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TRADE POLICY REVIEW

REPORT BY

AUSTRALIA

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 Australia is attached.

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1 INTRODUCTION

1.1 The pursuit of openness and support for the rules-based global trading system are the key principles of Australian trade policy. Underlying this approach is the belief that accessible markets, further enhanced trade liberalisation and increased foreign investment flows are the best pathways to prosperity for Australia, our region and the world. The Australian Government complements this agenda with domestic policies and reforms that promote the competitiveness and agility of the Australian economy to better position Australia to compete for jobs, investment and markets into the future.

1.2 The global economic environment has become much less stable and more contested over the review period. In particular, trade tensions and unprecedented technological change have transformed the global economic landscape. As a nation that relies on trade with the world for its prosperity, Australia's policy response has been to continue to seek opportunity and openness in this dynamic environment, while protecting the nation's interests in the face of uncertainty.

1.3 Australia's economy is highly integrated with the global economy, particularly the Indo-Pacific region. Australia's trade with the world is equivalent to a record 46% of our GDP, compared to 40% in 2015, and one in five jobs is now driven by trade. Recognizing the valuable contribution foreign investment makes in fostering growth, job creation and innovation, the total stock of foreign investment in Australia reached a record high of AUD 3.5 trillion in 2018, and Australia's investments around the world totalled AUD 2.5 trillion.¹

1.4 During these times of uncertainty and transformation, Australia remains strongly committed to the World Trade Organization (WTO) and its framework of rules. The Government is concerned about the strain that international trade tensions and rising protectionism are placing on the WTO and the rules-based global trading system. Australia is actively supporting reform efforts in the WTO in order to ensure it remains the core of a well-functioning global trading system in the future. Updating the WTO rulebook and maintaining an effective dispute settlement system are Australia's priorities.

1.5 Complementing these efforts, the Government continues to negotiate bilateral, regional and plurilateral trade agreements to expand opportunities for Australian exporters and investors. 70% of Australia's trade is with countries with which we have negotiated FTAs.² Australia also engages actively with regional and international economic bodies to support trade openness, regional economic integration and inclusive economic development.

1.6 Ensuring that developing countries can maximize the benefits of committing to international trade rules, is also a priority for Australia. Consistent with the UN Sustainable Development Goals, Australia is assisting developing countries to benefit from integration into the multilateral trading system through aid for trade. Australia has consistently met the target set in 2014 of spending 20% of its development budget on aid for trade. The Australian Government also invests in economic cooperation through FTAs with developing country partners in order to realize the benefits for all parties.

2 ECONOMIC POLICY

2.1 Domestic Economy

2.1 Australia's record of 28 years of continuous economic growth is the result of careful economic policy management and the successful fostering of an internationally competitive, outward-looking economy.³ The strength of these fundamentals has helped counter the effects of recent international and domestic challenges, including international trade tensions, a housing market downturn and adverse weather conditions that have affected the rural sector.

¹ Department of Foreign Affairs and Trade (DFAT), Economic Indicators Factsheet, October 2019 <http://dfatintranet.titan.satin.io/reading-resources/statistics/trade-statistics/Pages/trade-investment-and-economic-factsheets.aspx>

² DFAT Statistics Section, based on ABS data on the DFAT STARS database, consistent with ABS Catalogue 5368.0, 5368.0.55.004 and unpublished ABS data.

³ Australian Bureau of Statistics (ABS) Catalogue 5204.0.

2.2 During the review period, Australia's global gross domestic product (GDP) ranking has remained largely steady. Australia was the world's 12th largest economy in 2015 and the 14th largest economy in 2019. Australia's high standard of living has continued over the review period, with GDP per capita of AUD 77,200 (USD 53,800) in 2019. Growth was relatively even over the review period, averaging 2.6% annually but moderating towards the end of the period.⁴

2.3 Strong regional demand for Australia's mineral commodities – particularly in China and India – remained a key driver of Australia's economy since 2015. This demand continued to drive investment in the resources sector. Despite some recent temporary weather-related supply disruptions, overall resources export volumes are increasing substantially as large Liquefied Natural Gas (LNG) plants come online. The prices of key resource commodities are projected to moderate from their current elevated levels as demand and supply factors rebalance.

2.4 Non-resource related economic activity has varied over the review period. In the early-to-mid period of this review, activity outside of the resource sector benefited from an upturn in the housing market cycle, boosting household wealth and consumption. As the housing market cooled in 2018-19, it has weighed on consumption expenditure.

2.5 Other factors that have supported overall economic growth during the review period include a strong pickup in public investment, particularly in major transport infrastructure projects and rollout of the National Broadband Network. Income tax cuts and monetary easing in 2019 have supported household disposable incomes and demand.

2.6 Australia's labour market has performed strongly over the review period. Robust employment growth has drawn people into the labour market who were not previously looking for work, particularly women and older workers, and unemployment has trended down towards a rate of just above 5%.⁵ As in other advanced economies, the response of wage growth to improving labour market conditions has been more muted than in past cycles. Wages growth however has outpaced inflation, maintaining households' purchasing power.⁶ For real wage growth to improve, ongoing productivity increases will be required, which is an ongoing challenge both in Australia and internationally.

2.2 Trade Performance and Investment Profile⁷

2.7 Over the period of the review, the Australian economy has continued to internationalize further. Australia's exports grew from AUD 323 billion in 2015 to AUD 437 billion in 2018. Australia's three largest exports over the review period were iron ore, coal, and education-related services. The strongest performing sectors over the review period were mineral commodities and services exports, with growth averaging 18.2% and 15.9% per annum respectively. The division between services and commodity exports is blurring in Australia, as it is across the world; increasingly services and technology are embedded across all of Australia's export sectors and underpin future growth prospects.

2.8 Minerals and fuels made up 47% of Australia's exports, up from 42% in 2015. Australia is the world's largest exporter of coal (AUD 66.8 billion in 2018), and iron ore (AUD 63.3 billion in 2018) and is projected to become the world's largest exporter of LNG at the end of the review period (AUD 43.3 billion in 2018, up by 38.3% per annum over 2015-2018).

2.9 Services make up a significant share of our exports, 27% in 2018 (AUD 93 billion), compared to 29% in 2015 (AUD 73 billion). If services embedded in goods exports are also included, services share of exports rises to over 40%. Trade in education-related travel services was worth AUD 35.2 billion in 2018, with Australia the third-largest provider of education services in the world to international students. Australia is also a world-class provider of professional services, financial services, energy and mining-related services, environmental services and financial technology (FinTech).

⁴ IMF World Economic Outlook October 2019.

⁵ ABS Catalogue 6202.0 (Labour Force), September 2019

<https://www.abs.gov.au/ausstats/abs@.nsf/lookup/6202.0Media%20Release1Sep%202019>

⁶ Australian Bureau of Statistics (ABS) Catalogue 6302.0 and 6345.0.

⁷ DFAT STARS database (based on ABS catalogue 5368.0, July 2019).

2.10 Australia remains among the top 10 agricultural exporters in the world, with agricultural, forestry and fisheries products making up 15.2% of our total merchandise exports in 2018, compared to 20% in 2015.

2.11 The manufacturing sector is transforming its character, while maintaining a significant share of exports (14.6% in 2018, compared to 18% in 2015). Linkages to global value chains are increasing, and high value-added products and related services are increasingly embodied in activity across the entire economy, including in the resources exporting sector. This transformative trend is also reflected in growth in exports sectors where research and technology drive production, such as pharmaceutical products and medicaments, ships, and aeronautical and telecommunications equipment (annual export growth over 2015-2018 of 41% and 11%, 17%, 6% and 8% respectively). More traditional manufactures such as refined nickel and zinc have also grown strongly (trend growth over 2015-2018 of 89% and 20.4% per annum respectively).

2.12 The value of imports into Australia remained steady over the review period, growing from AUD 352.7 billion in 2015 to AUD 395.4 billion in 2018. Imports were predominantly manufactures (AUD 228 billion); with services (AUD 98 billion); minerals and fuels (AUD 42 billion); agriculture (AUD 21 billion); and 'other' - (AUD 12 billion, including gold) comprising the remainder. Australia's largest imports were of personal tourism (AUD 42.4 billion in 2018), passenger vehicles (AUD 23.2 billion in 2018) and refined petroleum (AUD 21.6 billion in 2018).

2.13 Australia remains a net capital importing country, although Australia also has very significant stocks of outward foreign investment. Australia's considerable and diverse resources reserves, highly developed skill and technology base, proximity to fast-growing markets, and strong rule of law make it an attractive destination for foreign investment. Australia hosts over 10,000 foreign-owned businesses and the stock of Foreign Direct Investment (FDI) into Australia was \$967.5 billion as at 31 December 2018 (ABS, released annually). This was an \$83.7 billion (9.5%) increase from 31 December 2017, and a trend increase of 7.5% per annum since 2015. Australia's top five FDI source countries have not changed since 2015 - the US (AUD 214 billion in Australia); Japan (AUD 106 billion); the UK (AUD 99 billion); the Netherlands (AUD 49 billion) and China (AUD 40 billion).⁸

2.14 The stock of inwards investment of all types was AUD 3514 billion in 2018, an increase of 4.4% per annum over the 3 years since 2015. The top 5 countries for total investment in Australia in 2018 were: the US (AUD 939 billion); the UK (AUD 575 billion); Belgium (AUD 317 billion); Japan (AUD 229 billion); and Chinese Taipei (AUD 119 billion).⁹

2.15 Australia also has extensive foreign investments in other countries. The stock of Australian FDI in other countries was AUD 696 billion at 31 December 2018 (ABS). This was an AUD 60 billion (9.4%) increase from 31 December 2017, and a trend increase of 6.9% per annum from 2015. Australia's top five FDI destination countries are the US (AUD 121 billion); the UK (AUD 119 billion); New Zealand (AUD 56 billion), Canada (AUD 33.8 billion) and Bermuda (n.p.). The stock of outwards investment of all types (including portfolio investment) was AUD 2,538 billion in 2018, an increase of 5% per annum over the 3 years since 2015.

2.3 Monetary and Fiscal Policy

2.16 Australia's independent central bank, the Reserve Bank of Australia (RBA), has taken a number of steps to ease monetary policy conditions over the review period. The cash rate target was reduced by 150 basis points to a record low 0.75% over the period February 2015 to October 2019.¹⁰ This change reflected a desire to assist in reducing the economy's spare capacity, make faster progress in reducing the unemployment rate, and support achievement of the inflation target band (2-3% increase per annum) over time.¹¹ The Reserve Bank Board currently expects that an extended period of low interest rates will be required to meet these goals and offset potential softening in some areas of the economy.

⁸ ABS catalogue 5352.0 (International Investment Position, May 2019).

⁹ ABS catalogue 5352.0.

¹⁰ Reserve Bank of Australia (RBA) Website, Cash Rate <https://www.rba.gov.au/statistics/cash-rate>.

¹¹ RBA Media Release, Statement by Governor: Monetary Policy Decision, 1 October 2019 <https://www.rba.gov.au/media-releases/2019/mr-19-27.html>.

2.17 The Australian Government's overall approach to fiscal policy places a high priority on improving the sustainability of public finances. Currently this is being achieved through working towards a budget surplus, maintaining solid economic growth and low unemployment, and maintaining government debt at prudent levels.

2.18 Since 2013-14, the Government has implemented savings measures with a combined effect of more than \$200 billion through to 2022-23. This has resulted in a trend back to surplus with the total turnaround in the underlying cash balance between 2013-14 and 2019-20 expected to be \$55.5 billion. The 2019-20 Budget projects an underlying cash surplus of AUD 7.1 billion in 2019-20 (0.4% of GDP) – the first in over a decade - increasing to AUD 17.8 billion (0.8% of GDP) by 2021-22. Projected ongoing surpluses over the medium term are aimed at eliminating government net debt by 2029-30, to ensure that Australia is better equipped to deal with future challenges. This fiscal consolidation leaves Australia well placed in terms of fiscal sustainability, particularly in comparison with most other advanced economies.¹²

2.4 Economic Policy Developments

2.19 The Australian Government has sought to strengthen the competitiveness and overall performance of Australia's economy over the review period through a range of reforms and regulatory changes. These include strengthening competition and consumer legislation, tax reform, increasing infrastructure investment, and reforming the regulatory environment for SMEs to minimize regulatory burden. The Government also put in place a plan for development of the digital economy, and established a process designed to boost the competitiveness of Australia's services sector.

2.4.1 Tax Reform

2.20 Australia has undertaken a range of tax reforms during the review period.

2.21 Australia has made changes to its taxation of multinational corporations in line with international efforts to address tax base erosion and the Government's aim of creating a tax level playing field for local and foreign company activities in Australia. The diverted profits tax (DPT) aims to ensure that the tax paid by global companies (or members of groups of entities) that have an annual global income of more than AUD 1 billion, properly reflects the economic substance of their activities in Australia and prevents the diversion of profits offshore through arrangements involving related parties. The DPT came into effect in July 2017.¹³

2.22 Australia broadened its collection of Goods and Services Tax to include overseas vendors in July 2017, using a vendor collection model that applies equally between domestic and overseas vendors. Under this model, the vendor collects the tax at the time of sale and remits the amount to the Australian Tax Office. In order to reduce the burden on MSMEs, only vendors with taxable sales of AUD 75,000 or more to consumers in Australia over a 12-month period are required to register, collect and remit GST.¹⁴

2.23 Cuts to taxes on individuals, smaller firms and consumption were also made over the review period to create greater incentives to generate economic activity across the economy.¹⁵

2.4.2 Competition Reform

2.24 Following the Harper Competition Policy Review, the Australian Government passed a package of legislation to simplify and strengthen Australia's competition law. These reforms were designed to better target anti-competitive conduct while supporting pro-competitive behaviour. Issues addressed through the Competition and Consumer Act 2010 include: cartels, price signalling and concerted practices, exclusionary provisions, third line forcing, resale price maintenance, merger

¹² Budget 2019-20 Budget Paper No.1, Statements 1 and 3 <https://budget.gov.au/2019-20/content/bp1/index.htm>.

¹³ Budget 2019-20 Budget Paper No.1, Statement 1.

¹⁴ Australian Taxation Office (ATO) Website, GST cross-border transactions <https://www.ato.gov.au/Business/International-tax-for-business/In-detail/Doing-business-in-Australia/GST-cross-border-transactions-between-businesses>.

¹⁵ Budget 2019-20 Budget Paper No.1, Statement 1.

authorizations and non-merger authorizations, notifications and class exemptions, access and evidentiary provisions.

2.4.3 Increased Infrastructure Investment

2.25 Over the four financial years of the review period, the Australian Government's infrastructure investment has averaged AUD 8.2 billion, focused on transport infrastructure. In 2015-16, total Commonwealth investment in infrastructure was AUD 6 billion, increasing to AUD 8.5 billion in 2018-19. Another key ongoing investment has been the National Broadband Network (NBN) in which the Government has invested AUD 29.5 billion since 2009, with its final AUD 2 billion contribution made in 2017-18.

2.26 The Australian Government has committed \$100bn to infrastructure investments from 2019-20 onward to improve the efficiency of the economy by reducing congestion and improving freight links – an average of AUD 10 billion per year until 2028-29.¹⁶

2.4.4 Small and Medium-sized Enterprises (SMEs)¹⁷

2.27 Small businesses¹⁸ in Australia account for nearly 98% of all businesses and employ 44% of the total workforce. Medium-sized enterprises employ an additional 24%. SMEs are also significant producers, contributing 56% to Australia's GDP. While their overall contribution to the value of goods exports is small (4.5%), SMEs make up 87.5% of all Australian goods exporters, with the most significant sectors being wholesale trade and manufactures.¹⁹

2.28 Recognizing the importance of SMEs to the Australian economy, particularly for employment, the Government is committed to reforming the regulatory environment for SMEs in order to minimize regulatory burden. Every policy proposal designed to introduce or abolish regulation is expected to consider any significant impact on small business. The Australian Government has also introduced new legislation to assist SMEs, such as making franchising arrangements fairer and protecting small business from unfair contracts.²⁰ In addition, the Government created the Australian Small Business and Family Enterprise Ombudsman in 2016 to advocate for small and family businesses.

2.4.5 Services Export Competitiveness

2.29 Following a comprehensive study by the OECD on the international competitiveness of Australia's services in 2018, *Australian Services Trade in the Global Economy*, the Australian Government is working with the business community to develop a policy agenda to boost Australia's services exports. The aim is to identify barriers to Australia-based services exporting firms and find practical ways to address them. Preliminary consultations with industry have focused on three broad areas:

- reducing domestic regulatory complexity;
- addressing barriers in international markets; and
- helping services firms as they internationalize.

2.30 In addition, in October 2016 the Australian Government established a Professional Services Mutual Recognition Unit to work with professional bodies and regulators in Australia and other countries to negotiate mutual recognition agreements of professional qualifications and licencing. The goal of this work is to create new opportunities for Australian professional services exporters, increase the value of Australian qualifications for international students, raise the international

¹⁶ Budget 2019-20 Budget Paper No.1, Statement 1.

¹⁷ *Small Business Counts, Small Business in the Australian Economy*, July 2019, pp 39-41. Published by Australian Small Business and Family Enterprise Ombudsmen.

¹⁸ A small business for statistical purposes is one with less than AUD 2 million turnover per annum or less than 20 employees, while medium businesses have 20-199 employees. Further information is available in: Financial Services and Small and Medium-Sized Enterprises (SMEs) Background Paper 12 to the Royal Commission into Misconduct in the Banking Superannuation and Financial Services Industry.

¹⁹ 5368.0.55.006 - *Characteristics of Australian Exporters, 2017-18*. Published by the Australian Bureau of Statistics, August 2019.

²⁰ Treasury website entry on Small Business Policy: <https://treasury.gov.au/small-business>.

profile of Australian professionals, and improve the two-way movement of professionals. A total of 17 MRAs have been signed since 2016 across four professions (accountancy, architecture, engineering and quantity surveying) with counterparts in ten WTO members (Canada, Hong Kong, China, Malaysia, Pakistan, the Philippines, Singapore, South Africa, Sri Lanka, the UK, and the US).

2.4.6 Developments in the Digital Economy

2.31 E-commerce is an increasingly important way for Australia to trade with the rest of the world. The 2016 Australian International Business Survey²¹ found that 47% of respondents reported using e-commerce in some way. Of these businesses, 60% used e-commerce to sell goods, 26% used it to sell services and 14% did both. Australia's digital economy is projected to be worth as much as AUD 139 billion, or 7.3% of the total economy by 2020.²² The Australian economy has lifted its productivity by adopting technology in existing industries; however, this has been uneven across the economy, with larger, internationally- integrated firms leading, while domestically oriented firms lag noticeably.

2.32 Conscious of the importance of the digital economy to Australia's overall economic future, the Australian Government has taken a number of steps during the review period to enhance its development.

2.33 In August 2017, the Australian Trade, Tourism and Investment Minister, asked the Joint Standing Committee on Trade and Investment Growth to inquire into and report on The Trade System and the Digital Economy. In September 2018, the Committee issued its report with a series of recommendations that emphasized the increasing centrality of digital technologies to trade in the 21st century.²³ The Australian Government tabled its response to the Committee's recommendations in November 2019.

2.34 In 2018, following a broad consultation process, the Government released a national strategy for Australia's Tech Future that centres on developing skills, infrastructure and technology for the digital economy.²⁴ The strategy details how Australia can maximize the opportunities of technological change by focusing on four key areas: developing Australia's digital skills; better delivery of digital services by government; building infrastructure and providing secure access to high quality data; and maintaining cybersecurity and reviewing regulatory systems.

2.35 In 2018, the Australian Government also released a Digital Transformation Strategy (DTS) for its own operations.²⁵ The aim of the DTS is to maintain Australia's place at the leading edge of the provision of government services. Australia was recognized (in 2015) as second in the world by the UN for the effectiveness of government digital services.

2.36 The Government is also pursuing opportunities to liberalize international digital trade through multilateral and other trade negotiations. The Government's International Cyber Engagement Strategy outlines a whole of government approach to support Australia's international competitiveness. See section 3.1.4 for further details.

3 TRADE AND INVESTMENT POLICY

3.1. To support Australia's prosperity, the Government has pursued an ambitious international trade agenda over the period of the review. Key drivers were and continue to be: resisting protectionism,

²¹ Austrade Website, Australia's International Business Survey 2016
<https://www.austrade.gov.au/News/Economic-analysis/Key-publications/australias-international-business-survey-2016>.

²² Deloitte Access Economics, The Connected Continent II, 2015
<https://www2.deloitte.com/content/dam/Deloitte/au/Documents/Economics/deloitte-au-economics-connected-continent-ii-2015-300315.pdf>.

²³ Australian Parliament, Joint Standing Committee on Trade and Investment Growth, Report on Trade and the Digital Economy
https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Joint_Standing_Committee_on_Trade_and_Investment_Growth/Tradeanddigitaleconomy/Report.

²⁴ Department of Industry, Innovation and Science Website, Australia's Tech Future, 2018
<https://www.industry.gov.au/data-and-publications/australias-tech-future>.

²⁵ Digital Transformation Agency Website, Digital Transformation Strategy
<https://www.dta.gov.au/digital-transformation-strategy>.

bolstering support for an open, rules-based trading system, improving access and opportunities for Australian business, and enhancing Australia's competitiveness.

3.2. Australia pursued this agenda through strong support for the multilateral trading system, with the World Trade Organization (WTO) at its core, at a time of serious strain. The Australian Government actively participated in WTO reform efforts to help modernize the WTO, including dispute settlement reform. Australia also took a lead role in a range of WTO negotiations to help update the rulebook and ensure that WTO rules keep up with economic and technological change.

3.3. In parallel with multilateral efforts, the Australian Government also contributed to the development of international trade rules, and delivered improved opportunities for Australian business, through negotiating bilateral, regional and plurilateral Free Trade Agreements (FTAs). Australia's high quality FTAs aim to serve as building blocks for wider multilateral liberalization.

3.4. Australia's FTAs have secured significant new market access and rules in evolving areas of trade like e-commerce, intellectual property, trade and environment, SOEs, and investment liberalization over the review period. Australia now has FTAs in force with countries that account for 70.1% of Australia's two-way trade - a significant expansion on the 2013 figure of 26.8%.²⁶ If all current trade negotiations were concluded, Australia's share of two-way trade in goods and services with countries covered by FTAs would reach 86.6% (based on 2018 trade data). The Government has committed that around 90% of Australia's trade will be covered by FTAs by 2022.

3.5. Australia has continued to lower tariffs to increase its own openness to the world. The average applied Most Favoured Nation (MFN) tariff rate is 2.5%. More than 99% of Australia's tariff lines are applied at an MFN rate of 5% or less, with over 47% duty free. The overall, applied effective tariff rate (incorporating preferential FTA rates) was 0.56% in 2018 (on a trade-weighted basis).²⁷ This is reflected in the very low rate of tariff collections by Australia.

3.6. Over the review period, the Australian Government continued to maintain an open and non-discriminatory foreign investment framework, while ensuring foreign investment is not contrary to the national interest. Foreign investment applications (above certain monetary or equity thresholds) are assessed on a case-by-case basis. The vast majority of proposed investments are approved. Since 2015-16, Australia has approved 66,947 foreign investment transactions for a total value of \$608.7 billion.²⁸

3.7. Australia advocates internationally for open and transparent investment policy regimes. Since 2015, Australia has been a leading supporter of liberal capital flows through the negotiation of relevant provisions in FTAs and Bilateral Investment Treaties (BITs) with countries in our region and beyond.

3.8. Sustained engagement in key multilateral organizations like APEC, OECD and G20 over the review period also assisted in achieving Australia's trade and investment policy objectives (see Section 3.7).

3.1 WTO Reform and Negotiations

3.1.1 Reform of Dispute Settlement

3.9. Australia continues to be a strong proponent of the WTO dispute settlement system as a means of ensuring the security and predictability of the rules-based multilateral trading order. Australia remains seriously concerned by the WTO Dispute Settlement Body's inability to commence a selection process to replace outgoing Appellate Body members, resulting in the current impasse. Australia is actively supporting the General Council Informal Process on Appellate Body matters, aimed at resolving the impasse, led by New Zealand's Ambassador Walker. Australia has co-sponsored three proposals on this issue (WT/GC/W/752/Rev.2, WT/GC/W/754/Rev.2 and WT/GC/W/768/Rev.1). Australia remains committed to efforts aimed at finding a long-term,

²⁶ See footnote 2 above.

²⁷ DFAT analysis based on ABS Catalogue 5368.0.

²⁸ Foreign Investment Review Board, Annual Report 2017-18, February 2019, p25
<https://firb.gov.au/sites/firb.gov.au/files/2019/02/FIRB-2017-18-Annual-Report-final.pdf>.

multilateral solution to address Members' concerns and ensure the ongoing effective functioning of the WTO dispute settlement system.

3.1.2 Transparency and Notifications

3.10. Australia is a strong proponent of efforts to enhance compliance with notification obligations in the WTO and has co-sponsored a proposal to improve compliance. The monitoring and transparency of Members' trade policies plays a central role in ensuring WTO Members understand the policy actions taken by their trading partners, and each Member agreed to participate in this process as part of their accession to the WTO. When operating effectively, the notification system provides a shared and consolidated resource for all Members, which allows them to identify effectively the trade barriers that affect them and provides the foundation for effective negotiations.

3.1.3 Fisheries Subsidies Negotiations

3.11. Australia is a strong supporter of developing enhanced fisheries subsidies disciplines in the WTO. Australia has sought clear, simple prohibitions in the core areas of illegal, unreported and unregulated (IUU) fishing, overfished stocks, and overfishing and overcapacity. Australia has co-sponsored a proposal to cap (in monetary terms) fisheries support; drafted text on prohibiting subsidies for distant water fishing and subsidies to vessels not flying the subsidizing Member's flag; and drafted text on notifications and transparency. Underlining the importance Australia attaches to transparency, and as an important indicator of Australia's commitment to the process, Australia notified its fisheries specific subsidies by the 30 June deadline, as agreed by Ministers at the 11th WTO Ministerial Conference (MC11).²⁹

3.1.4 E-Commerce Negotiations

3.12. In January 2019, Australia with Japan and Singapore, led the launch of negotiations on trade-related aspects of electronic commerce with 75 other WTO Members, representing over 90% of global trade. The launch was the result of a year of exploratory discussions, chaired by Australia, under the WTO E-commerce Joint Ministerial Statement signed at MC11. Since the launch, four more Members have joined, bringing the number of signatory WTO Members to 80.

3.13. Proposals have been made that cover a broad range of trade-related e-commerce issues covering the overarching themes of enabling digital trade (e.g. provisions on data flows, goods trade facilitation, openness and trust), telecommunications, market access (for both goods and services), and cross-cutting issues including cooperation, capacity-building and transparency.

3.14. Australia's key interests lie in facilitating digital trade and electronic transactions (e.g. promoting paperless trading, improving transparency, permitting e-signatures etc.), ensuring consumer protection (e.g. protecting consumers online, personal information and privacy etc.) and prohibiting restrictions on data flows, including localization requirements. Making the WTO moratorium on customs duties on electronic transmissions permanent is also a key aim.

3.1.5 Services Domestic Regulation Negotiations

3.15. In 2017, Australia with other Members, led an initiative to renew negotiations on the WTO built-in agenda to give effect to GATS Article VI:4 (Domestic Regulation). This effort resulted in a Joint Ministerial Statement at MC11 that committed participants to examine ways to advance rules facilitating trade in services by ensuring domestic qualification and licensing requirements and procedures, and technical standards, do not act as a barrier to trade in services.

3.16. Since MC11, Australia has taken an active role in these negotiations. In May 2019, 59 WTO Members, representing over 70% of world trade, issued a statement agreeing to work towards finalizing services domestic regulation rules by the next WTO Ministerial Council meeting (MC12) in June 2020.

²⁹ Notifications in G/SCM/N/343/AUS.

3.1.6 Investment Facilitation Joint Statement Initiative

3.17. Australia supports work towards establishing a WTO framework on investment facilitation, as an emerging area of international investment. Australia continues to engage in the structured discussions, and would like to see an outcome that fosters a more transparent, efficient and predictable environment for facilitating cross-border investments for all WTO Members.

3.1.7 Micro, Small and Medium Enterprises (MSMEs) Joint Statement Initiative

3.18. Australia sees value in enhancing accessibility of small business to the global trading system. Australia was one of 88 WTO Members to issue a Joint Statement at MC11 promoting the importance of enhancing the participation of MSMEs in international trade. Australia continues to participate in the informal WTO working group, which focuses on addressing obstacles relating to MSME participation in international trade. Looking ahead, Australia would be supportive of developing a formal work programme for MSMEs in the lead up to MC12, which could explore practical trade-related initiatives of benefit to MSMEs and their host economies.

3.1.8 Agriculture Trade Reform

3.19. While agriculture remains the most distorted sector of international trade, Australia's agricultural sector continues to be one of the most open and globally competitive. Australia's level of agricultural producer support assistance remains one of the lowest across OECD member countries.³⁰

3.20. Australia has traditionally played a very active role in the WTO on agricultural trade reform and this objective remains of fundamental importance. Australia continues to work for global agricultural trade reform through our role as Chair of the Cairns Group.

3.21. The 2015 WTO Nairobi Ministerial Conference (MC10) delivered the most ambitious agricultural reform since the establishment of the WTO. WTO members agreed to eliminate agricultural export subsidies and to discipline other aspects of export competition – such as export credits, state trading enterprises and international food aid – that distort global agricultural markets. Australia was the first Member to implement this decision. Members also agreed to engage constructively to find a permanent solution to developing countries' use of public stockholding programmes for food security. While welcomed, the outcomes at MC10 were only one part of a bigger agricultural trade reform agenda.

3.22. Achieving progressive and substantial reductions in trade-distorting domestic support and agricultural market access barriers remain a priority for Australia in the WTO. In the lead up to MC12, Australia and the Cairns Group are working to develop a pathway to deliver meaningful agricultural trade reform, including a robust negotiating roadmap. Australia will work pragmatically to continue agricultural negotiations to achieve meaningful outcomes that benefit all Members at MC12 and beyond.

3.1.9 Environmental Goods Agreement (EGA) Negotiations

3.23. Australia played an active role during the review period on the plurilateral Environmental Goods Agreement (EGA), including as Chair of those negotiations. The EGA's aim was to eliminate WTO bound tariffs on an extensive list of environmental goods. Australia views the EGA as important in promoting the trade, uptake and production of goods and new technologies that help address environmental objectives, including climate change. The EGA has not been finalized and the last negotiations took place in November-December 2016.

³⁰ Agricultural Policy Monitoring and Evaluation 2018, Part II.
[http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/CA/APM/WP\(2018\)9/FINAL&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/CA/APM/WP(2018)9/FINAL&docLanguage=En).

3.2 WTO Agreements (Joined or Concluded)

3.2.1 Trade Facilitation Agreement (TFA)

3.24. Australia is a strong supporter of the Trade Facilitation Agreement (TFA), and became the seventh WTO Member to ratify in June 2015. Australia has provided notifications on its support for capacity building, and we have shared our practical experience of implementation in the Committee on Trade Facilitation.

3.25. Australia also assists developing and least developed countries to implement the TFA by supporting a number of global programs, including the World Bank Trade Facilitation Support Program, the Global Alliance for Trade Facilitation and the WTO Trade Facilitation Agreement Facility.

3.2.2 Government Procurement Agreement (GPA)

3.26. Australia became the 48th member of GPA on 5 May 2019. Accession to the GPA reinforces Australia's support for the multilateral trading system and the importance of trade rules. Australia's accession to the GPA demonstrates the commercially meaningful outcomes that the multilateral system can provide for exporters. Australia will play an active role in the GPA Committee to help the GPA grow and thereby increase the openness of the global government procurement market.

3.2.3 Information Technology Agreement (ITA-2)

3.27. Australia became a party to the plurilateral Expansion of the Information Technology Agreement (ITA) in 2016. The Agreement will be fully implemented by 1 July 2021. Australia continues to phase-in tariff commitments under the Agreement. This reform of Australia's tariffs is contributing to the efficiency, competitiveness and technological development of Australian industries that access and supply global value chains.

3.3 WTO Disputes

3.28. Australia views the WTO dispute settlement system as an important mechanism for promoting and defending Australia's trade interests, particularly as it provides all WTO Members with confidence that the commitments and obligations contained in the WTO Agreement will be respected. Since 1995, Australia has been a complainant in nine cases (including two current challenges), respondent in 16 disputes (including two current disputes), and a third party in 109 disputes.

3.3.1 India Sugar (DS580)

3.29. On 28 February 2019, Australia announced it was launching formal WTO dispute settlement action concerning India's sugar subsidies. Australia held consultations with India on 16 April 2019. On 15 August 2019, at Australia's request, the WTO Dispute Settlement Body established a panel to examine the matter.

3.3.2 Canada Wine (DS537)

3.30. On 12 January 2018, Australia requested WTO consultations with Canada on a range of measures Australia considers discriminate against the sale of imported wine, inconsistent with Canada's WTO obligations. The WTO Dispute Settlement Body established a panel on 26 September 2018. At Australia's request, the WTO Director General composed the panel on 7 March 2019 to hear the dispute.

3.3.3 A4 Copy Paper (DS529)

3.31. On 1 September 2017, Indonesia requested consultations with Australia in relation to Australia's imposition of anti-dumping measures on certain imports of A4 copy paper from Indonesia. Consultations with Indonesia were held on 30 October 2017. The WTO Dispute Settlement Body established a panel on 27 April 2018 and the panel was composed on 12 July 2018.

3.3.4 Tobacco (DS434, DS435, DS441, DS458 and D467)

3.32. On 28 June 2018, the WTO Panel issued its final reports in the disputes brought against Australia by Honduras, Indonesia, the Dominican Republic and Cuba regarding Australia's Tobacco Plain Packaging measures (the related dispute initiated by Ukraine lapsed on 30 May 2016). The Panel found in favour of Australia with respect to all claims. The WTO Dispute Settlement Body adopted the Panel reports in relation to the disputes brought by Indonesia and Cuba on 27 August 2018. Honduras and the Dominican Republic have appealed the Panel reports (on 19 July 2018 and 23 August 2018 respectively). The appellate proceedings are ongoing.

3.4 Bilateral and Regional FTAs Concluded in the Review Period

3.33. Australia increased the proportion of its trade covered by FTAs to over 70% during the review period. The Government has set a target of 90% coverage by 2022.

3.4.1 Australia-Hong Kong Free Trade Agreement (A-HKFTA)

3.34. Australia and Hong Kong signed the Australia-Hong Kong Free Trade Agreement (A-HKFTA) and the associated Investment Agreement on 26 March 2019.

3.35. Under A-HKFTA, both Australia and Hong Kong will legally bind tariffs at zero from entry into force of the Agreement. The parties have made high ambition commitments on services trade, including in education, financial services, and legal and other professional services. The agreement delivers economy-wide commitments guaranteeing the free flow of data across borders, and prohibiting data localization rules.

3.36. The new Investment Agreement signed alongside the FTA replaces a 1993 investment agreement. The new Investment Agreement contains rules to protect the substantial investments in each other's economies from discriminatory practices or expropriation. The updated Investor-State Dispute Settlement (ISDS) mechanism reflects contemporary developments in investment policy.

3.37. Australia is now following its domestic treaty-making processes to bring A-HKFTA into force.

3.4.2 Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA)

3.38. Australia and Indonesia signed the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) on 4 March 2019. Both countries are following their respective domestic treaty-making processes to bring IA-CEPA into force swiftly. The Agreement builds on commitments under Australia and Indonesia's existing common trade agreement, the ASEAN-Australia-New Zealand FTA (AANZFTA), across goods, services and investment. IA-CEPA creates a framework for Australia and Indonesia to unlock further the large potential of the bilateral economic relationship, expanding partnerships between businesses, communities and individuals.

3.39. On entry into force, Australia will eliminate all remaining tariffs on Indonesian imports into Australia. Over 99% of Australian goods exports by value to Indonesia will enter duty free or under significantly improved preferential arrangements. IA-CEPA will also improve conditions for services suppliers and the climate for two-way investment. The Agreement incorporates a skills package, including a reciprocal Skills Exchange, allowing well-qualified people from both countries to gain six months' experience in the other's market. IA-CEPA includes a framework for trade and investment-related cooperation through a jointly-funded work program.

3.4.3 Pacific Agreement on Closer Economic Relations (PACER) Plus

3.40. The Pacific Agreement on Closer Economic Relations Plus (PACER Plus) is a regional development-centred trade agreement. Negotiations on PACER Plus commenced in 2009 and concluded in Brisbane on 20 April 2017. PACER Plus opened for signature on 14 June 2017, and has been signed by Australia, the Cook Islands, Kiribati, Nauru, New Zealand, Niue, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. PACER Plus will come into force 60 days after the eighth signatory to ratify the Agreement notifies the Depositary in Tonga that it has completed their domestic processes. Australia has ratified the Agreement.

3.4.4 Peru-Australia Free Trade Agreement (PAFTA)

3.41. The Peru-Australia Free Trade Agreement (PAFTA) was signed on 12 February 2018 in Canberra following the formal launch of negotiations on 24 May 2017. Both countries are now undertaking their own domestic treaty-making processes in order to allow PAFTA to enter into force. This Agreement will bolster economic relations between Australia and Peru, and Latin America more widely, and promote high quality standards and rules within the region.

3.42. PAFTA will create immediate market access opportunities for both countries. Peru will eliminate tariffs on 93.5% of its tariff lines at entry into force of the Agreement, and ultimately will eliminate 99.4% of tariffs. Australia will eliminate tariffs on 96% of its tariff lines from entry into force and within four years will eliminate 99.8% of tariffs. PAFTA will also create a platform for significant growth for trade in services and investment. It addresses contemporary trade challenges in areas such as electronic commerce, supporting small and medium-sized enterprises and intellectual property rights.

3.5 Bilateral and Regional FTAs Under Negotiation

3.5.1 Australia-European Union Free Trade Agreement (A-EUFTA)

3.43. Australia and the European Union (EU) launched negotiations for a free trade agreement on 18 June 2018 and there has been good progress made since then. Australia is seeking an ambitious and comprehensive free trade agreement with the EU that reflects our commitment to open markets, free trade and the rules-based global trading system.

3.5.2 Regional Comprehensive Economic Partnership Agreement (RCEP)

3.44. Leaders launched RCEP negotiations on 20 November 2012 in the margins of the 7th East Asia Summit. The RCEP negotiations include all ten members of ASEAN and the six countries which have FTAs with ASEAN: Australia, New Zealand, China, India, Japan and Korea. In 2018, the 16 participating countries accounted for almost half of the world's population and over 30% of global GDP. Together they accounted for over 60% of Australia's two-way trade³¹ and 17% of Australia's two-way investment in 2018.³²

3.5.3 Pacific Alliance Free Trade Agreement

3.45. Australia commenced negotiations with the Pacific Alliance (Chile, Colombia, Mexico and Peru) on 30 June 2017 in Cali, Colombia. Negotiations are continuing, with the most recent rounds held in Santiago, Chile in September 2019 and in Bogota, Colombia on 28-30 October 2019. Securing an agreement with the Pacific Alliance will provide further opportunities for Australian exporters and investors in these strong and growing markets, and help boost the activity of Pacific Alliance businesses in Australia.

3.5.4 Australia-India Comprehensive Economic Cooperation Agreement (AI-CECA)

3.46. Australia and India commenced negotiations on the Australia-India Comprehensive Economic Cooperation Agreement (AI-CECA) in May 2011. Nine formal negotiating rounds have been held, the last being in New Delhi in September 2015.

3.5.5 Trade in Services Agreement (TiSA)

3.47. The Trade in Services Agreement (TiSA) is a services-only trade agreement that was under negotiation by a subset of WTO Members, jointly led by Australia, the EU and the US. 23 parties (50 economies, accounting for around 70% of global services trade) participated in TiSA negotiations.

3.48. TiSA negotiations aimed to set a new international standard in services liberalization, feeding into future multilateral negotiations. TiSA was designed to build on the WTO General Agreement on

³¹ DFAT STARS database and ABS catalogue 5368.0.55.003 & unpublished ABS data.

³² ABS catalogue 5352.0, 2018.

Trade in Services (GATS) while also incorporating more ambitious rules from the FTAs of the TiSA members. The most recent TiSA negotiating round was held in December 2016.

3.6 Bilateral or Regional FTAs Entering Into Force or Reviewed During the Review Period

3.6.1 Comprehensive and Progressive Trans-Pacific Partnership (CPTPP)

3.49. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) was signed on 8 March 2018 in Santiago, Chile by the governments of Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. The CPTPP entered into force for Australia, Canada, Japan, Mexico, New Zealand, and Singapore on 30 December 2018 and for Vietnam on 14 January 2019. It will enter into force for Brunei, Chile, Malaysia and Peru 60 days after each country completes its respective domestic legal processes and notifies New Zealand, as the CPTPP Depositary.

3.50. The CPTPP is one of the most comprehensive and ambitious trade agreements ever concluded. It will eliminate more than 98% of tariffs among the eleven member countries and deliver legally-guaranteed, improved conditions for services exports to CPTPP markets. The Agreement delivers new preferential access for Australia to the markets of Mexico, Canada and Peru, and builds on preferential market access Australia had already secured through existing FTAs with Japan, Malaysia, Chile, Singapore, Vietnam and Brunei.

3.6.2 ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)

3.51. The Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) was Australia's first multi-country FTA. Parties represent a diverse range of economies and political and economic systems. This agreement has contributed significantly to Australia's economic integration with economies in Australia's near region. Tariff-free treatment for over 96% of Australia's exports to ASEAN nations is anticipated by 2020. Prior to AANZFTA's entry into force in 2010, only 67% of Australia's exports to the region were tariff-free.

3.52. AANZFTA has a built-in agenda covering goods, services, investment, intellectual property, standards, technical regulations and conformity assessment procedures, competition, sanitary and phytosanitary measures, and economic cooperation. Australia actively supports capacity building and technical assistance activities under the AANZFTA Economic Cooperation Support Program (AECSP).

3.53. AANZFTA parties are implementing recommendations to upgrade the agreement following a 2017 General Review of the Agreement and 2018 AANZFTA ministerial endorsement of the recommendations from the review. The first round of upgrade negotiations will occur in 2020. The upgrade of AANZFTA will address rules of origin, customs procedures (to include trade facilitation), services, investment, e-commerce, competition and government procurement.

3.6.3 China-Australia Free Trade Agreement (ChAFTA)

3.54. The China-Australia Free Trade Agreement (ChAFTA) entered into force on 20 December 2015. ChAFTA has supported growth in trade and investment between the two highly complementary economies, with China accounting for a quarter of Australia's total trade in goods and services in 2018. At the time of entry into force of ChAFTA, more than 85% of Australia's goods exports to China (by value) entered China duty free. That percentage increased to 93% with the fifth round of tariff cuts in 2019, and will go to an estimated 97.9% when the Agreement is fully implemented in 2029. Australia eliminated 100% of its remaining tariffs on Chinese goods in 2018.

3.55. Regarding the screening of Chinese investments by Australia's Foreign Investment Review Board (FIRB), a threshold of AUD 1,154 million applies to private company investments except in sensitive sectors (i.e. defence, media and telecommunications) as well as for agricultural land (AUD 15 million) and agribusiness enterprises (AUD 58 million). FIRB will continue to screen all investment by state-owned enterprises, regardless of value. The Agreement also includes an Investor State Dispute Settlement mechanism to promote investor confidence.

3.56. ChAFTA contains a number of review provisions, including a general review of the Agreement, and reviews of the services and investment chapters and the associated Investment Facilitation Arrangement MOU.

3.6.4 Korea-Australia Free Trade Agreement (KAFTA)

3.57. The Korea-Australia Free Trade Agreement (KAFTA) entered into force on 12 December 2014. KAFTA is a comprehensive agreement that substantially liberalizes Australia's trade with the Republic of Korea, its third-largest export market and fourth-largest overall trading partner. KAFTA has so far delivered six rounds of tariff cuts, the most recent on 1 January 2019. The third meeting of the KAFTA Joint Committee took place on 15 February 2019. The Committee highlighted the smooth implementation of KAFTA, noted KAFTA's role in strengthening trade and investment integration between the two countries, and identified scope for further outcomes for business (including in legal services and by Korea exercising discretion rather than automatically applying safeguards on beef).

3.6.5 Japan-Australia Economic Partnership Agreement (JAEPA)

3.58. The Japan-Australia Economic Partnership Agreement (JAEPA) entered into force on 15 January 2015. JAEPA covers trade in goods and services, investment, intellectual property, government procurement and competition policy. JAEPA has so far delivered six rounds of tariff cuts, the most recent on 1 April 2019. The value of total goods and services exports to Japan grew by 24.5% to AUD 58.8 billion in the year to 2018. JAEPA continues to be well utilized,³³ with 96% of eligible Australian exports entering Japan in 2017 using JAEPA tariff preferences. 93% of Australia's imports from Japan that were eligible used JAEPA tariff preferences in 2017. JAEPA contains a number of review provisions, including a general review of the agreement in 2021 and a more focused review in 2020 for a range of priority agriculture products for Australia, including beef, wheat, barley, sugar and key dairy products.³⁴

3.6.6 Singapore-Australia Free Trade Agreement (SAFTA)

3.59. The Singapore-Australia Free Trade Agreement (SAFTA) entered into force on 28 July 2003. SAFTA is a comprehensive Agreement, making substantial commitments in goods, services and investment between Australia and Singapore. In addition to complete tariff elimination, SAFTA guarantees liberal conditions of access for many service suppliers, and provides a more open and predictable business environment. SAFTA provides for ministerial-level review of the Agreement every two years or as otherwise deemed necessary by Ministers.

3.60. SAFTA was amended in 2006, 2007, 2011 and significantly in October 2016 (entering into force in December 2017). These 2016 amendments involved expanded services coverage in a number of sectors; ISDS modernisation; FIRB threshold increase; and changes to make the Rules of Origin more user-friendly.

3.7 Other International Economic Engagement

3.7.1 G20

3.61. Australia supports a strong and effective G20. Trade tensions continue to test the collective resolve of the G20. Against this backdrop, Australia has worked in the G20 to reinforce the value of trade liberalization and global cooperation, particularly in the WTO.

3.62. Australia views the Declaration from the June Osaka G20 Leaders' Summit as valuable in affirming that international trade and investment are important engines of growth, productivity, innovation, job creation and development. G20 Leaders affirmed their support for WTO reform and agreed that action was necessary regarding the functioning of the dispute settlement system.

³³ DFAT Website, Free Trade Agreement Utilisation Study, Price Waterhouse Coopers Report, 2018 <https://dfat.gov.au/about-us/publications/trade-investment/Documents/free-trade-agreement-utilisation-study-pwc-report.pdf>.

³⁴ DFAT Website, JAEPA Review and Implementation Committees <https://dfat.gov.au/trade/agreements/in-force/jaepa/review/Pages/jaepa-review-and-implementation-committees.aspx#upcoming>.

G20 Leaders also agreed to work to ensure a level playing field for businesses, and to recognize the complementary roles of WTO-consistent bilateral and regional free trade agreements.

3.63. The G20 Ministerial Statement on Trade and Digital Economy was particularly timely and sent a strong signal to WTO members negotiating on e-commerce and digital trade issues.

3.7.2 Asia-Pacific Economic Cooperation (APEC)

3.64. Australia remains a strong supporter of APEC as the primary regional forum for driving economic integration and a free and open trading environment in the Asia-Pacific. APEC's consensus-based approach and extensive engagement of stakeholders make it a valuable forum to support the rules-based multilateral trading system.

3.65. Australia works in APEC to build support for open markets, the rules-based multilateral trading system and to resist protectionism. Australia's priorities include: promoting opportunities provided by the digital economy; implementing practical initiatives to support regional integration, moving eventually to an Free Trade Area of the Asia Pacific (FTAAP); supporting developing APEC economies to implement structural reforms that promote economic growth; investing in the economic empowerment of women; implementing the APEC Services Competitiveness Roadmap; and contributing to the development of APEC's post-2020 vision for regional economic integration.

3.66. In 2018, Australia announced it will contribute AUD 1.1 million over two years toward APEC's digital trade and digital economy agenda and AUD 1.1 million to support the economic development of remote areas in the region.

3.67. Australia has also been involved in the APEC data privacy initiative and on 23 November 2018, became a participant in the APEC Cross-Border Privacy Rules system. This system aims to promote business and community trust in cross-border flows of information. It centres on businesses developing appropriate data privacy policies.

3.7.3 East Asia Summit (EAS)

3.68. The East Asia Summit (EAS) is the Indo-Pacific's premier leader-led forum for dialogue on strategic, political and economic issues of common interest and concern. It plays a role in reinforcing inclusive regional economic integration and cooperation, which can help support the peace, prosperity and stability of the region.

3.69. Australia is a strong supporter of, and active participant in, the EAS economic stream and, in particular, the EAS Economic (Trade) Ministers' Meeting. This forum allows members to discuss regional and global economic developments and trade liberalization, including the Regional Comprehensive Economic Partnership (RCEP), as well as WTO matters.

3.70. Australia also works closely with ASEAN to support its connectivity efforts, including supporting ASEAN's Masterplan on Connectivity 2025. Australia welcomed the adoption in June 2019 of ASEAN's Outlook on the Indo-Pacific and looks forward to advancing the work being done with ASEAN across the Outlook's four areas of cooperation including connectivity and closer economic ties.

3.7.4 Organization for Economic Cooperation and Development (OECD)

3.71. Australia values the OECD's role in developing international economic, trade and investment policy. Australia gives a high priority to supporting the OECD's work on international trade policy, including in the WTO context.

3.72. Australia will continue work in the Trade Committee to support the OECD's evidence-based analysis, including on the Services Trade Restrictiveness Index, which provides information on regulations affecting trade in services. In 2018, the OECD completed an in-depth study of Australia's services competitiveness and made a number of useful recommendations that will help inform Australian Government policy options to improve economic growth and competitiveness (see section 2.4.5 for further detail). Australia also contributed AUD 300,000 to support the extension of the

Services Trade Restrictiveness Index to ASEAN Member States in the logistics, telecommunications, construction and computer services sectors.

3.73. Australia is also closely engaged in the ongoing work of the OECD, along with the G20, on tax revenue base erosion and profit shifting to facilitate cooperation consensus amongst key economies and to reduce unilateral actions. A key aspect of this work is the examination of the tax challenges arising from the digitization of the economy.

3.74. The OECD's work measuring cross-border data flows and analysing the digital transformation of the global economy is an illustrative example of the role the OECD can play in informing WTO negotiations – in this case on e-commerce and digital trade. Australia strongly supports this work.

3.8 Thematic Trade Policy Priorities

3.8.1 E-Commerce/Digital Trade

3.75. Over the review period, Australia has been at the forefront of developing international trade rules on e-commerce and digital trade. As discussed in section 2.4.8, the Australian Government has taken a comprehensive approach to developing strategies for domestic development of the digital economy, and to pursuing a digital trade agenda as part of Australia's International Cyber Engagement Strategy released in 2017.³⁵ The digital trade chapter of the Strategy sets out how Australia plans to help shape an enabling environment for digital trade and promote trade and investment opportunities for Australian digital goods and services.

3.76. Australia has included e-commerce chapters in 10 of its 11 in force FTAs. Australia's approach is to balance provisions that seek to facilitate digital trade, with provisions that ensure a safe environment for digital trade to occur (e.g. consumer protection, security, privacy etc). FTAs signed during the review period (e.g. CPTPP, Australia-Hong Kong FTA) contain some of the most ambitious e-commerce provisions, including relating to data flows and localization requirements. Australia's FTAs also support tariff reduction on technological inputs for businesses and consumers, as well as rules that benefit investors in digital businesses. Australia is currently negotiating a digital economy agreement with Singapore that intends to cover a broad range of new areas of bilateral cooperation, including digital trade facilitation, e-invoicing, e-payments, FinTech, digital identity and artificial intelligence. It will expand on both countries' commitments under the Singapore-Australia Free Trade Agreement.

3.77. Australia led the launch of WTO e-commerce negotiations in January 2019, and continues to Chair those negotiations (see section 3.1.4 for more information) with the aim of establishing new global e-commerce rules.

3.78. Australia also pursues outcomes in APEC, ASEAN, the G20 and OECD which support rule-making and standard setting on digital trade. For example, Australia is a strong supporter of the APEC Cross-Border Privacy Regime.

3.79. Australian industry has expressed a strong interest in seeing e-commerce negotiations set 21st century rules to facilitate cross border data flows, prohibit forced data localization for all services sectors and enhance trade facilitation while maintaining strong consumer and privacy protections.

3.8.2 Trade and Environment

3.80. Australia is a strong supporter of the WTO's trade and environment agenda, including in the Committee on Trade and Environment. Australia has been actively involved in this work since the establishment of the WTO, and recognizes the environmental and sustainability objectives of the WTO in accordance with the *Marrakesh Agreement* (1994), *Ministerial Decision on Trade and Environment* (1994) and the Doha Round mandate.

3.81. Australia remains a strong supporter of the plurilateral Environmental Goods Agreement (EGA) negotiations (see section 3.1.9 for more detail). Australia is also actively participating in the

³⁵ DFAT Website, Australia's International Cyber Engagement Strategy, 2017
<https://dfat.gov.au/international-relations/themes/cyber-affairs/aices/index.html>.

WTO Fisheries Subsidies negotiations (see section 3.1.3 for more detail) in recognition of the potential contribution that subsidy reform could make to improve the sustainability of marine capture fisheries across the globe. Australia has also co-sponsored with Canada, Mexico and New Zealand a proposal in the Council for Trade in Services in Special Session to explore market access in environmental services.³⁶ This proposal recognizes the potential of trade liberalization to contain the costs of meeting environmental goals.

3.82. Australia also continues to pursue trade and environment policies through FTA negotiations. Four of Australia's FTAs contain specific environment chapters: those with the US, Chile, Korea and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The CPTPP contains ambitious provisions, including on biodiversity, ozone protection, marine pollution from ships, invasive alien species, marine capture fisheries and transition to lower emissions. All of Australia's FTAs include provisions that allow governments to pursue legitimate public policy objectives including for environmental protection.

3.8.3 Trade and Women's Economic Empowerment

3.83. Over the review period, Australia focused on finding practical ways to promote women's economic empowerment by raising women's participation in, or reducing barriers to access the multilateral rules-based trading system and the international economy. Australia supported the Buenos Aires Declaration on Women and Trade at MC11 and is taking steps to put it into effect. Australia continues to integrate gender equality and women's economic empowerment into its investments under the WTO-led Aid for Trade initiative.

3.84. In the CPTPP Australia reaffirmed gender equality and inclusive trade, and agreed to cooperative activities to promote the elimination of discrimination against women's employment, and to activities designed to promote women's economic empowerment.

3.85. Australia is actively engaged on trade and women's economic empowerment issues in key economic fora, including supporting APEC initiatives. Australia is strongly supporting Chile's efforts to make women's economic empowerment a theme for APEC in 2019, through the APEC Women and the Economy Forum and the Santiago Roadmap on Women and Trade.

3.86. Australia is also partially financing UNCTAD's work with nine Pacific island countries in PACER Plus, which seeks to identify ways in which the transparency provisions of PACER Plus could ease difficulties that women face as producers and traders.

3.8.4 Intellectual Property

3.87. Australia's IP framework continues to be well-regarded internationally and is consistently ranked highly in international comparisons. Key areas of activity include: multilateral cooperation under the auspices of the World Intellectual Property Organization (WIPO) and the WTO; bilateral, plurilateral and multilateral international agreements; bilateral and plurilateral initiatives involving Australia's domestic IP agencies and their overseas counterparts; and capacity building activities to strengthen IP systems in developing country partners.

3.88. Australia has continued to work with other WTO Members to develop regional rules on intellectual property that support and build on WTO commitments. This included through the successful conclusion and ratification of the CPTPP, and in the RCEP negotiations. Australia is also active in supporting WIPO. An Australian official currently chairs an ambitious normative project in WIPO, the Intergovernmental Committee on IP and Genetic Resources, Traditional Knowledge and Folklore. In 2016, Australia was one of the initial twenty countries to ratify and bring into force the WIPO Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled.

3.89. A number of intellectual property related legislative developments have occurred since Australia's last WTO Trade Policy Review:

³⁶ JOB/SERV/293.

- The Intellectual Property Laws Amendment Act 2015 came into full effect on 24 February 2017. This Act implemented the Protocol amending the WTO TRIPS Agreement, enabling Australian medicine producers to manufacture and export patented pharmaceuticals to countries experiencing health crises.
- In response to a Productivity Commission (PC) public inquiry into Australia's IP system, a number of changes were made through the Intellectual Property Laws Amendment Act 2018, including clarifying parallel importation regarding copyright and trademarks, changes to essentially derived plant varieties, and reducing the trademark non-use removal period.
- A number of amendments to the Copyright Act came into effect to deal with online infringement, disability access to copyright material, and to extend the operation of existing copyright safe harbour scheme to a broader range of service providers.
- The National Security Legislation Amendment (Espionage and Foreign Interference) 2018 introduced new penalties for industrial espionage.

3.8.5 Trade-Related Development Assistance (Aid for Trade)

3.90. Australia has been a strong supporter of the Global Aid for Trade Initiative since it began in 2005, and aid for trade continues to be a priority for Australia's development program.

3.91. In line with the Sustainable Development Goals, which call for an increase in aid for trade support to least developed countries (LDCs), the Australian Government set a target in June 2014 to increase Australia's aid for trade investments to 20% of the total aid budget by 2020. At that time, aid for trade represented about 12.9% of the total aid budget. Australia achieved its target ahead of schedule in 2016-17, when aid for trade reached 23.3% (or AUD 941 million) of the total budget.³⁷ The target was met again in 2018 and 2019.³⁸

3.92. Australia's Aid for Trade Investments Strategy, released in 2015, identifies eight priority areas: trade and investment policy and trade facilitation; global value chains; infrastructure; private sector development; economic empowerment of women; knowledge and skills development; agriculture; and services.

3.93. Australia's aid for trade is delivered through multilateral, regional and bilateral channels. Multilateral aid for trade includes funding for key WTO partnerships, including: the Enhanced Integrated Framework; the Standards and Trade Development Facility; and the Trade Facilitation Agreement Facility.

3.94. Australia partners with the World Bank's Trade Facilitation Support Program, and the Global Alliance on Trade Facilitation, to help developing countries align their trade policies and practices with the WTO Agreement on Trade Facilitation. Australia also supports the Advisory Centre on WTO Law, to assist developing countries and LDCs.

3.95. Australia also partners with multilateral organizations to help ensure the benefits of trade are inclusive. This includes partnerships with the International Labour Organization's Better Work Program; World Intellectual Property Organization's Accessible Books Consortium; and Asia Development Bank's Trade Finance Program.

3.96. Regionally, Australia delivers aid for trade to help developing countries maximize the benefits of regional trade agreements. This includes: an AUD 26 million economic cooperation support program to assist with implementation of the ASEAN Australia New Zealand Free Trade Agreement; and readiness and implementation assistance packages to help Pacific Island countries ratify and prepare for the Pacific Agreement on Closer Economic Relations (PACER) Plus Trade Agreement.

³⁷ DFAT Website, Overview of Australia's aid for trade <https://dfat.gov.au/aid/topics/development-issues/aid-for-trade/Pages/aid-for-trade.aspx>.

³⁸ DFAT Website, Australian Aid Budget Summary, 2019-20 <https://dfat.gov.au/about-us/corporate/portfolio-budget-statements/Documents/2019-20-australian-aid-budget-summary.pdf>.

3.9 Trade and Investment Promotion

3.97. The Government has developed an Economic and Commercial Diplomacy Agenda which guides cooperation between Austrade and the Department of Foreign Affairs and Trade on foreign trade and investment promotion. The Agenda has five pillars: promoting investment; addressing non-tariff barriers; supporting and facilitating business; advocating for the global rules-based system; and increasing science, technology and innovation links.

3.98. A key focus is helping to attract, retain and grow international investment in Australia and to strengthen Australia's international reputation as a source of foreign investment. The five priority sectors for inbound investment are agribusiness and food; major infrastructure; tourism infrastructure; resources and energy; and advanced manufacturing, services and technology. Federal and state and territory governments work collaboratively to set investment priorities, facilitate investment opportunities, and identify and address investment impediments.

3.99. The Government is also implementing the 2017 Foreign Policy White Paper commitment to build a positive narrative around trade and investment and the benefits of economic openness for the Australian community. DFAT has collaborated across government to ensure accurate information about the benefits of international trade and investment is available to a broad range of Australian businesses and consumers. DFAT and Austrade delivered 123 FTA information seminars between March 2015 and May 2019 in different parts of Australia, engaging with more than 5500 business and other community representatives.

4 LOOKING AHEAD

4.1. Australia's prosperity will continue to rely on the competitiveness of our economy and our ability to seize opportunities globally. For this reason, Australia will continue to pursue openness and support rules as key goals of its trade policy. Australia's trade and economic policies will need to reflect the changing nature of trade, driven by advances in technology and changes in the relative competitiveness of economies.

4.2. Australia will continue to benefit from the complementarity of its economy with those of its neighbours. Asian economic growth and urbanization will sustain demand for minerals and energy, agricultural products and services. Australia is also working to build stronger economic partnerships with trading partners in Europe, Latin America, the Middle East and Africa.

4.3. There are significant opportunities for Australia to further enhance use of science and technology to improve productivity and to harness new sources of economic growth, including participation in the digital economy. The Australian Government is focused on assisting and investing in this process, including by incentivising research and development as a key driver of private sector innovation.

4.4. Australia remains a staunch advocate for an open international economy, and will continue to stand against protectionism and to promote and defend the international trade rules that guard against unfair trade actions and help to resolve disputes. Australia sees trade tensions, challenges to the rules-based trading system and scepticism about the value of international trade as key risks. It is important that trade tensions are resolved in a manner that does not undermine the system.

4.5. WTO reform is a long-term project and a key plank of Australia's trade policy. To remain relevant, the WTO rulebook must be updated to fill gaps and keep pace with economic and technological change, including using new models of negotiation. Free Trade Agreements will continue to complement this work. Australia will also work hard to ensure a functioning WTO dispute settlement system. As a medium-sized nation that depends heavily on openness in world trade, Australia will continue to have a major interest in preserving and building upon the strength of the rules-based multilateral trading system with the WTO at its centre.

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