access offers are, in many cases, significantly less than recent trade levels. The Government is working actively to secure improvements in China’s offers.

<table>
<thead>
<tr>
<th>Product</th>
<th>Australian Exports ($m)</th>
<th>Outcome being sought</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wool</td>
<td>700</td>
<td>Low tariff. Elimination of quotas</td>
</tr>
<tr>
<td>Sugar</td>
<td>250</td>
<td>Low tariff. No quotas.</td>
</tr>
<tr>
<td>Wheat</td>
<td>200</td>
<td>Low tariff. No quotas.</td>
</tr>
<tr>
<td>Barley</td>
<td>200</td>
<td>Low tariff. No quotas.</td>
</tr>
<tr>
<td>Chemicals</td>
<td>55</td>
<td>Tariff cut. Removal of NTMs.</td>
</tr>
<tr>
<td>Aluminium</td>
<td>50</td>
<td>Tariff cut.</td>
</tr>
<tr>
<td>Iron and steel</td>
<td>40</td>
<td>Tariff cut.</td>
</tr>
<tr>
<td>Auto parts</td>
<td>6</td>
<td>Tariff cut. Elimination local content / NTMs.</td>
</tr>
</tbody>
</table>

Improvements are also being sought in the services sectors to secure improved market access and operating conditions in the Chinese market and to support current licence applications by Australian firms, especially financial and professional service providers. Commitments are also being sought in other sectors including value-added telecommunications, education, engineering, transport, architecture and tourism.

CABINET-IN-CONFIDENCE
AUSTRALIA-NEW ZEALAND CLOSER ECONOMIC RELATIONS

(i) CER* is Australia’s most advanced bilateral trade agreement, providing for free trade between Australia and New Zealand in most services, and free trade in goods meeting the CER rules of origin through the removal of all tariffs and quantitative restrictions, import licensing arrangements, other export/import restrictions, bounties and subsidies on exports of goods.

(ii) Since 1990 (the date full free trade in goods was achieved) Australia’s exports to New Zealand have grown by an average of almost 19% per year, compared with 7% growth per year in Australia’s total exports over the same period.

(iii) Total trans-Tasman trade increased from $8.34 billion in 1994-95 to $9.16 billion in 1995-96 - an increase of 9.7%. During this period Australian exports to New Zealand increased by over 16% to $5.56 billion while imports from New Zealand increased by approximately 1% to $3.59 billion. The balance of trade increased in Australia’s favour to $1.97 billion - almost 60%.

(iv) CER’s success stems from its comprehensive coverage, transparency, and predictability, and that it has not at any time raised barriers to trade with other countries or restrained either Australia or New Zealand’s trade liberalisation programs.

(v) CER’s future benefits, as its preferential trade aspects diminish in importance, lie in innovative areas such as standards harmonisation and mutual recognition, and demonstrating its success to other regional trading arrangements. There are now cooperative work programs in place with AFTA and MERCOSUR.

(vi) The primary risk for Australia in the New Zealand market lies in stronger third country competition as CER preferences diminish.

* CER: Australia - New Zealand Closer Economic Relations

Australia’s trade with New Zealand

CER has led to growth in trade with New Zealand of 16% per year over the past five years.
Concern has been expressed in Australia about the impact of the ASEAN Free Trade Area (AFTA) which will provide for tariffs of between 0-5% on nearly all intra-ASEAN trade by 2003. ASEAN products will therefore enjoy tariff preference over products from outside the region, including Australia. AFTA will eventually embrace non-tariff measures, services, investment and intellectual property protection.

Although it is still early in the process, the overall impact of AFTA on Australia is likely to be limited. Indeed, expansion of the ASEAN market, partly due to AFTA, means that trade creation is likely to outweigh trade diversion. In many sectors ASEAN economies complement, rather than compete with, Australia. Expected reductions in MFN tariffs by ASEAN, unilaterally as well as through APEC and the WTO, mean that AFTA tariff preferences on most items should diminish over time.

Nonetheless, AFTA preferences will make it difficult for some important Australian exports - such as elaborately transformed manufactures and processed foods - to compete against intra-ASEAN trade. Relatively high MFN tariffs on these items in ASEAN countries will mean large margins of preference for intra-ASEAN exports. Uncertainty about MFN tariff reduction programs by the ASEANs translates into uncertainty for business.

Key ASEAN economies also maintain tariff escalation, whereby tariffs increase with the degree of processing. Malaysia and Indonesia, for example, intend to continue to protect strategic industries such as automobiles and petro-chemicals, which coincide with Australian export interests. Due to their lesser importance at the time in overall world trade, the ASEANs escaped serious attention during the Uruguay Round.

Australian and foreign firms may invest in ASEAN instead of in Australia, in order to benefit from AFTA tariff preferences. There are problems also with the ASEAN investment promotion schemes, which are not disciplined by multilateral rules, and which provide incentives with which Australia cannot hope to compete. The development of an expected ASEAN Investment Area will therefore need to be monitored carefully. And while reductions in non-tariff measures under AFTA will mostly occur on an MFN basis, we will also need to monitor preferential treatment of non-tariff measures.

The best means of addressing any negative impact from AFTA is an integrated trade policy response, principally through the WTO and APEC. In this way, Australia can continue to maintain the pressure on ASEAN members to adhere to broad principles of non-discrimination and consistency with multilateral rules. It will be important that we ensure the ASEANs are firmly in the spotlight when multilateral negotiations are resumed.

Strengthening the CER-AFTA trade facilitation agenda is a central facet of our approach. In the longer term a more formal CER-AFTA linkage between the two free trade areas might be possible, but for the foreseeable future it is unlikely that this would be acceptable to ASEAN.
Australia has a substantial interest in agricultural trade. In 1995 Australia's exports of unprocessed food, processed food and other rural products totalled almost $20 billion and accounted for just over 27% of all merchandise exports. Trade in agricultural and foods products has long been bedevilled by high border protection, subsidies and other measures. The Government is working actively to secure better access to overseas food and agriculture markets and for international disciplines on trade distorting agricultural policies.

The outcome of the Uruguay Round was hard-won. Whilst it was positive, much remains to be done to improve the prospects for Australia's agricultural and food sector exports. The strength of other countries' resistance to agricultural trade liberalisation, and the extent of reform needed, will require the ongoing use of Australia's full trade policy armoury. The challenge for Australia is to lock in the gains of the Round (to make sure countries implement their commitments), to remove remaining market access barriers and to deliver further reform.

The requirement for effective implementation has and will continue to be reinforced through actions within the relevant WTO committees, often jointly with other stakeholders, and through bilateral consultations. The WTO Committee on Agriculture and the Sanitary and Phytosanitary (SPS) Committee will be at the forefront of effective implementation and the push for further reform. The timetable for the commencement of further multilateral agricultural negotiations is mandated in the Agriculture Agreement of the WTO, which also covers processed foods. Australia is already using its influence in the WTO and through the Cairns Group to have WTO Ministers mandate work to prepare for the timely resumption of negotiations in 2000.

As part of its strategy to keep agriculture on the international trade agenda, Australia has continued to promote the approach of comprehensiveness in trade liberalisation efforts. This approach will allow the sort of trade-offs between sectors which are likely to be required to "buy" agricultural reform in reticent countries.

Australia is also pursuing a number of market access issues directly with trading partners and through the APEC Individual Action Plan (IAP) process. These activities are often most effective when dealing with non-tariff barriers and can be particularly important in the SPS and food areas.

A major initiative will be the Supermarket to Asia program, which is designed to increase exports of processed foods, beverages and fresh and convenience foods, primarily into Asia. The program will be supported by the work of the Processed Food Market Access Committee. The Committee recently commenced a study which will consolidate existing market access data and identify strategies to more effectively address access barriers. The study has been timed to contribute to the determination of objectives for the next round of multilateral trade negotiations and to develop our position on APEC member economies' offers under the Individual Action Plan (IAP) process.
In 1995, Australia's merchandise exports were worth $71.6 billion, of which 34% or $24.7 billion were industrial goods. Importantly, Australian exports of elaborately transformed manufactures in 1995 were $16.8 billion, up 17% over 1994.

As a result of the Uruguay Round, including bilateral market access negotiations with some 25 countries, 43% of Australian industrial exports will now face zero tariffs, representing an overall cut in tariffs by our trading partners of approximately 50% (trade weighted).

Tariff and non-tariff barriers, however, continue to pose significant constraints on access for exports of particular Australian industrial goods into some key markets, particularly in ASEAN.

The Government is addressing industry's market access concerns through an integrated strategy. Short term strategy is focused on bilateral activities (sometimes undertaken through the WTO and APEC), including: bilateral market access and trade promotion activities, ensuring trading partners fully implement their Uruguay Round commitments, using APEC to pursue bilateral market access barriers and facilitation of exports through development of cooperative sectoral approaches such as in the automotive and energy sectors.

Addressing tariff barriers through comprehensive multilateral negotiations and strengthening WTO rules to discipline non-tariff barriers will deliver the greatest market access gains for Australia over the medium term. To this end, the objective is to seek comprehensive WTO negotiations on industrial goods by the year 2000. In the meantime, there may be opportunities to achieve an early liberalisation benefits in particular sectors (eg the proposed Information Technology Agreement to eliminate tariffs on information technology and telecommunications equipment).

Australia is well positioned to engage in another round of multilateral trade negotiations from the year 2000, because of on-going domestic economic reforms and a store of un-used negotiating coin from the Uruguay Round.

The Uruguay Round also established strong multilateral rules for the conduct of trade. Australia will benefit from these, but they will also impact on our trade regime. Government has less flexibility to help specific domestic industries. A number of Australia's industry and export programs are likely to attract attention in the WTO from trading partners, including those in APEC.

It will be crucial for the Minister for Trade to be consulted early in the development of any new industry and export promotion policies to enable due regard to be given to the new WTO disciplines.

The WTO will continue to be essential to protect Australia's commercial interests. In 1995, Australia used WTO processes as a safeguard against a bilateral US-Japan deal on autos that had the potential to discriminate against Australian automotive exports to Japan which are valued at approximately $170 million per year.
SECTORAL STRATEGIES - SERVICES

(i) Services trade is the fastest-growing segment of international trade and is valued at $US1,000 billion per year. Developments in information technology are increasingly allowing services to be traded.

(ii) Services exports account for an increasingly larger share (23% in 1995) of total Australian exports. The Australian service industry is aggressively seeking global market share. Tourism, financial services, professional, telecommunications and education are priority service sectors. Key markets are Japan, Singapore, United States, Korea, Hong Kong, Indonesia, Taiwan, China and Malaysia.

(iii) Australian trade in services has been in deficit but the forecast is to reach a surplus in the next few years. Australia is already a net exporter in financial, legal, accounting, engineering and computer services.

(iv) Market access barriers in the services sector continue to limit opportunities for Australian services suppliers in certain sectors. Reducing these barriers is particularly challenging because of the traditional role of governments in providing many services and the complex regulatory framework associated with this.

(v) An integrated approach to improving market access will include multilateral, regional and bilateral efforts.

(vi) The value of the Uruguay Round outcome for services was that it brought the sector under multilateral trade disciplines and made a start on multilateral liberalisation. It has been estimated that the economic effects of liberalising services trade could be of the same order of magnitude as the liberalisation of goods achieved in the Uruguay Round.

(vii) The next round of multilateral services negotiations, due to start in 2000, offers the best hope for harvesting substantial market access gains. Australia is pressing for a preparatory process to start in 1997 for the next round of WTO multilateral services negotiations. A substantial preparatory process will provide a good basis for negotiations and we hope will enable the round to be relatively completed quickly. These negotiations will help ensure that the international trading framework keeps pace with globalisation and technological change.

(viii) Successful outcomes in WTO negotiations in financial services and basic telecommunications negotiations, timed for completion next year, are important commercially to Australia and in terms of building momentum for the next round of services negotiations.

(ix) Through the APEC Individual Action Plan process, Australia can exert pressure for market access gains in key service areas such as financial, telecommunications and professional services. Bilateral approaches at all levels can be effective in securing market access, as seen by the recent issue of a licence for an Australian legal firm in Shanghai.
NON-TARIFF BARRIERS TO MARKET ACCESS

(i) Non-tariff barriers often create important market access impediments for Australian exports, ranging from quarantine restrictions, customs valuation methods, standards issues, import licensing arrangements to subsidies. The Government places a high priority on the development of strategies to address these barriers.

(ii) Quarantine issues are important to Australia. The WTO Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures provides the multilateral framework to discipline all WTO Members in their use of quarantine, food safety and labelling measures. The Agreement allows countries to impose only those requirements which are necessary to protect health and which are based on scientific principles.

(a) Australia can use this Agreement as a lever to open market access opportunities worldwide. With the reduction in border protection put in train through the Uruguay Round, some countries are already turning to quarantine restrictions as an alternative means of protecting their agricultural industries. This could affect many of Australia’s growing markets for agricultural and food exports.

(b) Australia must, however, face the same disciplines in its own quarantine decision-making. As an island nation currently free of many diseases present in other countries, Australia observes rigorous quarantine controls. Australia’s quarantine access decisions or delays in making such decisions have been irritants in our relations with a number of countries over many years. If Australia is to maintain credibility in its use of SPS disciplines against others, its own rigorous approach to quarantine must not be allowed to be seen as a protectionist device.

(iii) There are many other types of barriers to Australian exports of goods. These are generally covered by WTO rules, which seek to limit the scope for protectionist application. However, in many individual cases barriers exist that need to be tackled both bilaterally and through the WTO.

(a) For example, the variety of mandatory standards and conformity assessment requirements on imported products creates technical barriers to trade for Australian exporters, even though those standards and conformity assessment requirements are in place for sound public policy reasons. The Government is seeking to reduce such barriers through negotiating mutual recognition agreements on conformity assessment with key trading partners as well as through active participation in the APEC program on standards and conformity assessment issues.

(iv) Liberalisation in the WTO for areas such as tariffs will have to go hand in hand with improvements in rules on other non-tariff measures to ensure that the impact of tariff liberalisation is not simply nullified or impaired. This requires vigilance on the part of Australia in pressing for adequate transparency and in examining the measures of others for conformity with the WTO.
THE EXPANDING INTERNATIONAL TRADE AGENDA

(i) The complex group of issues making up the expanding international trade agenda will help define our future market access. The Government must be active through a sustained and integrated trade policy effort to ensure that they are developed in a way which supports our trade objectives and strengthens the multilateral trading system.

(ii) The issues likely to be pursued further by WTO members are:

(a) trade and investment: there are clear links between trade and investment, and there is a growing body of opinion that this would be an appropriate issue for consideration in the WTO. Australia would benefit from multilateral disciplines on the investment policies being pursued by many of its trading partners, particularly non-OECD regional countries.

(b) trade and competition: restrictive business practices or government regulation inside the market may negate reductions in tariffs and non-tariff barriers. Targeted use of trade measures may neutralise efficiencies available through competition laws. Different approaches to national competition laws will make this a complex issue, but there are potential benefits from a multilateral consideration of this issue.

(c) trade and environment: the intersection between environmental and trade issues is becoming more important as governments seek to deal with environmental problems. Australia has a special interest in this issue because our economic structure and environmental priorities differ greatly from those of other developed countries. European-driven approaches to international environmental regulation can impose disproportionate costs on Australia.

(d) government procurement: government purchases internationally represent huge markets. Some of this is governed by the Agreement on Government Procurement (GPA) which has a limited membership. Australia has not joined. Rapid growth in membership is not likely. GPA members now have proposed the drafting of an Interim Arrangement aimed at transparency, openness and due process, but not actual disciplines for purchasing.

(iii) The following two issues enjoy limited, but influential, support:

(a) trade and labour standards: proponents, led by the United States and France, argue that countries not adhering to core labour standards have an unfair competitive advantage, and that the relationship between trade liberalisation and observance of these standards ought to be explored further through joint work between the WTO and the ILO. Developing countries are concerned that this issue would be used as a protectionist device. Most WTO members do not wish the organisation to take up social issues.

(b) trade and illicit payments: the United States is concerned that financial inducements to foreign government officials by exporters from other countries are denying it export opportunities. It is seeking an end to this practice. Recent agreement in the OECD to curb such practices make this issue less urgent. If it is considered in the WTO, it probably will be in the context of the Interim Arrangement on Government Procurement.
COORDINATION COMMENTS

Department of Prime Minister and Cabinet

1. The Department of Prime Minister and Cabinet supports the Submission’s Recommendations.

2. PM&C notes the Minister for Trade’s intention to bring forward submissions on progress on Australia’s objectives for the APEC Ministerial and Leaders’ meetings in November and Australia’s approach to the December WTO Ministerial meeting. We suggest that the APEC and WTO submissions consider in more detail the interaction between APEC trade liberalisation and Australia’s objective of early WTO negotiations. As the current Submission notes (paragraph 11), APEC reinforces existing liberalisation trends in the Asia Pacific. APEC has been a catalyst for global trade liberalisation, committing its members - in particular East Asian economies which have not so far participated fully in multilateral trade negotiations - to ambitious liberalisation goals (free trade and investment by 2010/2020) and reducing EU influence over the WTO agenda. Given the negative influence of Europe in the WTO, APEC may have a greater capacity to deliver concrete trade liberalisation than the Submission implies.

3. PM&C also notes the Minister for Trade’s intention to bring forward a submission on the outcomes of the APEC/WTO meetings and their implications for Australian trade policy. PM&C considers that this submission should specifically address the future of the AFTA-CER dialogue and be informed by a full study of the costs and benefits of various levels of AFTA-CER cooperation, including joining the two FTAs.

4. In relation to the Government’s objective of increasing Australia’s market share in Asian markets, PM&C notes the role that commercial presence through foreign direct investment now plays in building market share. PM&C therefore considers that the Minister for Trade in his Trade Outcomes and Objectives Statement should also address impediments to off-shore investment and how these could be addressed, including through the WTO.

Department of Primary Industries and Energy

5. DPIE supports the broad approach to trade policy outlined in the Submission and supports its Recommendations.

6. DPIE agrees with the conclusion that bilateral efforts to create new access opportunities and to promote trade must be strengthened particularly in the period leading up to commencement of a new multilateral round. Whilst there can be no argument that Australia’s greatest market access gains have been achieved through the multilateral negotiation process, it remains the case that effective bilateral strategies are essential to capture the benefits of that liberalisation.

7. In the period leading up to a new round of negotiations it is important that Australia capitalise on new opportunities created under the Uruguay Round. This requires vigilance in ensuring commitments are honoured and new rules are enforced. It will also require development of creative bilateral trade and investment strategies.
8. An important element of our overall approach to trade which is somewhat understated in the Submission is the role of industry. Cooperation and collaboration with industry across all facets of trade policy is essential and will enhance the overall effectiveness of our efforts.

9. DPIE strongly supports the assessment that quarantine and other technical barriers to trade will play an increasingly significant role as impediments to access for Australian exports. DPIE supports the view that removal or alleviation of unjustified quarantine or food safety requirements probably offers the greatest potential for gains in access over the Uruguay Round transition period to 2000. We note that quarantine issues in particular are often complex and addressing these will be resource intensive.

10. At a time when many of Australia's own quarantine measures are under strong pressure, industry expects that the Government will act vigorously bilaterally and through the use of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures to address its concerns. This is an essential quid pro quo if industry is to accept that Australia must obey the same trading rules as we expect of others.

11. DPIE supports the initiatives proposed in the Submission’s Recommendations, including the strengthening of coordination of the Government’s trade efforts as proposed in recommendation 27(c). The increasing tendency for international agreements, including environmental agreements, to include measures which may have trade implications is a significant concern to industry and DPIE. The introduction of the Trade Impact Assessments as proposed in paragraph 27(b), as well as the early involvement of the Minister for Trade, should help ensure that adverse trade implications for Australian industry from such agreements is minimised.

Department of Industry, Science and Tourism

12. The Department of Industry, Science and Tourism supports the recommendations of the Submission. In particular, the Department welcomes the increased emphasis on bilateral approaches to market access, market development and promotion. The Department considers there is a need for a coordinated "whole of Government and industry" approach to these issues, and the proposed interdepartmental Market Development Task Force may be an appropriate vehicle. Targeted, integrated bilateral strategies play a key role in facilitating entry (both exports and investment) into foreign markets. In this context, Australia should try to take full advantage of all existing and potential bilateral links with other countries, including the Science and Technology Agreements, industrial cooperation and technology transfer arrangements. The Department is keen to work with DFAT and other Task Force members on these issues.

13. The Department also agrees that trade policy will not be effective in enhancing Australia’s export performance unless the domestic economic conditions support the competitiveness of Australian firms.

14. While supporting the proposal for a Trade Impact Assessment as part of the Regulation Impact Statement (RIS) process, DIST considers that careful consideration needs to be given to the assessment criteria to be used in such a statement and how it would differ from the current RIS impact analysis requirement which encompasses the effects on business and consumers. Careful consideration needs to be taken to avoid unduly complicating the RIS process. With this in mind, it may be sufficient, and hence more appropriate, to simply list trade as one of the issues to be considered in preparing the impact analysis in the RIS.
15. Given that an efficient and internationally competitive domestic economic environment is critical to the export performance of our industry, this Department has an active interest in the proposed annual *Trade Outcomes and Objectives Statement*. Accordingly, the Department should be consulted in preparing the Statement.

**Attorney-General’s Department**

16. The Attorney-General’s Department is supportive of trade liberalisation through international negotiations. We support close cooperation between all interested portfolios to maximise the outcome of such negotiations.

17. The Department is supportive of the Recommendations in the Submission. Although the Department does not seek amendment to those Recommendations, we consider that in two aspects a clarification by Ministers on how they should operate in practice would be useful.

18. Nearly every "position" taken in an international negotiation having a commercial aspect has a potential trade implication if accepted, and if the relevant instrument becomes binding on Australia. As an example, even one view of international law, as opposed to another, may have such an impact on the resulting instrument.

19. When read strictly, recommendation (c)(i) of paragraph 27 could imply that every such "position" must be the subject of consultations, however minimal or indirect the impact. Clearly, that would represent an unworkable approach to international negotiations.

20. As such, this Department considers that the recommendation should be considered as only applying where the impact would be of substance. Likewise the proposed Trade Impact Assessment should only address impacts of some substance.

21. The body of the Submission refers at paragraph 24 to consultation with both the Trade Minister and that Minister’s Department, and Recommendation (c) (i) at paragraph 27 refers to consultations with the Minister for Trade. In order to preserve the workability of these arrangements, it appears to this Department that there would be benefit in clarifying that consultation at Departmental level will often be the appropriate means.

**Treasury**

22. The primary objective of trade policy should be to achieve, through the promotion of a rules-based multilateral trading system, open international markets and a free-trade environment. That would improve the efficiency of resource allocation and support stronger sustainable economic growth. Australia stands to increase its economic welfare by reducing its own trade barriers, regardless of whether or not other countries reciprocate. Australia’s interests would be best served by pursuing further liberalisation through multilateral trade negotiations. Our approach to "new" issues should seek to prevent others from using them to deflect attention from further liberalisation, including in agriculture.

23. The Submission foreshadows an increased emphasis on bilateral approaches to trade policy. It is likely that pursuing a bilateral approach at the expense of a multilateral approach would be at a cost to Australia’s economic welfare.

24. The Submission foreshadows an increased emphasis on bilateral approaches to trade policy. It is likely that pursuing a bilateral approach at the expense of a multilateral approach would be at a cost to Australia’s economic welfare.
25. The Submission may overstate the extent to which international investment flows are trade driven. In the foreseeable future, the focus of negotiation of rules relating to international investment should continue to be the OECD Multilateral Agreement on Investment. The WTO could consider matters arising out of WTO agreements or the linkages between trade and investment flows.

26. Treasury supports the preparation of an annual *Trade Outcomes and Objectives Statement*, provided that it does not extend to Australia's investment or environment performance. Discussion of these matters would be inappropriate given the direct linkages with domestic economic policies. Any coverage of Australia's foreign investment policy would also be inappropriate. For example, it could provide a focus for other countries to criticise the Government. While some comment on other countries' foreign investment policy regimes may be worthwhile (e.g. in relation to links to Australia's export performance), some caution would be needed so as not to provoke unnecessary criticism of Australia's foreign investment policy.

27. Treasury supports the recommendation relating to the inclusion of a requirement for a Trade Impact Assessment in the Revised Impact Statement (RIS) Guidelines. Strengthening the RIS "gatekeeper" mechanism was announced as part of the Government's election policy on Regulation Efficiency; a forthcoming Cabinet Submission (called for by JH96/0017/CAB) will address the issue. Folding the Trade Impact Assessment into the gatekeeper process will avoid duplication and potentially enhance the gatekeeper process.

Department of Finance

28. The Submission notes that Australia's outward-looking, microeconomic reform program makes it easier to meet commitments agreed under multilateral trade negotiations. Finance suggest that the pace of implementation of the current microeconomic reform agenda should not be reduced and should be continued. There are significant benefits to Australia and, in addition, reform generates and maintains "negotiating coin" for further gains in trade access. Finance notes that the post 2000 assistance for the Passenger Motor Vehicle industry, and the Textiles, Clothing and Footwear industry are scheduled to be reviewed by the Industry Commission by mid 1997.

29. Extension of the targeted trade approaches, proposed in paragraphs 13 and 23 and Recommended in 26(j), which concentrates on particular sectors, potentially distorts the efficiency of resource allocations between sectors and is therefore not supported as a general policy. Industry assistance, where appropriate, should be limited to generic assistance provided to all industries. It should be noted that the *Supermarket to Asia* program referred to in paragraph 23 is still being developed and is not expected to be submitted for Cabinet consideration until the 1997-1998 Budget.

30. Whilst the submission follows through on election undertakings in recommending the development of an annual *Trade Outcomes and Objectives Statement*, without an assessment of its objectives, the information to be presented and the mechanisms for its preparation, it is unclear what role the Statement will play and what its outcomes will be. Given that the White Paper, which is assumed to be a comprehensive paper on challenges and directions, is due to be finalised in January 1997, the role and nature of the Statement could be considered with the White Paper recommendations.

31. Finance believes that Cabinet Submissions, should as a matter of course, pick up all relevant issues to be considered in the debate and that imposing too many mandatory reporting requirements (such as the Trade Impact Assessment as recommended in paragraph
27 (b)) is unnecessary. Although a Trade Impact Assessment could be specifically requested on Submissions where there are expected to be significant trade effects, it would be reasonable to expect such implications to be identified in interdepartmental consultations and covered in the Submission or in coordination comments. Coordination of the Government’s trade efforts could be strengthened by stricter adherence to current consultation protocols in policy development rather than the imposition additional mandatory requirements as recommended in paragraph 27(c).

32. Finance is, overall, supportive of the thrust of the Submission and its Recommendations except as noted above.

**Department of Employment, Education, Training and Youth Affairs**

33. The Department supports the thrust of the Submission and its recommendations. The export of education and training is forecast to generate in excess of $4 billion by the year 2000. However, there are a number of impediments to Australia’s education and training market access off-shore. The proposals contained in the Submission would enable these impediments to be tackled on a broad front and in a coordinated fashion.

34. The Department would welcome the opportunity to participate in the Market Development Task Force activities.

**Department of Communications and the Arts**

35. The Department of Communications and the Arts supports the general thrust of the Submission.

**Department of the Environment, Sport and Territories**

36. The Department of Environment, Sport and Territories notes that environment and trade policies should be mutually supportive to promote sustainable development in line with Agenda 21.

**Department of Transport and Regional Development**

37. The Department of Transport and Regional Development supports the overall aims of the Cabinet Submission, ie to promote Australian business overseas, to improve market access and to develop stronger and fairer international rules. The Department considers that the APEC IAP process provides an important mechanism for reducing regulatory barriers to trade and already gives high priority to transport trade.

38. Coordination of the Commonwealth’s trade efforts is highly desirable. This Department consults closely with Commonwealth and State/Territory agencies and industry as an integral part of that priority. This includes extensive consultations with the DFAT over international negotiations.

39. Structured opportunity for government and industry consultation on transport trade related issues is provided through the Department’s Transport Trade Industry Consultative Group (TTICG), of which DFAT is a member.

**Australian Customs Service**

40. The Australian Customs Service supports this Cabinet Submission.
41. The general policy aspects of the Cabinet Submission do not directly impact on Customs. However, Customs does have a role to play in areas such as Rules of Origin, Anti-Dumping, and Non-Tariff Barriers (including Customs procedures).

**Australian Bureau of Statistics**

42. The Australian Bureau of Statistics has no comment.

**Austrade**

43. Austrade strongly supports the Cabinet Submission on Trade Policy.

44. Austrade sees an effective national trade policy as the basis for increasing Australia’s foreign earnings through trade. Bilateral approaches are of particular concern to Austrade and provide the opportunity for coordinated market access, market development and promotion activities, aligned with industry development, to focus on achieving increased exports and business linkages.

45. Austrade is taking an active role in a number of the initiatives mentioned in the Submission (ie Market Development Task Force, Trade Outcomes and Objectives Statement, Supermarket to Asia, New Horizons) and will maintain its involvement in these activities to ensure continuity and coordination between trade policy and practical trade strategies which will achieve outcomes for Australian business.

46. In addition to the points raised in paragraph 26, Austrade would like Ministers to note its role in meeting the needs of Australian companies involved in or aspiring to export and international business activities, particularly in those areas either underserviced or not serviced by the private sector. Austrade directly contributes to the competitiveness of Australian businesses in overseas markets by reducing the time, costs and risks of exporting and investing overseas.