

TRADE

Advancing Australia's Trade Interest

Advancing Australia's Trade Interest – commits the Coalition to continue to act in the best interests of our exporters through pursuing market access and trade opportunities wherever they exist across the world. We will increase our bilateral efforts, encourage market diversification and protect our interests using World Trade Organisation rules. Exporters are big winners from the tax reform package which will provide a \$4.5 billion boost for exporters. More exports means more jobs and better living standards for all Australians.

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Executive Summary

- Tax reform means that exporters will be big winners through a \$4.5 billion reduction in costs. Exports of goods and services will be GST-free.
- Continue to diversify Australia's markets across the world, including through expanding Austrade's overseas network, to provide the greatest opportunities for Australian exporters.

- Commitment to Asia for the long haul through protecting our market share and opening up new opportunities for exporters.
- Maintain and extend the Export Market Development Grants Scheme, focused on assistance to small and medium sized businesses.
- Expansion of Austrade's rural and regional network through opening 18 new TradeStart offices across Australia to assist regional exporters.
- Focus on specialist market access teams in the food, automotive, information industries, and textiles, clothing and footwear sectors. Set up an agriculture trade facilitator.
- Continue bilateral trade efforts to improve market access for our exporters, including in South America, the Middle East and Central Europe.
- Put special effort into APEC's early sectoral liberalisation work where Australia has real commercial interests.
- Push for a new, comprehensive round of multilateral trade negotiations - a "millennium round" - in the WTO to provide greater market access for agriculture, services and industrial exports.

Labor's Record

Thirteen years of Labor failed exporters. Thirteen years of Labor left Australia with a trade policy which neglected key areas of exporters' concerns and efforts.

Labor put all its eggs in the multilateral trade basket. This was at the expense of pursuing important bilateral or country to country trade priorities. This meant that under Labor, Australian exporters missed out on market access in many key markets.

Labor also failed to pursue opportunities across the globe, instead focussing too exclusively on Asia. While we believe that Asia remains a key priority, Labor's policy meant that exporters missed out on extra market access in areas like South America, Mexico and the Middle East. By not pursuing market opportunities wherever they existed, in Asia and beyond, Labor limited the potential of Australian exporters.

Detailed consultations within Australia - with industry and exporters -

to find out where government could best assist was not a priority for Labor, which was more concerned with grandstanding on the world stage. Labor didn't listen to what exporters were telling them.

Labor failed exporters by not addressing domestic economic reform. Labor left a legacy of high interest rates, an inefficient tax system, an inflexible labour market and many other impediments to exporters, handicapping them on world markets.

Labor still does not have answers to the needs of exporters.

Highlights of the Government's Achievements

The Government has had significant market access wins on over 100 priorities since March 1996 which have resulted in real gains for our exporters. The Government tables in the Parliament annually a "Trade Outcomes and Objectives Statement" which sets out clearly our achievements and our market access objectives. A selection of our market access wins is summarised below:

- **Chile:** Agreed to implement a bilateral Trade and Investment Commission, the inaugural meeting of which is scheduled shortly.
- **China:** Assisted in securing Chinese Government operating licences for Australian insurance, banking and legal firms.
- **India:** Bilateral and multilateral negotiations concluded with a commitment to sign a bilateral agreement on a five and a half year phase-out plan for India's quantitative restrictions on the import of 2700 items, including agrifood sectors. This could deliver an increase in Australian exports of \$30 million a year in the short term and as much as \$200 million a year in the longer term. A bilateral Investment Promotion and Protection Agreement was finalised in December 1997, and signed in April 1998.
- **Japan:** Achieved lower sugar tariffs; secured more advantageous rice tender conditions for Australian rice exporters; and secured agreement to import four varieties of Australian citrus on a trial basis. Representations also helped lead to extended hours and additional staff for customs and quarantine inspection at Japanese airports.

- **Malaysia:** Representations ensured that applied wheat and milk tariffs remained at zero. The government also renegotiated the Australia/Malaysia Trade Agreement.
- **Mercosur:** Provisional agreement reached on a Joint CER-Mercosur Customs Compendium and a CER-Mercosur Declaration on Investment.
- **Mexico:** Representations resulted in the removal of a 10% tariff on wool noils and waste, removal of a 10% MFN tariff on coal, modification of Mexico's quarantine restriction on Australian canola seed which will deliver access for Australian exporters to a market currently worth \$230 million. Agreement reached on a Double Taxation Agreement in 1997, which will assist Australian financial services providers in Mexico.
- **New Zealand:** Representations resulted in subsidised electrical compliance testing services ceasing and new charges being introduced to put the New Zealand Government testing laboratory on a commercial footing. The Trans Tasman Mutual Recognition Agreement finalised in April 1998.
- **Philippines:** High-level representations and submissions led to reductions in market access barriers for beef and sugar. The Minimum Access Volume (MAV) for beef was abolished and replaced by a tariff-only regime, effective 22 January 1998. Australia succeeded in securing in-principle Philippines backing for access to the 'closed' Philippines sugar market, involving increased sugar import volumes from Australia in exchange for technical assistance. Details are being settled in industry-to-industry discussions.
- **Russia:** Achieved significant progress in negotiations for an Investment Promotion and Protection Agreement and a Double Taxation Agreement.
- **South Africa:** Draft Double Taxation Agreement initialled in September 1997, to be finalised shortly.

- **Taiwan:** Through Taiwan's application to join the World Trade Organisation, negotiated market access for stone and citrus fruit, apples, beef and other products worth over \$30 million initially and over \$500 million when Taiwan joins the World Trade Organisation.
- **Thailand:** Representations assisted in reducing tariffs for icecream and other edible ice (from 45% to 30%), anhydrous milk fat (from 19.8% to 5%), cheese (reducing at 3% per annum from 51% in 1997). The Government also assisted an Australian insurance firm to secure an operating licence.
- *Targetted sectoral promotions produced impressive results, particularly in Asia and Europe:*
- **information technology:** Singapore (\$50 million in new exports), Germany (\$200 million).
- **food products:** Japan (\$20 million), Hong Kong (\$14 million), Taiwan (\$9 million), Indonesia (\$20 million).
- **building and construction:** Hong Kong (\$23 million), Republic of Korea (\$3 million), Singapore (\$8 million) and Vietnam (\$35 million). The Government also assisted Australian firms to prequalify for infrastructure projects in Hong Kong and Singapore.
- **marine vessels:** high-speed passenger ferries were sold to Italy (\$50 million), Argentina (\$150 million), and Spain (\$55 million).
- *Investment efforts led to:*
- new German investment of \$250 million in finance and health care, and new French investment of \$1.4 billion across a variety of sectors.
- inwards investment of over \$1.5 billion in 131 projects was facilitated by Austrade, generating over \$500 million in exports and over 4,000 new jobs.
- *The Government supported Australian companies in their export efforts:*
- over 1,500 companies were assisted into their first export market by Austrade.

- over 5,400 exporting companies were assisted by Austrade to enter new markets.
- the Government, through Austrade, helped Australian companies participate in 220 international trade fairs promoting the full range of Australian exports to the world.
- the Government established a range of activities to ensure that companies from throughout Australia, including regional areas, can derive export benefits from the Sydney 2000 Olympic Games. This includes establishing Business Club Australia to help Australian companies link with international business visitors in the lead up to, and during, the games.

Policy

A Trade Means Jobs

Australia's exporters are facing a challenging trade environment. The Liberal-National Coalition Government will continue to make every effort to protect and promote our trade interests in the face of the economic downturn in Asia, increased global competition for markets and the still un-level international playing field faced by competitive Australian businesses.

We will do this because, quite simply, trade means jobs. One in five Australian jobs depends on exports.

Trade creates more jobs and better jobs for Australians. Trade helps create better standards of living for families, both in the cities and in regional and rural Australia. And it means more opportunities for those Australians who want to get out there and give exporting a go.

The Liberal-National Coalition Government is doing its utmost to ensure that our exporters get as fair a deal as possible.

We have more than met the commitments we made to all Australians, and to exporters in particular, in our 1996 trade policy *Meeting the Challenges*. We have honoured our commitment to be open with the Australian people on trade, describing our achievements, objectives and policy directions in the comprehensive annual *Trade Outcomes and Objectives Statement*, tabled in 1997 and 1998 in the Australian Parliament.

B TAX REFORM

Exporters will be big winners from the tax reform package. It will help tilt the un-level playing field by \$4.5 billion in favour of exporters. Exports of goods and services will be GST-free. The GST will reduce the cost of producing exports by removing the hidden taxes of the wholesale sales tax, financial institutions duty, debits tax and some stamp duties. This is worth \$4.5 billion to exporters. Reductions in diesel and petrol excise will also significantly reduce costs for rural and regional exporters. And the Export Market Development Grants (EMDG) scheme stays. These reforms will help create more jobs in industries vital to Australia's future.

C Record Exports

We have set in place a pragmatic and results-oriented trade policy

which is delivering real benefits to Australian exporters. In 1997-98 we had record exports of goods and services - up 8.2% to an impressive \$114 billion, compared to the previous year. And as exports during the 1996-97 financial year were already at record levels, this year's efforts by our exporters are even more impressive given the problems in parts of Asia over the last year.

D Diversifying Our Markets

The Government is committed to Asia for the long haul. We realise that many of our exporters are doing it tough there at the moment and we will do all we can to protect our market share, open up new opportunities for exporters, and protect the 750,000 Australian jobs that depend on exports to East Asia.

The Government's economic reforms mean that the Australian economy is more competitive and is facing the Asian crisis from a position of strength. In addition, in direct response to the Asian crisis we have expanded our trade credit insurance for exporters to South Korea (by \$500 million) and to Indonesia, contributed to all three IMF packages in Asia, set up special assistance through Austrade, and consulted extensively with exporters about how we can best help them.

But it is not all bad news in Asia. In 1997-98, exports to Japan were up 14%, Taiwan up 15% and Hong Kong up 33%. Australian exporters are obviously in there making the most of opportunities wherever they exist.

Since our election to Government in March 1996, the Liberal-National Coalition has honoured its commitment to diversify Australia's markets and more actively pursue bilateral trade opportunities. This strategy is paying dividends. Together with Australia's strong domestic economy, the diversification in markets since March 1996 means that we are well placed to weather the Asian financial difficulties. For example, in 1997-98, exports to the USA grew by 40%, Italy was up by 29%, Netherlands up by 41%, United Arab Emirates up by 60% and Turkey up by 66%.

The Government will continue to take action to diversify markets and increase opportunities for Australian exporters beyond Asia.

Not only will we put the right policies in place, but we will harness the resources of the Department of Foreign Affairs and Trade and Austrade to the benefit of all Australians.

E Expanding The Overseas Network

Austrade already has representatives in 105 offices in 59 countries around the world to assist Australian exporters in very practical ways to find new markets, sell new products and services, and seize new opportunities. In the past two years, Austrade has helped hundreds of companies into export and indications are that the numbers are growing. The Department of Foreign Affairs and Trade has 79 posts which also assist Australian business and vigorously promote our trade policy interests.

Over the next four years, the Government will spend \$9.064 million (allocated in the 1998/99 Budget) to expand Austrade's overseas network through:

- Establishing a new Andean network in north western South America, centred on a new trade consulate in Lima, Peru. This new post will aggressively pursue opportunities for Australian business in the dynamic markets of South America and help Australian companies gain a competitive edge.
- Upgrading representation in Buenos Aires, Argentina by the appointment of a Senior Trade Commissioner to the post to capture the growing trade and investment opportunities in Argentina and its region.
- Expanding Austrade's network in the Middle East. A Senior Trade

Commissioner will be appointed to Cairo to capitalise on the substantial opportunities in civil engineering, water management, land reclamation, dry land farming and low cost housing in the New Valley project in Egypt. A senior consultant will be appointed in Abu Dhabi to take advantage of the opportunities for Australian business in the oil and gas sectors.

- Opening a new trade consulate in Bucharest, Romania to further develop export opportunities to the growing markets in Central and Eastern Europe, including in particular meat and primary products.
- Establishing a Europe Rapid Response Centre in Milan, Italy to enhance and improve Austrade's service delivery for new clients to Europe by providing a cross-market perspective across Europe. It will be the central point for services such as market assessments for businesses new to export and investment in Europe.

The Government will also be opening a new Australian Embassy in Abu Dhabi in the United Arab Emirates, reflecting the importance of our trade with the Middle East. Last year, Australian exports to the United Arab Emirates increased by 60% to a record \$1 billion.

F Exporting Begins At Home - Our Commitment To Rural And Regional Australia And Smes

The Liberal-National Coalition Government recognises that often small and medium sized enterprises (SMEs), particularly in rural and regional Australia, need a hand to get into exporting.

But SMEs are to be congratulated on the effort they have made to become exporters. Over half of all exporting firms are small businesses with fewer than ten employees.

The Government will continue and enhance its commitment to small business, particularly in rural and regional Australia.

(i) The Export Market Development Grants (EMDG) Scheme

The Government reaffirms its commitment to maintain and extend the Export Market Development Grants Scheme.

We have committed \$300 million over two years to extend the EMDG

Scheme to 2001-02 (in the Government's response to the Mortimer review). Under this Government, for the first time the tourism industry became eligible for equal access to the scheme. More SMEs are now eligible for EMDG grants as we lowered the expenditure threshold from \$30,000 to \$20,000. Over 200 SMEs received grants this year as a result of this change. In addition we simplified eligibility criteria and categories of expenditure to better target available assistance for maximum export benefits.

The EMDG Scheme is delivering real benefits to exporters. In 1998, each eligible exporter received 100% of their claim for assistance. This was worth an average of \$47,056 to each of the 2,933 exporters assisted by EMDG.

(ii) An expanded rural and regional network

The Government has established a new Austrade program - *TradeStart* - which will improve services to new exporters in regional and rural Australia. We have committed funding of \$2 million over four years to TradeStart (in the Government's response to the Mortimer review).

TradeStart offices will work with local companies that have the potential but are yet to start exporting. Easier access will be available to Austrade's information and counselling services for new exporters, and there will be better coordination of the delivery of export services in rural and regional centres.

TradeStart offices will work in conjunction with the newly refocused and extended Export Access program. This is an Austrade program which is outsourced to industry associations and is aimed at starting SMEs on the road to successful export. The Government has increased Export Access' focus on regional and rural Australia and on the information technology industry, and has allocated an extra \$11.4 million over four years to this program (in our response to the Mortimer review).

(iii) The Government is committed to opening 18 new TradeStart Offices

TradeStart offices have been already opened in NSW (Coffs Harbour, Wagga Wagga, Bathurst, Nowra, Tamworth and Gosford), in Queensland (Rockhampton, Cairns), in Victoria (Ballarat), in South Australia (Berri), in Western Australia (Geraldton and Albany), in the Northern Territory (Darwin) and in Tasmania (Launceston).

In addition, in 1998 the Government will be opening TradeStart

offices in:

- Wangaratta (Vic)
- Mt Gambier (SA)
- Bundaberg (Qld)
- Toowoomba (Qld)

G Sectoral Effort

The Government is also committed to assisting Australian businesses on a sectoral basis to gain access to markets and increase their exports. We believe that more focussed and coordinated effort on a sectoral basis will deliver even better results. We have developed a new approach by setting up specialist teams in the Department of Foreign Affairs and Trade devoted to particular sectors.

These teams will coordinate the broad range of government activities and liaise closely with business to develop priorities, strategies and actions for each sector.

- The Government has committed \$1 million for an automotive market access facilitator, and \$20 million for an Automotive Market Access and Development Strategy.
- The Government has established specialist market access teams in the Department of Foreign Affairs and Trade to focus on the food sector; information industries; textiles, clothing and footwear; and the automotive sector.

Our commitment to assisting the Australian food sector to become the premier supplier to Asia has found expression in the establishment and continuing efforts of the *Supermarket to Asia Council*. Focussing on a Quality Food Australia Marketing and Promotion Programme and opportunities on-line and in electronic commerce, the council is working to expand food exports.

The Government will also establish an agricultural trade facilitator within the Department of Foreign Affairs and Trade. We place a high priority on developing our agriculture exports and in pursuing the removal of agriculture trade barriers. Through the Cairns Group and the World Trade Organisation, the Government has been at the

forefront of negotiations to secure enhanced market access for agriculture, remove subsidies and seek reforms of the European Common Agricultural Policy. We believe there is scope to further coordinate these efforts, through enhanced consultation and joint action with the rural industries sector on agricultural trade.

H The International Un-Level Playing Field

The Liberal-National Government has refined our trade strategies towards Asia and beyond to achieve real results for Australian business through market access negotiations, market development and trade promotion. The Government realises that the world is still a long way from having an international level playing field for trade and we will continue to fully utilise our three arms of trade policy - bilateral, regional and multilateral - to achieve the best results we can for Australian exporters.

The Government believes that opening up international markets for trade and investment offers the best opportunities for our businesses to grow. Many Australian industries are at the global cutting edge in terms of competitiveness and productivity. And their experiences are showing the very real benefits that are gained by companies and individuals from the reduction of tariff and trade barriers, both at home and abroad.

Over the past ten years, the average Australian family has saved more than \$1000 annually from tariff reductions.

If 1988 tariffs still applied in Australia, imported cars would cost about 25% more and imported clothes and shoes would cost 14% more.

We have been active in explaining to the Australian community the benefits to them of trade liberalisation and we will continue our efforts to do this.

The Government has recently rectified a Labor failure by putting in place a safeguard mechanism. Under World Trade Organisation (WTO) rules, we are entitled to hold inquiries into allegations of serious injury to domestic industry as a result of increased imports. The Productivity Commission will conduct investigations consistent with our rights and obligations under the WTO. The first inquiry is investigating allegations of serious injury to the domestic pigmeat industry.

The Government has in place a hard-headed strategy to achieve results

for Australian jobs and Australian living standards.

(i) More effort to the bilaterals

We will continue to give our priority to bilateral - or country to country - trade efforts. We have set up, for the first time, a Market Development Taskforce which focuses on short-term objectives for bilateral market access and promotion, and coordinates government activity. The emphasis is on practical outcomes of direct and immediate benefit to business. Since its establishment, the Market Development Taskforce has achieved success or progress on around 100 priority market access cases. The Government will continue to regularly update the Taskforce's priorities through close consultation with business.

In the light of the Asian crisis, we will be expanding our bilateral market access and development efforts across the globe, and raising awareness within Australia of these opportunities. We will select a range of key markets on which to focus, including in South America, the Middle East and Eastern Europe. We will also put special effort into protecting our trade interests in Asian economies affected by the downturn, as well as identifying new opportunities for Australian exporters and investors in these and other markets.

(ii) The importance of regional efforts

At the regional level, the Government remains fully committed to achieving tangible trade and investment gains for Australia and the region through the Asia Pacific Economic Cooperation (APEC) forum. Australia has always played a unique and leading role in APEC and the Government will continue that momentum.

We are proud of the leading role we played in securing APEC's agreement last year to the early liberalisation of 15 sectors worth more than US\$800 billion in intra-APEC trade.

Australia has significant commercial interests in this early sectoral liberalisation and we will continue to put special effort into ensuring that this process remains on track and delivers for Australian exporters.

We will advance the Prime Minister's APEC initiative to promote financial market reform in the region through stronger governance structures and improved training of regional government officials.

We will also continue to push for further improvement of the Individual Action Plans for regional trade liberalisation, as well as

APEC's projects on electronic commerce and the benefits of trade liberalisation.

Our regional efforts do not stop at APEC. Through our free trade agreement and partnership with New Zealand (CER), the Government will devote further effort to strengthening links with the South American Mercosur countries and the ASEAN Free Trade Area. We will also devote special attention to regional trade and economic cooperation in the Indian Ocean region.

(iii) Our push towards a "millennium round"

The next few years will also be critical ones for multilateral trade negotiations through the World Trade Organisation (WTO). The Government strongly supports a new, comprehensive round of multilateral trade negotiations - a "millennium round" - as we believe that this approach will result in significant gains for Australian exporters and for world trade more generally.

The Government places a priority on ensuring that mandated agriculture and services negotiations commence in 1999 and 2000 respectively, and good progress was made at the May WTO Ministerial Meeting towards new negotiations on industrial tariffs. We believe that such negotiations need to be conducted in an expeditious manner so there are early gains for exporters.

Australia stands to benefit enormously from further liberalisation in these sectors. The Government has estimated that the outcomes from the last multilateral round - the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) - will add about \$5 billion a year to Australia's income when all the commitments are fully implemented. This means more opportunities for our exporters and more jobs for Australians.

There are a range of WTO activities in which the Government will continue to actively participate for Australia's benefit. We will continue to vigorously chair the Cairns Group and its leading role in world agriculture negotiations.

We are committed to using the WTO's dispute settlement mechanism to vigorously protect and pursue our trade interests in accordance with international rules. The Government will also pursue the very real market access gains to be had through the negotiations for WTO accession currently being conducted with 32 countries.

And as they arise, we will participate in other WTO negotiations

which serve Australia's interests. For example, the recent WTO negotiations on the Information Technology Agreement saw tariff reductions which, by industry estimates, could add \$400 million a year to Australian telecommunications exports. The WTO negotiations on basic telecommunication services and financial services, in which Australia participated, have opened global markets worth billions of dollars. This means significant new export and investment opportunities for Australian exporters, and as a result more jobs growth at home.

Conclusion

Australia has too few people to consume all that this large country produces. Our ability to trade and to expand our exports is critical to providing Australian jobs and improving the living standards of all Australians. Trade and investment, together with our sound domestic economic policy settings - low inflation, low interest rates and solid economic growth, are providing a more secure and prosperous future for each and every Australian.

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