



about Australia

international trade policy—free trade agreements

- Australia maintains an active and diverse international trade policy agenda which combines multilateral, regional and bilateral strategies to break down world barriers to trade, maintain its export competitiveness and gain new market opportunities.

Australia's trade policies are equally based on structural economic reforms to improve its international trade competitiveness, and initiatives to promote liberalisation of international trade and investment rules.

The key trade focuses are multilateral trade liberalisation, and reform through the current Doha Round of negotiations in the World Trade Organization (WTO). A successful outcome to these negotiations offers the greatest opportunity to increase Australian exporters' access to overseas markets and improve the competitiveness of Australian exports.

As well as supporting WTO multilateral trade negotiations, Australia seeks to build bilateral and regional strategic partnerships through free trade agreements (FTAs) or other mutual agreements for trade facilitation and cooperation with important trading partners. FTAs can accelerate trade liberalisation and set higher benchmarks for the multilateral system.

Free trade agreements

An FTA is a contractual agreement between two or more parties under which they give each other preferential market access. Bilateral and regional FTAs which liberalise all

sectors and are consistent with the Australian Government's multilateral objectives, are important vehicles for enhancing access to markets and improving business conditions.

Australia's FTAs apply to substantially all the trade in goods between the two parties and also cover trade in services, as well as other non-tariff issues such as the recognition of standards, customs cooperation, protection of intellectual property rights and regulation of foreign investment.

To date, Australia has FTAs with New Zealand, Singapore, Thailand and the United States. An FTA with Chile was concluded in May 2007 and is expected to come into force in January 2009 following ratification by the parliaments of both countries. Negotiations are underway with China, Malaysia, Japan, the Gulf Cooperation Council and ASEAN (jointly with New Zealand). Feasibility studies on FTAs are being undertaken with Indonesia, the Republic of Korea and India. Pacific Island trade ministers have also agreed to consult on a way forward for a free trade area in the Pacific region.

Under WTO rules, FTAs must eliminate tariffs and other trade restrictions on 'substantially all trade' in goods between the member countries and have substantial sectoral coverage in services. The Australian

Government considers that FTAs should be comprehensive in scope and scale of liberalisation in order to maximise their contribution to strengthening the multilateral trade system.

Australia's free trade agreements

The **Australia New Zealand Closer Economic Relations Agreement (ANZCERTA)**, which was concluded in 1983, was the successor to a more limited FTA between the two countries that dated back to the 1950s. The WTO regards ANZCERTA as a model free trade agreement as it is a comprehensive arrangement covering almost all aspects of the bilateral trade and economic relationship. Under the agreement, both countries have simultaneously lowered their most favoured nation tariffs in parallel with reductions in preferential rates. As well as underpinning bilateral trade in goods and services, ANZCERTA is the umbrella for close collaboration across many issues of trade significance, including quarantine, transport, regulatory and product standards and business law issues. Since ANZCERTA came into effect in 1983, bilateral trade in goods and services has increased by more than 600 per cent to \$21.5 billion in 2007.

The **Australia – United States Free Trade Agreement (AUSFTA)**, which came into effect in January 2005, aims to boost Australia's trade with the world's largest and most dynamic economy. It covers goods, services, investment, government procurement, competition-related matters and other issues. The United States is Australia's major economic partner. In 2007, overall trade in goods and services stood at nearly \$47 billion. The investment relationship exceeded \$760 billion in 2007, and was Australia's

largest by some way. The US is Australia's most important export market for services. Australian services exports to the US grew by 4 per cent in 2007 to \$5.8 billion.

The **Thailand–Australia Free Trade Agreement (TAFTA)** also came into effect in January 2005 and established new opportunities for Australia to work towards greater economic integration with the second-largest economy in South-East Asia. More than half of Thailand's 5000 tariffs—accounting for nearly 80 per cent of Australian exports—were eliminated when the agreement entered into force. Many of these tariffs were very high. Tariffs which were not immediately eliminated are being phased out and 95 per cent of all current trade between Australia and Thailand will be completely tariff free by 2010. Virtually all Thai tariffs on Australian imports will be eliminated by 2015. Two-way trade with Thailand grew to \$14.7 billion in 2007, up from \$7.5 billion in 2003–04 (the last financial year before TAFTA came into force). Australian exports to Thailand rose from \$3.1 billion to \$5.2 billion over the same period.

The **Singapore–Australia Free Trade Agreement (SAFTA)** entered into force in July 2003. Singapore is one of Australia's largest trading partners, with Australian exports of goods and services to Singapore worth \$7.2 billion in 2006–07. The benefits of SAFTA are largely concentrated in the services sector and in investment as Singapore has virtually no tariffs. In the three years to 2007, Australia's services exports to Singapore expanded by 36 per cent to over \$3 billion.

In May 2008, Australia and Chile concluded negotiations for an FTA which is expected to enter into force in 2009 following ratification by the parliaments of both countries. This is Australia's first FTA with a Latin American country. Two-way trade is currently more

than \$850 million a year and Australia has investments worth US\$3 billion in Chile. Under the FTA, tariffs will be eliminated on 97 per cent of existing merchandise trade upon entry into force, and all existing goods trade will be liberalised by 2015. Australian businesses have a strong presence in Chile's growing mining and energy sectors and there are expanding opportunities in Chile for Australia's meat and dairy industries and services companies.

Current free trade agreement negotiations

Australia is currently negotiating FTAs with China, Malaysia, Japan, Chile, the Gulf Cooperation Council and the 10 ASEAN countries (jointly with New Zealand).

China

The first round of negotiations with China was held in May 2005 following consideration by both governments of a joint FTA feasibility study. The study concluded that an FTA would deliver significant economic benefits to both countries. Australia and China share a booming economic and trade relationship — worth \$58 billion in two-way trade in 2007 (Australia's largest two-way trading relationship). While trade and economic relationship with China is already growing fast, a high-quality FTA would be advantageous for both countries. Negotiations stalled in 2007–08 but were revived following a visit to China by the Australian Prime Minister, Kevin Rudd, in April 2008. FTA negotiations are continuing.

Japan

Negotiations with Japan began in April 2007 following the conclusion of a joint government study on the feasibility of a bilateral FTA. The study concluded that a comprehensive and WTO-consistent FTA between Australia and Japan would bring significant benefits to both countries. Since then, five negotiating rounds have been held. Japan is Australia's single largest export market for goods and services worth \$34.6 billion. FTA negotiations are continuing.

ASEAN

Negotiations began in early 2005. ASEAN is a large and growing market of over 560 million people with a combined GDP of over US\$1 trillion. The group is an important trading partner for Australia with two-way trade in goods and services accounting for almost 12 per cent of Australia's total trade in 2007. In contrast, Australia's investment links with ASEAN are small, with ASEAN attracting only 3.4 per cent of Australia's foreign direct investment as at December 2006. A good FTA outcome will serve the interests of all countries, including by contributing to ASEAN's goal of economic integration, boosting regional trade and attracting more foreign investment. The FTA negotiations are continuing.

Gulf Cooperation Council

Negotiations with the Gulf Cooperation Council (GCC) began in July 2007 (the GCC comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates).

The GCC is Australia's 10th-largest export market, with exports of goods and services to the GCC worth \$6.2 billion in 2007. It is by far our largest automotive market and an important market for our services, agricultural and metals exports. Some useful progress has been made in the negotiations held to date.

Malaysia

Negotiations were launched in April 2005. Malaysia is a very important economic partner and regional neighbour for Australia with two-way trade valued at \$10.5 billion in 2007. There have been four rounds of negotiations and 13 inter-sessional meetings since FTA negotiations began in 2005 and progress has been made in some key areas.

Note: Unless otherwise stated, all dollar amounts are in Australian dollars. The term 'billion' means 'a thousand millions' (one billion therefore equals 1 000 000 000); the term 'trillion' means 'a million millions' (one trillion therefore equals 1 000 000 000 000).

Further information

www.dfat.gov.au/trade

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