

Services Integral to free Trade Negotiations – The Australian 28 July

After many years of hard slog, Australia's trade policy agenda has produced some very solid outcomes over the past six months.

The text of the Japan Australia Economic Partnership Agreement released last week shows that the Ministers and government officials who struck this agreement are world leaders in free trade negotiations.

Despite this, there is much yet to be done in growing free trade and Australia's agenda is full.

In addition to the China FTA which is expected to be completed by the end of 2014, the regional Trans Pacific Partnership is well advanced.

Along with the bilateral agreements Australia has recently completed, the TPP will have high quality outcomes in services – which is crucial to the 80 per cent of Australia's economy comprised of services businesses.

Once the China FTA is completed Australia will have bilateral free trade agreements with all of our top ten trading partners except the UK and Germany.

In addition to the Closer Economic Relationship with New Zealand, Australia will have agreements with China, Japan, the US, Korea, Singapore, Thailand and Malaysia. We will also have agreements with some economies not in the top ten trading partners such as Chile.

Our dance card is full with early stage negotiations with Indonesia and India, both of which will be difficult negotiations but are potentially very large markets.

The Gulf Cooperation Council is also an important market with which we should complete an agreement, but must include a strong investment chapter so Australia can provide services to the large sovereign wealth funds in these countries.

An agreement with the EU will reduce barriers with the UK and Germany our seventh and tenth largest trading partners.

Australia's agriculture industry will benefit from these agreements, but the real benefits will come in services and investment and chapters on these agreements must be high quality.

While Australia and the Department of Foreign Affairs and Trade are now expert negotiators, the point of diminishing returns to investment in bilateral FTA's will soon be reached if it hasn't been already.

Consideration needs to be given to what is next for Australia trade agenda.

Certainly the completion of the Doha Round and the Trade in Services Agreement are important goals but Australia has to run its multilateral, bilateral and regional negotiation's in parallel.

Outside of the WTO, there is action Australia should be taking, once the next round of bilaterals are completed and the groundwork for this needs to be prepared now.

Australia needs to deepen the relationships we have, pursue industry specific discussions, build capacity and acceptance of free trade in developing countries and begin the much longer task of bringing the regional trading blocs together.

Some of the agreements Australia signed are over a decade old when both parties were learning about negotiating bilaterals and industry structures and technology have changed over this time.

Industry specific plans need to be pursued bilaterally and on a regional basis.

Financial Services provides one example.

The mutual recognition in the Australia New Zealand CER should be a template for similar agreements with partner countries with large well regulated financial services markets such as Singapore, Korea and Japan.

Trade in a service such as finance becomes truly free when a bank or fund manager who passes the regulatory barriers in one country can sell in another without further licencing.

Professional services such as architecture, legal, accounting and engineering are other examples.

Such industry plans can take place on a regional basis.

The Asia Region Funds Passport, which provides mutual recognition for funds management products in signatory countries which is being developed through APEC is one example.

Australia and other countries that have pioneered free trade also need to build developing country's capacity in negotiating and benefiting from free trade agreements.

The pay-off for Australia is that eventually these countries are more able to take part in the free trade process and ultimately come in as proponents of the multilateral process.

Regional FTAs have been variously seen as wreckers of the multilateral process by diverting attention and resources or building blocks to multilateralism.

Australia's final goal should be to test this.

Once the Trans Pacific Partnership is completed, consideration should be given to bringing it together with the other large trading blocs in the world – the European Union and the North American Free Trade Agreement and begin to open them to new parties.

For Australia to lead these goals is an ambitious agenda.

However, Australia has been a world leader in free trade for decades.

Apart from our unilateral reductions in tariffs and quotas beginning with the Whitlam Government in 1972, Australia led the creation of the Cairns Group of agricultural countries that drove conclusion of the Uruguay Round.

More recently the push for a services only agreement through the WTO was driven in large part by Australia.

We can continue our leadership through pursuing the goals of deeper and broader free trade through bilateral and regional agreements while also pursuing convergence of the large trading blocs.

The immediate path of Australia's policy is well known – China, India, Indonesia, GCC and the EU are all in train.

However, while we continue to pursue completion of the Doha and Trade in Services Agreement through the WTO, we need to look past the next three to five years and develop the strategy for what will be next.

James Bond is the current President of the Australian Services Roundtable.