Speech by

The Hon Mark Vaile MP

Deputy Prime Minister
Leader of The Nationals
Minister for Trade

The Institute for International Trade

Future Trade Opportunities for Australian Business

3 August 2006, Adelaide
(Check Against Delivery)
Introduction

It’s a pleasure to be here today to talk about future trade opportunities for Australian business.

I’d like to congratulate Andy (Stoler) and Jim (Redden) for your hard work and advocacy on international trade issues. This institute plays a crucial role in arguing for an open trading system and in dispelling the many myths about trade. We also value the partnership between the institute and the Government on capacity building in the region.

Your advocacy has become even more important, given the suspension of the WTO Doha Round negotiations.

The suspension is essentially because of disagreements about how far agricultural trade should be freed up, and is a major disappointment.

The future of the Doha Round is now very uncertain and we need to take a hard-headed look at where things stand. But I am far from accepting that the Round is dead.

My intention in the coming weeks and months is to do all I can to get the negotiations moving again. Australia’s commitment to the Doha Round remains strong because a comprehensive WTO Round is the best way to deal with the key distortions to world trade, particularly the subsidies and access barriers that beset agriculture.

I am certainly not underestimating the difficulties of the task. But we have made important progress since the negotiations began in late 2001. My sense is that a good outcome is still possible.

It is worth underlining that when the negotiations were suspended, we had a clearer understanding of the issues than ever before. The critical gaps did not seem impossible to bridge.

So why are the negotiations stuck? The simple but familiar answer is that rich WTO Members do not want to substantially open their agricultural markets. The European Union’s offer to cut agricultural tariffs by 51 per cent might sound reasonable, but its tariffs are so high that it would make very little difference. Carve-outs for sensitive products would have weakened the result further.

The bottom line is that we will only reach a consensus when we have an outcome that delivers substantial new trade opportunities.

In the same way, domestic farm subsidies must be reduced further. The WTO has already agreed to eliminate agricultural export subsidies. An ambitious package on agriculture should allow us to deliver much more on industrial products and services.

A comprehensive WTO round is a long-term endeavour but one that can offer the deepest and broadest reform. Fixing the Round will require greater trust between developed and developing countries and a more significant contribution from both sides. It will require a renewed focus on the link between economic development and trade reform.
I have already been in contact with a number of other ministers and with the head of the WTO, Pascal Lamy, about how to get things moving again. The outlook is complicated by the expiry of the US Administration’s trade negotiating authority and a number of upcoming elections. It is now very uncertain how long it will take to deliver a worthwhile outcome from Doha. But we need to keep trying with a view to having a clearer picture of what might be possible by the end of the year.

The 20th anniversary Cairns Group ministerial meeting in Cairns in late September will be an important early opportunity to reaffirm our commitment to the Doha Round and to discuss how to revive the negotiations. Pascal Lamy and ministers from the United States have indicated that they will attend.

We are hoping that the meetings in Cairns will oil the wheels of our efforts to resume the Doha negotiations as soon as possible.

Australia will also be looking to use other opportunities to discuss the Doha Round, including the annual APEC meetings to be held in Vietnam later this year.

Of course the WTO is more than just the Doha negotiations. Existing WTO rules govern most global trade.

The WTO’s dispute settlement system provides the means to enforce these rules, as Australia did when we took on the EC’s sugar regime and won. Maintaining strong support for the existing framework of trade rules must be a high priority.

The delay in finalising Doha is already leading countries to look at what else they can do. We can expect to see careful scrutiny of possible new WTO dispute action designed to remove trade barriers, especially on agriculture.

Delivering a comprehensive WTO round remains our highest trade policy priority. But it is also important that we look forward to what strategies we might pursue after the round. There might be value, for example, in thinking about what could be agreed between groups of more ambitious countries on specific issues, which could then be extended on a most favoured nation basis to all WTO members.

**Free Trade Agreements**

The Government will continue to pursue trade opportunities for Australian companies through high quality free trade agreements.

Our FTA agenda has always been secondary to our preference for multilateral liberalisation. But we can do two things at once. And I’m very glad that we have pursued FTAs, because without them Australian business could be facing the prospect of no market opening for years – as well as deteriorating access in those markets where third countries had negotiated preferential access through their own FTAs.

Instead, in addition to our long-standing closer economic relationship (CER) with New Zealand, we have now concluded three FTAs – with the United States, Singapore and Thailand – all of which are showing tangible benefits for business.
Under the USFTA, Bega started shipping cheese in 2005 after the agreement was signed and prohibitive tariffs were removed. Cheese exports increased 90 per cent in the first year. With lower tariffs and increased quotas, dairy exports are up 47 per cent and lamb and mutton are up 19 per cent. Port Lincoln tuna processors will soon be launching Australian canned tuna in US supermarkets, following the removal of the 35 per cent tariff on canned tuna.

Our exports to Singapore and Thailand have grown strongly since those two agreements were signed. In Singapore, Australian service providers are doing well. The University of NSW will open the first comprehensive foreign university campus in Singapore next year. And our accountants can be admitted as CPAs in Singapore under a mutual recognition agreement.

Tariff reductions under the Thailand-Australia FTA have seen big increases in Australian exports of dairy products, which are up 75 per cent in the first five months of this year. Thailand has eliminated or halved most of its steel and iron ore tariffs, and exports were up 70 per cent in the first five months of this year. Over 600 Australian companies have registered as active exporters to Thailand under TAFTA.

These examples show that we’re on the right track. And it’s a track that we will continue along, by working towards agreements with China, ASEAN, and Malaysia. We’re also confident that the feasibility study on an Australia-Japan FTA will demonstrate the benefits to both countries of such an agreement. We’re considering an agreement with the Gulf Cooperation Council and we’d also like to pursue an FTA with Korea.

An idea has also been floated for an FTA covering all the countries of the East Asia Summit – ASEAN, China, Japan, Korea, India, Australia and New Zealand.

Our test for whether we enter negotiations will remain as it is today – any agreement should obtain tangible benefits for Australian business. We won’t do an FTA unless it will open markets.

These are not easy agreements to negotiate, so we don’t enter negotiations lightly. In the China FTA and the ASEAN FTA we are looking for lower barriers not only for Australia’s exports of manufactures, agriculture and resources, but also for services. Of course, there will be sensitive sectors on both sides, and we will need to manage each other’s sensitivities. But this does not rule out ambitious outcomes in the long term.

**Trade Performance**

We are pursuing these opportunities because we know that Australia’s economic future is closely linked to our trade performance. And under this Government the trade performance has been very strong.

Australian exports of goods and services grew by 15 per cent in 2005 to $176.7 billion, as a result of both higher volumes and prices. Twelve of our top 20 goods and services exports reached record levels, including coal, iron ore, natural gas, education services and wine.

Forecasts continue to point to robust world growth this year, so we can expect our trade to continue to grow and particularly in the energy sector where prices are likely to remain high.
Australia faces a unique opportunity to develop into an energy powerhouse – the Saudi Arabia of the 21st century.

This transformation is already underway. Our energy exports last year rose by 50 per cent to over $36 billion. By 2006-07, we expect them to grow to $46 billion.

There’s no reason the growth should stop there. Over the next 30 years the world’s oil consumption is forecast to grow by 53 per cent and electricity consumption will grow by more than 80 per cent.

We are already the world’s largest coal exporter and industry forecasts suggest we will become the second largest exporter of LNG by 2015. We have almost 40 per cent of the world’s low cost uranium reserves and we are the world’s second largest uranium producer after Canada.

The prospects for our exports are limitless – but we have to make sure that Australian companies can take advantage of the opportunities that we secure.

**Trade promotion**

That’s why the Government is actively promoting Australian exports through Austrade.

Austrade has a global network covering more than 140 locations in over 60 countries as well as throughout Australia. Preliminary figures show it helped over 5,000 companies achieve export deals worth over $18 billion in the last 12 months.

This network has a broad agenda, promoting Australian products and services to the world; but let me highlight three areas that we are focusing on:

First, to take advantage of the FTA with the United States, we have appointed 30 new Austrade export facilitators – 23 in the US and 7 in Australia. We’re now represented in 18 US cities. Austrade’s US Government team, based in Washington DC, is assisting Australian companies take advantage of Australia’s new access to US government procurement markets.

Second, to take advantage of opportunities in China, we have expanded the China network with four new regional offices, giving us a presence in 15 locations and what we call trade correspondents in 12 more places. In total, we now have 100 staff in China. In 2005-06 – according to preliminary figures – Austrade helped over 650 Australian businesses conclude deals in China, including over 200 new exporters.

Third, we retain our focus on supporting new and existing exporters – and particularly small and medium sized firms – through the New Exporter Development Program, Trade Start and the Export Market Development Grants scheme. EMDG has been extended until mid 2011.

Our Export Hubs program focuses on regional Australia – the hub in Port Augusta is one of eight around the country and has been working with businesses in the Upper Spencer Gulf region. One such business is Berryd Opals, which has benefited from tariff cuts on gems to the United States as a result of the USFTA and has also been nominated for an Upper Spencer Gulf Export Award.
Conclusion

So in conclusion, we are using all the tools we have to advance Australia’s trade interests and create opportunities for Australian business.

The WTO and the Doha Round remain Australia’s highest priorities, but we are continuing to pursue high quality FTAs, and we are supporting Australian businesses as they take advantage of export opportunities.

Ideally, we’ll be able to get the Doha Round restarted and concluded, and we’ll be able to conclude FTAs with more of our major trading partners.

These strategies are in no way contradictory – they’re complementary and we can do both at the same time.

We will continue to campaign for open markets; we will continue to push for a successful outcome to the Doha Round. Our arguments are strong and they will ultimately prevail.

Thank you.