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TRADE POLICY REVIEW

AUSTRALIA

Report by the Government

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by the Government of Australia is attached.

Note: This report is subject to restricted circulation and press embargo until the end of the meeting of the Trade Policy Review Body on Australia.

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AUSTRALIAN GOVERNMENT POLICY STATEMENT

1. Since the mid-1980s, Australia has undertaken significant economic deregulation and reduced trade barriers substantially. Globally, it has been a strong advocate for trade and investment liberalization. This commitment to liberalization and reform has continued since the last Trade Policy Review of Australia in 1994.

2. In a globalizing world, Australia's economic well-being and growth depend on healthy domestic economic settings and open international markets. In this context, the Government is committed to creating a more productive and outward-looking economy, while at the same time supporting an open international trading system. Trade and investment policy, industry policy and microeconomic reform go hand in hand in providing Australian business with the competitive foundations and market opportunities to thrive in an increasingly globalized world.

3. The Australian Government's 1997 White Paper on Foreign and Trade Policy, *In the National Interest*, identifies security, jobs and living standards as the core national interests on which foreign and trade policies are based.¹ It advocates an integrated national approach in developing domestic, foreign and trade policies, and an integrated bilateral, regional and multilateral approach in progressing Australia's trade policy interests. These are covered comprehensively in the Government's annual *Trade Outcomes and Objectives Statement*.²

Australia strongly committed to multilateral trading system and to reducing trade barriers

4. Australia is a staunch advocate of a rules-based, free and open global trading environment. Australia continues to promote trade liberalization at home and overseas, with trade policy strategies designed to achieve the best possible market access outcomes for Australian business. Australia is an active participant in WTO activities and a leader in APEC trade liberalization efforts. Important advances in the past two years have included:

- significant market access gains under the WTO Financial Services negotiations and major improvements in access, transparency and predictability in telecommunications services trade under the WTO Telecommunications Services Trade negotiations;
- APEC agreement to accelerate liberalization of 15 sectors representing over US\$800 billion in intra-APEC trade, including several of major interest to Australia;
- impressive bilateral gains in access for Australian goods and services (especially agrifood) in markets ranging from Asia to Latin America.

5. Australia's own trade policies are open and transparent, and its barriers to trade are among the world's lowest. Australia's general tariff rate on most goods is 5% or less today, compared with 9-12% in 1993. The Australian Government is committed to continued trade liberalization, aiming to meet the APEC Bogor Declaration goal of free and open trade by 2010 (see Part II).

¹ *In the National Interest* is available from <http://www.dfat.gov.au/ini/wp.html>.

² The 1998 *Trade Outcomes and Objectives Statement* is available from <http://www.dfat.gov.au/toos/>.

Industry, labour and taxation policies aim for improved competitiveness and higher productivity

6. Industry policies that complement and underpin Australia's international interests are a central Government priority. In December 1997, the Government adopted an Industry Policy focusing on encouraging innovation, investment and exports to enhance Australian companies' global competitiveness and to increase Australia's attractiveness to foreign investors. Complementing this are labour market reform policies designed to improve productivity and increase employment growth, and tax reform proposals aimed at creating a fairer, less complex taxation system that will increase the incentive to work, save and invest.

1998 Trade Policy Review

7. The 1998 Trade Policy Review of Australia, the third such TPR since 1989, is the first under WTO disciplines. Australia was an early and strong supporter of the Trade Policy Review Mechanism. It continues to support the process as a useful tool to promote and debate the transparency of members' trade policies (and of the multilateral trading system generally) and to promote the WTO's objectives of creating the conditions for a freer and more open global trading environment - objectives that Australia fully embraces and strongly promotes.

8. The 1998 Trade Policy Review is taking place during a period of significant challenges and opportunities for the Australian economy, due to the severe deterioration in trading conditions in much of East Asia - a region accounting for almost 60 per cent of Australian merchandise exports and a similar percentage of international tourism receipts. Indeed, the current financial and economic instability in East Asia has brought into sharper focus the need for effective policies.

9. The Government faces a challenging environment in which to advocate globally open markets and reduced barriers to trade and investment. Asian economic conditions and the ongoing impact of globalization and fast-paced technological change are important factors which will determine growth and the pace of reform over the medium term. These same factors highlight the importance of the rules-based trading system and the need for the WTO to be ambitious and forward-looking.

Weathering East Asian Economic Instability

The substantially weaker growth now in prospect for East Asian economies will adversely affect Australian export performance. However, uncertainty remains about the timing and magnitude of the impact on the Australian economy as a whole. The Government's *1998 Budget Statement*, released on 12 May, projects 1998/99 GDP growth at 3%, compared with 3.75% in 1997/98, as a direct result of the slowdown in East Asia. The domestic economy nevertheless remains strong, supported by positive fundamentals, including the lowest inflation and interest rates in almost three decades, and sound household and corporate balance sheets. Furthermore, the significant turnaround in the fiscal position, from a A\$10.3 billion underlying budget deficit in 1995/96 to a projected surplus of A\$2.7 billion in 1998/99, places Australia on a solid footing. In addition, the depreciation of the Australian dollar against the currencies of the United States, Canada and several European countries gives Australian exporters a competitive advantage.

The effects of slower Asian growth will not be uniform across all export sectors. For example, Australian suppliers of raw and intermediate goods (the bulk of our exports) are expected to suffer fewer negative effects than those producing consumer goods. Australian merchandise exports in the first nine months of FY1997-98 (July 97-March 1998) totalled \$65.7 billion, \$7.8 billion more than in the same period of 1996-97. Exports of goods and services totalled \$85.1 billion, \$8.4 billion more than in the same nine months of 1996-97. Early indications are that, where possible, exporters are shifting from the markets most affected by the crisis to other destinations, including North America, Europe, the Middle East and South Asia.

Australia has responded to problems in the region by providing considerable financial support for IMF-sponsored programmes for Indonesia, Thailand and the Republic of Korea, and additional trade credit insurance, as appropriate, for exporters to Korea and Indonesia. The Government is also pressing - through a variety of bilateral, regional and multilateral fora - for continued trade and investment liberalization in the region.

To assist Australian business to deal with the slowdown in Asia, the Government is providing up-to-date information and practical advice, encouraging companies to position themselves carefully and strategically in the Asian market, and encouraging them to explore opportunities in higher-growth markets outside the region.

10. This paper sets out briefly the main aspects of Australia's trade and investment policies, in the context of the Trade Policy Review. It also addresses a number of issues which have been raised by the WTO Secretariat during the Review process, including savings and taxation policy, the Government's commitment to continued trade liberalization, the extent of government intervention in the economy, the use of incentives to encourage exports and attract investment, and the nature and transparency of anti-dumping and quarantine procedures.

I. Economic Reforms

Domestic Settings

11. Given its small domestic market and its 1.2% share of world exports and imports, Australia must become increasingly globally-oriented if the Government's national objectives are to be met. The overall objective of Australia's economic policy settings is to raise living standards, increase employment and generate wealth by providing stable macroeconomic conditions and a flexible and responsive microeconomic environment. This, in combination with trade policies aimed at achieving

fair trading conditions and open markets globally, will enhance Australian companies' competitiveness and create new business and employment opportunities.

12. Over the past two years, the Australian Government has pursued economic policies aimed at strengthening firms' international competitiveness through increased productivity. Eliminating the underlying budget deficit, maintaining low inflation, encouraging greater domestic competition, streamlining regulation, reducing structural impediments to growth and employment, reforming the financial sector and encouraging inward investment are key elements of those policies.

13. Since 1996, the Australian Government's medium-term fiscal strategy has been to secure and maintain a balanced budget. The primary objective is to increase national savings and improve Australia's long-term growth prospects by reducing its vulnerability to external shocks. The Government's recent Budget Statement projects an underlying budget surplus of \$2.7 billion for 1998/99, compared to an expected underlying deficit of \$1.2 billion in 1997/98.

14. Australia's monetary policies aim to keep underlying annual inflation in a 2-3% band. Inflation has been maintained below 5% since 1991 and below 2.5% since 1995, the lowest level among OECD members.

15. Macroeconomic policy changes have been complemented by a wide range of microeconomic reforms to increase productivity and flexibility and allow product, labour and financial markets to operate more efficiently. These reforms focus on labour markets, financial system regulation, the waterfront, domestic competition policy and taxation.

16. In relation to labour market reform, the Government, through the *Workplace Relations Act 1996*, aims to give employers and employees primary responsibility for setting wages and conditions, so that outcomes better reflect the economic conditions facing individual workplaces.

17. In the financial sector, reforms in response to the 1997 Financial System Inquiry will build on the major reforms undertaken in the 1980s. The aims are to enhance competition and efficiency, improve the regulatory structure, and reduce barriers to entry into deposit-taking and other areas, while preserving the financial system's integrity, security and fairness.

18. On the waterfront, the objective is to raise labour productivity and create a more efficient and reliable shipping services industry which meets world best-practice operations and does not impede trade or adversely affect Australian businesses' international competitiveness. Shipping reforms will include ending the pooled labour system, reducing the costs of Single Voyage permits and Continuing Voyage permits (which allow foreign vessels coastal access), and removing cabotage on Christmas Island trade.

Competition Policy

19. Federal, State and Territory Governments established the National Competition Policy in April 1995. The reforms:

- extended the anti-competitive conduct provisions of the Trade Practices Act of 1974 to cover all business activities, including unincorporated businesses and government-owned enterprises;

- provided for access to ‘essential facilities’ (basically, major natural monopolies for which a right of access is necessary for upstream or downstream competition to occur);
- set out structural and operational changes to achieve ‘competitive neutrality’ between the public and private sectors (to avoid unfair competition);
- set out principles for reforming public monopolies (e.g. by separating regulatory functions from commercial activities).

20. Over the past two years, Australia has introduced a number of additional competition reforms aimed at increasing national productivity and community welfare in public and infrastructure services. These reform processes have included privatization of numerous publicly owned services (e.g. water, electricity). In telecommunications, a new regulatory regime is facilitating open competition; in electricity, substantial progress has occurred in establishing a competitive national electricity grid; in gas, significant progress has occurred in removing barriers to free and fair trade; in rail transport, a national body will improve access to and harmonization of Australia’s inter-state rail network; and in aviation, numerous airports are being privatized, including all State capital city airports except Sydney.

Industry Policy

21. The Australian Government announced its Industry Policy in the December 1997 Statement: *Investing for Growth*.³ The major initiatives aim to encourage innovation, investment and exports (three key drivers of economic growth); to improve Australia’s attractiveness as a regional financial centre; and to ensure that Australia benefits from the global information revolution. Key trade-related features include a more competitive customs regime through a new Manufacture-in-Bond system and a new scheme combining existing duty and tariff concession programs. These are complemented by action agendas which will encourage information industry development (e.g. by removing tariffs on IT inputs) and addressing impediments to growth in the food, financial services, tourism, chemicals and plastics, renewable energy, liquefied natural gas, automotive, and textile, clothing and footwear industries.

22. This policy is part of an ambitious economic reform agenda designed to build a strong economy that will be able to thrive among the challenges and opportunities of the twenty-first century. By encouraging a more strategic approach to grasping the opportunities open to Australia as a globally oriented nation, the industry policy meets community demands for a greater sense of direction and policy predictability.

23. Moreover, the measures announced in *Investing for Growth* are strikingly similar to the policy priorities highlighted by OECD Industry Ministers at their meeting in Paris on 3-4 February 1998. They agreed that sustained economic growth will only be achieved if governments maintain a sound macroeconomic framework and set policies which improve their industries’ competitiveness, encourage investment and recognise the central role of research and development.

Foreign Investment Policy

24. Australia’s foreign investment policy is framed and administered to encourage investment consistent with Australia’s interests. The objectives are: to ensure that Australia is an attractive location for sustainable, long-term investment that creates employment and benefits the wider

³ Investing for Growth is available from <http://www.dist.gov.au/growth>.

community; to encourage the establishment of new industries or expansion of existing industries, especially in high value-added sectors; to generate export earnings; to improve industry competitiveness and productivity; and to ensure that any incentives are consistent with Australia's international obligations.

25. Under the Government's foreign investment policy and the Foreign Acquisitions and Takeovers Act of 1975, the Treasurer may need to be notified of proposals by foreign interests to invest in Australia. For non-sensitive sectors (i.e. all except real estate, civil aviation, media and telecommunications), proposals for acquisition of a substantial interest in an existing business with total assets of less than A\$5 million (A\$3 million for rural properties), and proposals for an initial investment of less than A\$10 million in a new business, are exempt from notification. Proposals for investments exceeding these amounts are normally approved unless they are judged contrary to the national interest. The national interest 'test' is a 'negative test', with the onus essentially on the authorities to have reason to reject, rather than on the investor to show benefit to Australia. Approvals are not withheld on national interest grounds except in unusual circumstances affecting Australia's vital interests and development (2.5% of 4200 proposals were rejected in 1996/97, mostly proposed real estate transactions). Foreign investment policy is currently under review as part of the Government's comprehensive review of legislation imposing costs on business (see *Regulation Review* below).

26. In the Industry Statement, the Government announced that it will consider incentives to make investment in Australia more attractive. The primary requirement is net benefit to Australia, and candidates (domestic and foreign alike) must demonstrate a *prima facie* case against the criteria and the need for incentives before they will be considered. Cabinet will consider incentives for major investment projects on a case-by-case basis in limited and special circumstances, in line with a set of published eligibility criteria (see WTO Secretariat Report, Chapter III, for details)

Regulation Review

27. Complementing all these policies is a significant Australia-wide regulation review process arising out of the Competition Principles Agreement signed by Federal, State and Territory Governments in 1995. An important objective is to significantly reduce the paperwork and compliance burden on small business by simplifying taxation compliance, providing easier access to government information and reducing complexity, duplication and delays in regulatory approval processes. The Federal Government, for its part, has commenced the review process in line with its Legislation Review Schedule. The guiding principle is that legislation should not restrict competition unless the public benefits of such restriction can be demonstrated to outweigh the costs associated with any restrictive arrangement.

Taxation Reform

28. Reform of Australia's taxation system is high on the Government's economic agenda. A Taxation Taskforce is assisting the Government to examine options for reform, in order to make the tax system simpler, fairer and more efficient. The Taskforce's broad guidelines are: not to increase the overall tax burden; to reduce personal income tax with special regard for families; to consider a broad-based, indirect tax to replace some or all of the existing indirect taxes; to provide appropriate compensation for those deserving special consideration; and to address Commonwealth/State financial relations. The Government plans to announce its tax reform programme before the next election.

II. Australia's Trade Policy Objectives and Issues

29. Australia's trade policy is flexible and pragmatic, with a fully integrated bilateral, sectoral, regional and multilateral approach to achieving market access outcomes. It is increasingly results-

oriented and focuses on providing tangible market solutions for Australian business. As we move into the twenty-first century, Australia's trade policy will need to incorporate a broader and more complex agenda closely linked with industry and microeconomic policy.

30. The Government's primary trade policy objective is to secure optimum overseas market access for Australian companies by:

- negotiating progressive reduction and removal of tariffs and non-tariff barriers;
- contributing toward stronger, fairer and more efficient international trade and investment rules;
- discouraging trade-distorting export subsidies;
- encouraging alignment of Australia's and others' standards with international standards;
- influencing the broadening of the trade agenda in line with Australia's interests;
- encouraging firms to further develop existing markets and to identify and tap new markets.

Bilateral Efforts

31. Australia's bilateral trade policy focuses on securing better market access for a range of goods and services in our own region as well as in other priority markets. Many of these efforts are coordinated through the Government's Market Development Task Force (MDTF), chaired by the Department of Foreign Affairs and Trade, which seeks to ensure an efficient, consistent and focused approach across key portfolios in setting and achieving bilateral trade objectives for 25 target markets. In addition to bilateral market access negotiations, Federal, State and Territory Governments have extensive trade development efforts in Asia, Europe, North America and numerous emerging markets. Sectoral trade facilitators in the Department of Foreign Affairs and Trade (appointed in 1997/98) coordinate business input on issues that affect market access and trade development in sectors such as food, information technology, automotive products, and textiles, clothing and footwear.

APEC and Open Regionalism

32. Australia's regional trade policy aims to build upon the multilateral system's trade and investment liberalization goals and gains, and to advocate and protect Australia's interests in a variety of regional fora. This complements in an important way Australia's multilateral and bilateral policy activities and objectives.

33. The Asia-Pacific Economic Cooperation forum (APEC) is the cornerstone of Australia's regional trade policy. Australia has been at the forefront of efforts to secure freer trade and investment among APEC members, as the best means of achieving sustainable economic development. Much of APEC's work centres around achieving the 1994 Bogor Declaration goal of free and open trade by 2010 for developed members and 2020 for developing economies.

34. APEC is not a preferential trading arrangement. Rather, it is based on the principle of open regionalism in which trade is conducted on an MFN basis. APEC complements multilateral trade liberalization efforts by seeking to progressively reduce and remove barriers to trade and investment.

In APEC, Australia is encouraging members to strengthen their Individual Action Plans (IAPs), and to support early voluntary liberalization of specific sectors.⁴ APEC Leaders, at their November 1997 Vancouver meeting, agreed to accelerate trade liberalization in 15 sectors, including two put forward by Australia (energy and food) and one co-sponsored by Australia (chemicals). Liberalization of nine sectors, including energy and chemicals, is to be fast-tracked for implementation in 1999.

35. The Australia-New Zealand Closer Economic Relations agreement (CER), recognised as one of the world's most comprehensive, effective and multilaterally compatible free-trade agreements, celebrates its fifteenth anniversary in 1998. AFTA-CER and CER-Mercosur dialogues will continue to focus on trade facilitation and harmonization issues. Australia is also advancing its objectives of increased regional engagement through the Australia-Indonesia Development Area (AIDA) and the Indian Ocean Rim-Association for Regional Cooperation (IOR-ARC).

36. Regional trading arrangements (RTAs) are an important feature of the global trading system. In 1997, a major review of Australia's policy on participating in RTAs concluded that Australia could in future consider the option of joining them if it is in its interest. The Government recognises that while RTAs can offer their participants potential advantages, they can also impose costs on members as well as non-members. Firms outside can face discriminatory arrangements which could potentially contribute to the fragmentation of the nondiscriminatory trading system. Australia will continue to promote stricter multilateral rules and disciplines for RTAs. It will also encourage quicker multilateral and APEC liberalization processes in order to reduce the incentive for countries to resort to discriminatory regional solutions in order to address trade-related issues.

Multilateral Efforts

37. At the multilateral level, a key objective of Australia's trade policy is to improve market access and achieve a fairer global trading environment via the WTO, which is important to Australia because it is the major forum for global trade liberalization. Through its rules and disciplines, the WTO provides a more predictable and transparent environment for business, as well as a means for resolving disputes. At a time of turbulence and uncertainty in international financial markets and increased global interdependence, this rules-based system is essential to economic growth and prosperity. (See Part III: Australia and the WTO, for details.)

Trade Liberalization

38. Progressive trade liberalization over the past decade has served Australia well. Indeed, Australia is pushing hard for the liberalization of trade and investment regimes overseas because we are convinced that open markets are important, not only for Australian exporters, but for sustaining and increasing living standards in general. Tariff reductions introduce healthy competition, make companies more cost- and service-conscious, and offer consumers broader choice and better prices. Over the past decade, the average Australian family has saved more than A\$1000 per year from tariff reductions. The average effective tariff on manufactured imports fell from 22% in 1984-85 to 7% 1996-97 and will decline to 5% by 2001.

39. Australia's applied tariff regime compares favourably with the rest of the world. Most goods enter Australia duty free. Australia's unweighted (simple average) *ad valorem* tariff level is 5.6%

⁴ IAPs reflect APEC members' plans to achieve the 1994 Bogor Declaration goal of free trade and investment in the region by 2010/2020.

(9.6% in 1993). Australia bound around 96% of its tariffs as a result of the Uruguay Round (from 20% in 1993). In some cases, Australia has brought forward its final Uruguay Round tariff bindings. For example, as part of its APEC Individual Action Plan, Australia advanced by one year to 1 January 1998 the final bound rate on some industrial and agricultural products, and has bound these accelerated reductions in the WTO.

40. Australia continues to reduce tariff barriers on a unilateral basis. Of particular note was the Government's decision in July 1997 to remove tariffs on imports of raw and refined sugar and related products, opening fully this important (and domestically sensitive) sector to international competition.

41. However, Australian exports continue to face tariff and other trade barriers overseas as other economies continue to protect local industries. Australia takes every opportunity at bilateral, regional and multilateral fora to encourage our trading partners to meet their existing commitments and to liberalize further.

The TCF and PMV Sectors

42. In two important industry sectors: textiles, clothing and footwear (TCF) and passenger motor vehicles (PMV), tariffs continue to be phased down unilaterally, but remain above the general 5% level. These industries are important employers, including in regional Australia. Acknowledging that tariff reductions can impose significant short-term costs on individual industries, the Government has given them some extra time to strengthen their capital bases and enhance their international competitiveness in the lead-up to the APEC target of free trade beyond 2010.⁵

43. In the case of motor vehicles, tariffs will be reduced from 20% in 1998 (32.5% in 1993) to 15% on 1 January 2000 and will 'pause' at that level for five years. The Government has said it will introduce legislation this year to further reduce the tariff to 10% on 1 January 2005. Another review will occur in 2005.

44. 'Peak' tariffs for clothing and finished textiles will continue to decline from 31% in 1998 (41% in 1993) to 25% on 1 January 2000 and will remain at that level until 2005. The Government plans to legislate this year to further reduce the peak tariff to 17.5% on 1 January 2005. Similarly, tariffs on all other TCF products will decline from a range of 5-22% at present to a range of 5-10% by 2005. In other words, between 1998 and 2005, TCF tariffs will decline by about half.

45. The PMV and TCF 'tariff pauses' do not signal a change in the Australian Government's commitment to tariff reductions and trade liberalization generally. Rather, the decision reflects the Government's desire to achieve balanced outcomes in the interest of the community as a whole, and to provide greater predictability for industry while at the same time ensuring that Australia meets its international obligations. Given that average general tariff levels are just 5% and Australia is committed to free trade within APEC by 2010, tariff pauses in other sectors are not envisaged.

46. Access for TCF products to the Australian market is not hindered by quotas. Australia removed its last TCF quota in 1993, and its TCF tariff lines are fully integrated under the WTO Agreement on Textiles and Clothing.

⁵ TCF industries employ some 100,000 people, including 25,000 in regional areas; the PMV sector employs 47,000.

Export Assistance

47. The Government gives high priority to trade promotion and exporter advisory services to encourage Australian firms to develop markets offshore and to take advantage of the opportunities offered by improved market access. In line with its fiscal consolidation program, however, the Government discontinued such programs as the International Trade Enhancement Scheme (ITES) and the Innovative Agriculture Marketing Scheme (IAMP) in 1996. It has also capped funding for the Export Market Development Grants (EMDG) Scheme, which was established in 1974 to boost exports by reimbursing part of eligible firms' (mostly SMEs) export promotion expenditure.

Anti-dumping and Countervailing Measures

48. Australia's anti-dumping and countervailing policies are designed to provide relief to Australian companies injured by overseas goods sold at a lower price than their 'normal value' in their home market. The system is industry-driven and conforms to the WTO Agreement on Anti-dumping and Countervailing Measures. Under Australian legislation and consistent with WTO requirements, anti-dumping action can be taken only if dumped items cause or threaten material injury to local producers of similar goods. The number of anti-dumping cases initiated by industry declined from 51 in 1993/94 to 36 in 1997/98 (to May 1998).⁶ Most have been in the chemical and petroleum products (13 cases) and paper (14 cases) sectors. Furthermore, the number of anti-dumping and countervailing measures has been cut from 101 at end-1995 to 54 at end-1997.

49. In February 1998, the Government proposed changes to Australia's anti-dumping procedures which will reduce the investigation period and provide a simpler, more predictable and expeditious process for all parties: importers, exporters and local industry alike. The main features are: (1) abolishing the Anti-dumping Authority; (2) reducing the investigation period from 215 to 155 days; and (3) establishing a new independent appeal mechanism. In addition, all interested parties will be given 20 days to examine and respond to the Statement of Essential Facts of a case as presented by the Australian Customs Service. The proposed legislation, currently before Parliament, will permit provisional measures to be imposed at any time after Day 60 of an investigation, following a public determination indicating grounds for such measures, as required by the WTO Agreement.

Australia's Quarantine Regime

50. Australia's prudent approach to quarantine and sanitary and phytosanitary regulations reflects its island geography, which has isolated it from many exotic diseases and pests, and its unique flora and fauna. More often than not, Australia's access to other markets depends on its favourable animal and plant health status. Up to 80% of Australia's agricultural output is exported, with foodstuffs accounting for 22% of total merchandise exports.

51. GATT/WTO rules recognize countries' right to maintain measures to ensure food safety and to prevent the spread of pests or diseases among plants and animals. Australia, as a relatively disease- and pest-free island continent, is keen to maintain this status. Consequently, all imported plants, animals and associated products, including food, are subject to a rigorously enforced quarantine regime, which is consistent with international rules and standards.

⁶ By comparison, in 1996/97, the US had 305 anti-dumping actions, the EU 157, Mexico 100 and Canada 95. In the same year, the US had 68 countervailing duty actions, Mexico 11, Brazil 11 and Australia 6.

52. The Government, in response to independent reviews of Australia's quarantine policies and practices in 1996 and 1997, has committed (among others) to:

- improve border measures;
- strengthen the science-based risk analysis process;
- enhance the information base and transparency of quarantine policies and practices through greater stakeholder participation in quarantine policies and practices at each stage.

53. Australia also recognises that it is important that its trading partners be aware of the reasons for its strict quarantine regime, especially as regards the devastating impact that imported pests and diseases could have if rigorous measures were not applied. For example, the intrusion of papaya fruit fly in October 1995 has interrupted an estimated \$A 600,000 of annual exports from northern Queensland, due to bans by overseas buyers, and will cost over \$A 30 million to eradicate by 1999.

III. Australia and the WTO

54. Australia strongly supports the World Trade Organisation, which provides stable and predictable rules facilitating access to international markets. Negotiations in the WTO allow Australia to advance important economic and trade interests, including fair trade and open markets. In addition, Australia benefits from ongoing WTO work, such as monitoring the implementation of agreements, negotiating the terms on which new members can join the organisation and settling trade disputes.

Future WTO Work

55. A key objective for Australia will be to secure WTO agreement for broad-based multilateral trade negotiations to commence by 2000. This would complement and build on the WTO's vital work on implementation of existing WTO commitments, accession negotiations and sectoral negotiations, including the Information Technology Agreement. Other top priorities include advancing preparations for the resumption of WTO agriculture negotiations in 1999 and for WTO services negotiations in 2000.

56. The Built-In Agenda (BIA), which mandates, among others, the start of negotiations on agriculture and services by 1999/2000, provides a good base for the WTO's future negotiating agenda. However, to achieve a systematic approach to the WTO work program and its management, Australia supports a careful examination of the BIA to identify gaps and possible over-arching linkages among issues; to consider how best to manage concurrent accessions; and to set start and finish dates for negotiations. Given the diverse nature of Australia's international trade and investment relations, the creation of a balanced framework covering issues of interest to all WTO members would maximize the likelihood of outcomes acceptable to all WTO members.

Agriculture

57. The Cairns Group of agricultural fair traders is the most successful, and hence enduring, issue-specific coalition within the multilateral trading system. Cairns Group Ministers, representing both developing and developed countries, met in Sydney in April 1998 and reiterated that the next WTO negotiations on agriculture must achieve fundamental reform, to place agriculture on the same basis as other areas of world trade. Ministers called upon the WTO's May Ministerial meeting to

launch a preparatory process to settle efficiently the mandate and structure of the agricultural negotiations, agreed as part of the Uruguay Round Built-In Agenda, so that substantive discussions can commence by the end of 1999.

58. The Cairns Group, chaired by Australia, will direct its efforts to achieving three main objectives: (1) eliminating export subsidies; (2) eliminating non-tariff barriers, accompanied by deep cuts to tariffs and tariff peaks and elimination of tariff escalation; and (3) securing major reductions in trade-distorting domestic support for all agricultural products. Between now and the 1999 WTO negotiations, the Group will intensify interaction with other WTO Members to promote the Group's vision and, in particular, endeavour to demonstrate that the agricultural reform process will benefit all developing, including least developed, economies.

Services

59. Australia's services exports exceeded \$24 billion in 1996-97, representing 23% of total exports, up from around 18% in 1987. Despite intense competition, Australia has maintained its share of world services trade at around 1.35%.

60. Australia welcomed the conclusion of negotiations on telecommunications and financial services. It places high priority on negotiating with prospective WTO members improved access for Australian services exporters, particularly in financial services, telecommunications and professional services. Australia is also negotiating commitments on transparent and secure operating conditions. In current (May 1998) negotiations on accountancy disciplines, the Government has sought commercially meaningful, universally binding WTO regulations. Australia expects that once the accountancy negotiations are concluded, a generic approach to other professions will be adopted. Taking a leading role in advancing WTO preparations for the next round of services trade negotiations, scheduled to commence in 2000, Australia is keen to see further truly liberalizing market access and national treatment concessions in the key areas of interest noted above.

Industrials

61. Australia supports further negotiations on industrial tariffs as part of comprehensive negotiations in 2000. Australian industry continues to face high tariff and non-tariff barriers for many products. Broad-based negotiations incorporating a balanced framework and the full involvement of all WTO members will be necessary to move the liberalization agenda forward.

Information Technology Agreement

62. Australia has secured significant benefits by pursuing improved market access conditions through the WTO Information Technology Agreement and the WTO Agreement on Trade in Telecommunications Services. Australian industry and Government jointly have developed Australia's position for the ITA II negotiations. Australia considers that one of ITA II's most important features is its desire to ensure that non-tariff measures do not undermine ITA tariff commitments. Priorities for Australia in ITA II negotiations will include accelerating tariff reductions in key markets (India, Malaysia and Indonesia); extending ITA participation; examining non-tariff measures which affect trade in ITA products; and identifying additional products (eg, chemical inputs) for the ITA list.

Accession Negotiations

63. Australia encourages an expansion of WTO membership through the admission of new members on commercially acceptable terms. Australia sees WTO accession negotiations as offering a unique opportunity to improve market access and secure commitments for greater transparency and stability in trading conditions. Among the more than 30 economies negotiating accession to the WTO are seven which buy over A\$8 billion worth of Australian products each year, or 10% of our total exports (China, Chinese Taipei, Vietnam, Saudi Arabia, Jordan, Oman and Russia). The successful conclusion of accession negotiations with these economies will bring important segments of Australian trade under WTO rules. It is important to the Government that the WTO is not weakened through the admission of new members which are not fully committed to its rules. WTO accession is an important step in these economies' integration into the world trading system, and Australia provides technical assistance to help them achieve the reforms necessary to comply with WTO rules.

Dispute Settlement

64. One of the key outcomes of the Uruguay Round was a stronger multilateral dispute settlement system. The WTO Dispute Settlement Understanding (DSU) of 1995 removed disputing parties' powers to veto adoption of panel reports and introduced an appellate system. The large number of disputes dealt with under the DSU - more than 120 requests covering 87 distinct matters - and the number of members involved indicate that the system is functioning effectively and is generally well accepted. Australia has been involved in 14 disputes initiated under this mechanism: two as a complainant, four as a respondent and eight as a third-party participant (see WTO Secretariat Report, Chapter II, for details).

65. From Australia's perspective, the extensive use of the DSU over this initial period has contributed to increased confidence in the multilateral trading system. At the same time, a number of procedural and substantive matters have emerged which will require detailed consideration by members in coming years. In this respect, Australia is taking a close interest in the DSU review scheduled to be completed this year. Australia strongly supports the dispute settlement mechanism and will continue to work towards its optimum effectiveness.

Australia's Position on 'Current' Trade Issues

Electronic Commerce: Australia supports placing on the WTO agenda the issue of the implications of electronic commerce for the General Agreement on Tariffs and Trade (GATT), the General Agreement on Trade in Services (GATS) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), to examine if existing WTO rules are adequate or if new rules are required.

Investment: Australia supports the principle of an effective rules-based regime in the WTO covering trade-related investment issues. Australia is actively involved in exploratory work in the Working Group on Trade and Investment.

Competition Policy: In this highly complex area, Australia actively supports an exploratory, educative discussion on the interaction between trade policy and competition policy as a foundation for considering how the WTO might handle this issue in future.

Trade and Environment: Australia strongly advocates that economic, environment and trade interests be given balanced treatment in international discussions and that international agreements respect the sovereign right of countries to determine appropriate domestic environmental policies. Australia strongly advocates improved coordination of trade and environment issues, both at the national level and in international fora such as the WTO Committee on Trade and Environment (CTE). Australia actively supports efforts to make trade and environment policies mutually supportive, particularly through reform of trade-distorting policies that adversely affect the environment.

Government Procurement: Australia is taking a close interest in the review of the WTO Agreement on Government Procurement. Australia hopes that related work of the Working Group on Transparency in Government Procurement and the Working Party on GATS rules will deliver significant improvements to the Agreement, in both the principles and the practices covered by trade rules on government procurement.

The Agreement on Sanitary and Phytosanitary Measures (SPS Agreement)

66. As a major exporter of agricultural products, Australia attaches great importance to WTO Agreements on the application of Sanitary and Phytosanitary Measures and on Technical Barriers to Trade (TBT). Australia is an active participant in the SPS Committee. The 1998 review of the SPS Agreement will be an important priority for Australia, which has a strong interest in ensuring that the SPS Agreement operates effectively in terms of both ensuring fair access to markets and safeguarding our largely pest- and disease-free status, an important element of our comparative advantage in agriculture.

Intellectual Property

67. Australia advocates the need to harmonize and bring certainty to intellectual property laws worldwide, including those governing biotechnology. It will be an active participant in the review of the TRIPS Agreement in 2000, monitoring closely issues related to biotechnology, geographical indications for wine, and copyright for new technologies and electronic commerce.

Rules of Origin

68. Australia wishes to see the Harmonization Work Programme on Rules of Origin produce an acceptable, fair and workable set of rules within the agreed timeframe. Australia has made a strong

commitment to achieve this objective in the WTO Committee on Rules of Origin and in the Technical Committee on Rules of Origin in Brussels, both of which it chairs. It acknowledges, however, that progress remains slow, mainly because it is a very complex and difficult process.

Standards and Conformance

69. Among non-tariff barriers to trade, standards and conformance issues have an important impact on Australian exports. Australia is therefore seeking - bilaterally, regionally and multilaterally - the alignment of standards, mutual recognition of conformity assessment, and good regulatory practices.

IV. Future Direction of Australian Trade Policy

70. Australia is committed to trade liberalization and will continue to pursue trade policies which support international efforts to achieve freer and more open trade through reduced tariff and non-tariff barriers. To this end, Australia will remain an active participant in WTO trade liberalization efforts. Similarly, the Government is fully committed to its tariff reduction program, aiming to meet the 1994 APEC Bogor Declaration goal of free and open trade by 2010/2020. It will also continue to pursue domestic economic policies aimed at reducing structural impediments to economic development and employment growth. Bilateral, regional and multilateral strategies will remain essential elements of the Government's trade policy.

71. Australian trade and investment policies and measures will continue to reflect the Government's desire to encourage business to capitalise on opportunities arising from globalization, improved market access conditions and the information revolution. Streamlined regulation, increased transparency and broader consultation will provide clearer parameters in which to pursue trade and investment opportunities.

72. Over the coming years, Australia will face numerous challenges in its international trade relations. The economic uncertainties in East Asia will impact on Australian exports and economic growth; accession of new members to the WTO and APEC may alter these organizations' internal dynamics; and we will need to guard against any resurgence of protectionist sentiments in the global trading environment. The international trade agenda will become more complex as issues affecting domestic regulatory regimes and rules affecting investment are debated more frequently, and as pressures rise to include particularly sensitive issues. Australia believes that the best approach to dealing with these issues is to maintain a flexible, pragmatic and focused trade policy; to highlight the significance of the rules-based multilateral system in delivering prosperity; and to persist in efforts to improve it.

73. By continuing to develop a framework for fair and transparent trade, and by addressing the challenges of globalization and issues such as new technologies, the environment, investment and competition, the international trading system can contribute toward sustainable economic development for all economies. Australia is therefore keen to see broad-based multilateral negotiations, embracing agriculture, services and industrial tariffs, commence by 2000. This will complement other WTO work and benefit all WTO Members.
