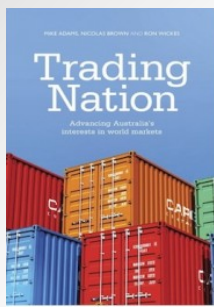


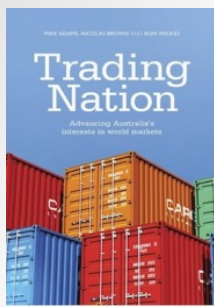
History of Australian Trade Policy: Trade Negotiations

**Presentations to DFAT Graduate trainees
23 and 29 April 2014**



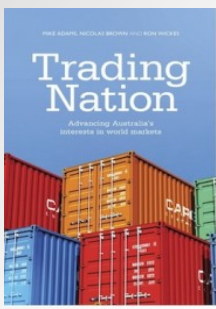
Contexts

- *World trade – strong growth since the Second World War*
 - *new technologies*
 - *emphasis on manufactures in world trade*
 - *emergence of services trade*
 - *huge increase in stock of global FDI*
 - *The rise of East Asia*
- *Australia's trade*
 - *exports of commodities in exchange for manufactures*
 - *Emergence of services*
 - *Outward as well as inward foreign investment since 1990s*
- *The institutional architecture, especially GATT, then WTO*



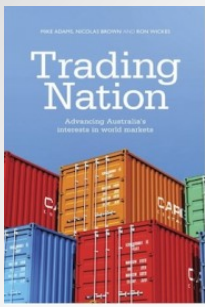
The GATT and the WTO

- *GATT (General Agreement on Tariffs and Trade) succeeded in 1995 by the WTO (World Trade Organization)*
- *Massive changes over 65 years*
 - *1947 Geneva Round involved 23 countries -12 developed economies*
 - *In 2014, there are 159 members of the WTO – the vast majority are developing economies*
- *Multilateral rounds decided by consensus*
 - *GATT & WTO rounds have involved small groups that thrashed out issues that were then put to the wider membership*
 - *But the ‘single undertaking’ (‘nothing is agreed until everything is agreed’) which applied in the Uruguay and Doha Rounds, became impossible to achieve in the Doha Round*
 - *Though some flexibility available through ‘special and differentiated treatment’ for developing countries, especially least developed countries*



Australia's negotiating priorities Up to 1980

- **Multilaterally**, Australia could give little and gained little
 - Could offer little because of 'protection all round'
 - Worked in the GATT to retain autonomy to set tariffs
 - Gained little because rising agricultural protectionism in developed countries meant little was available
 - Frustration => Australia threatened to leave the GATT in the 1960s
- **Bilaterally and regionally** – growing focus on the Asia Pacific
 - **The 1957 Australia-Japan Commerce Treaty**
 - exchanged most favoured nation (MFN) treatment



Australia's negotiating priorities

Since the 1980s – opening the economy

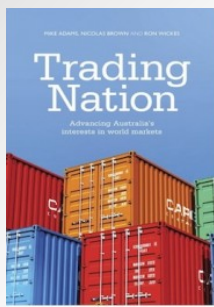
Multilateralism – an article of faith in the 1980s and 1990s

- *Australia very active across the Uruguay agenda, especially on agriculture*
 - *The Cairns Group gave Australia negotiating credibility*
 - *Capping and winding back export subsidies the key outcome*

In the Doha Round (from 2001) there was a rebalancing of priorities across agriculture, manufactures, services and trade facilitation

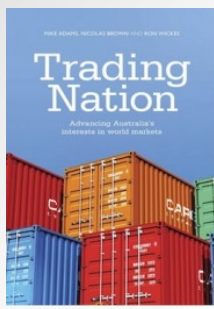
Regional & bilateral negotiations have become increasingly prominent

Less emphasis on tariffs, more emphasis on behind-the border issues



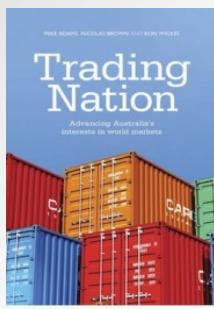
The DOHA Round

- *The Doha Development Round has gone on for longer than any of the previous rounds*
- *Not successful because:*
 - *Defensive interests outweighed offensive interests*
 - *Greater complexity because of increased membership*
 - *EU, the United States **plus** China India and Brazil*
 - *Lack of leadership from the United States*
 - *Emerging economies unwilling to give ground, especially on agriculture*
- *December 2013 outcome, which focused on trade facilitation, was welcome but well short of the original mandate*
- *Other issues (services, IT, environmental goods) to be advanced plurilaterally*



Australia's move to FTAs

- *Interest grew in the 1990s*
 - *East Asia Financial Crisis and failure to launch a WTO round in 1999 heightened regional interest in FTAs*
 - *Regional economies, led by Singapore, launched negotiations with key trading partners*
- *Driven by need for assured access to key markets*
 - *Threat of US tariff retaliation over subsidies to Howe Leather & US safeguard action on lamb affected the trade relationship*
- *Increasing emphasis on regional 'mega agreements'*
 - *AANZFTA, TPP, RCEP*
- *Agreements also have a development dimension*
 - *AANZFTA, IA-CEPA, PACER-plus*



The impact of FTAs

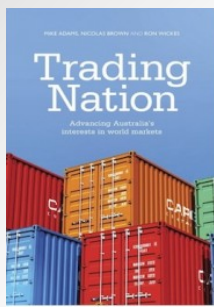
Impacts of FTAs the subject of vigorous debate

- *Weaken or support multilateral liberalisation?*
- *Increase trade and investment flows or divert trade?*

Evidence is hard to evaluate

- *Economic modelling cannot capture all effects*
- *But utilisation of FTAs looks to be quite high*
- *Benefits often sold in mercantilist language*

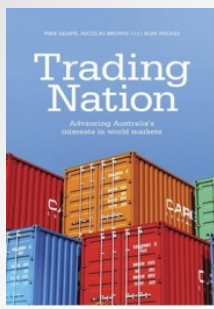
What FTAs can and cannot do must be explained better



Conclusions (1)

Interdependencies between trade negotiation agendas, domestic policies and national politics

- *Domestic policies determine what diplomacy can achieve*
 - *Economic reform gives substance to trade negotiating agendas*
- *Trade negotiations need to contend with and reconcile domestic and foreign interests*
 - *Intrusion of foreign policy?*
 - *Highlights need for 'whole of government' approaches*
- *Negotiating Coin*
 - *Has been a reality of trade negotiations for a long time*
 - *Consequence of protectionist domestic political pressures*
 - *But is increasingly discredited*
- *Free trade agreements?*
 - *– or economic partnership / cooperation agreements?*



Conclusions (2)

- Regionalism does not have to be at the expense of multilateralism – nor should it be
 - Bilateral and regional trade agreements, especially ‘Mega-FTAs’, can set benchmarks for multilateral agreements
 - It is very much in Australia’s interest to support the global trading system with the WTO at its centre
- Trade negotiations need to be supported by public diplomacy