

## MINISTERIAL STATEMENTS

### Trans-Pacific Partnership

**Mr CREAN** (Hotham—Minister for Trade) (4.11 pm)—I have the pleasure to make a ministerial statement to announce to the House the government's intention to join an important initiative to promote free trade in the Asia-Pacific region.

On 20 November 2008 at the APEC ministerial meeting in Lima, Peru, I announced that Australia will participate in negotiations on a comprehensive trans-Pacific partnership agreement alongside the United States, Brunei Darussalam, Chile, New Zealand, Singapore and Peru. We also understand that Vietnam is considering possible participation. This initiative confirms Australia's strong commitment to regional integration, underlines Australia's support for APEC, promotes the vision of an Asia-Pacific community and contributes to the government's objectives in ensuring free trade agreements also support the multilateral system.

Strategically, this is a most important development. The rapid growth in the number of bilateral and regional free trade arrangements internationally shows no sign of abatement; this is now a well-established part of the trade policy landscape. It is therefore essential, in our view, that bilateral and regional free trade agreements support, rather than undermine, the multilateral system.

The government has made absolutely clear its commitment to reinforcing the primacy of the multilateral trading system—and ensuring that free trade agreements support the multilateral trading system. We are strongly committed to ensuring the success of the WTO Doha Round of world trade talks, which has been given added urgency by the global financial crisis.

The strong political commitment expressed by world leaders at the G20 and subsequent APEC leaders meetings in the past two weeks is testament to the commitment of the international community, including of course Australia, to making Doha succeed. The language that came out of the APEC leaders meeting over the weekend, instructing ministers to meet in December to conclude modalities, amplified and strengthened the commitment made by G20 leaders earlier in the month. If we can conclude a framework package on Doha, we will significantly strengthen the multilateral trading system. But our commitment to multilateralism does not stop in Geneva.

We are in favour of high-quality and comprehensive free trade agreements, as I have said consistently since coming to office. We are in favour of initiatives that ensure that bilateral and regional trade arrangements are more consistent with the multilateral trading system. Our announcement to join negotiations on the trans-Pacific partnership is perhaps the most important initiative the Rudd government has taken to fulfil that aim.

This initiative has the potential to spread the benefits of comprehensive and highquality FTAs—that is, their speed and depth as a vehicle for liberalisation—to a wider membership. It has the potential to reduce trade discrimination by broadening its coverage. It has the potential as well to serve as a base for a wider exercise in multilateralising free trade agreements in the Asia-Pacific region. It therefore has the potential to serve as a viable building block to even greater regional integration in the Asia-Pacific.

The current members of the Trans-Pacific Strategic Economic Partnership Agreement between Chile, New Zealand, Singapore and Brunei—known as the P4—have invited Australia, Peru and Vietnam to join the negotiation. The United States confirmed its intention to participate comprehensively in the initiative in September this year. The announcement made last week at the APEC ministerial meeting that Australia would join the negotiations has highlighted the significance of this initiative and we hope it will stimulate others to join in due course.

We went to the last election with a commitment to transparent and inclusive trade policies. Our approach to entering this set of negotiations honours that commitment. We have ensured and have provided extensive opportunities for public input from all segments of the Australian community on this proposed initiative. I announced on 23 September that Australia would actively consider participation in the initiative. In October, public consultations were held with industry, business, academics and labour and community organisations, as well as with other government agencies and state and territory officials. Those consultations allowed us to hear directly from each of the sectors in our community on their views on Australia's possible participation.

The input to this initial consultation has been positive. The widespread view is that Australia should participate in this agreement and be involved from the outset, to ensure that we are able to help shape the agreement in a way that benefits Australia. Taking into account this input, the government has formed the view that we should proceed. This view is supported by the Mortimer Review of Export Policies and Programs, commissioned by the government and released on 22 September 2008, which recommends as part of a package of trade reforms that Australia participates in the trans-Pacific agreement.

With the confirmed participation of the United States, Peru and Australia, there is strong potential for the trans-Pacific partnership to develop into a broad based and high quality free trade agreement. Our public consultations have showed this view is shared by many stakeholders. Stakeholders have also pointed to the potential for real commercial benefits from the agreement in the long term. One priority of the government will be to maintain and build on existing standards in our current free trade agreements and retain the flexibilities that we presently have in those agreements.

I now table a document—together with this statement—outlining the views that emerged in the consultations on the costs and benefits of our participation in the trans-Pacific partnership, and views on priorities and objectives for the negotiations. Taking these views into account, the government's priorities include:

- to promote trade and investment flows with partners of the trans-Pacific partnership negotiations;
- to ensure that the trans-Pacific partnership provides a platform for comprehensive liberalisation across goods, services and investment;
- to substantially improve trade and economic integration with Peru, with which we do not currently have a free trade arrangement, given our growing commercial interests, particularly in services and commodities trade;
- to pursue commercial interests more broadly in the Asia-Pacific region as other countries start to take a closer interest in the trans-Pacific partnership process;
- to build on WTO rules covering goods, services and investment; and
- to provide a model arrangement which might stimulate other initiatives to multilateralise bilateral FTAs.

While the government can see significant opportunities from participation in this agreement, we are also conscious of the need to retain control over the setting of domestic policy in a range of areas.

The first meeting of the trans-Pacific partnership negotiations is planned for March 2009 in Singapore—which, as the Prime Minister indicated earlier, will also host next year's APEC meetings. Following that meeting, we will engage further with stakeholders as Australia develops its approach to achieving a high-quality regional free trade agreement. The existing free trade arrangements between these members should also allow us to work expeditiously. The meeting in March will be important to build the foundations of the initiative—because if we are to encourage others to dock on to the agreement, we want to make sure we have got the foundations right. The trans-Pacific partnership initiative may be the most viable bridge to generating a free trade agreement in the Asia-Pacific region. But it has got to be a wellbuilt bridge.

The government will seek to ensure that the trans-Pacific partnership negotiations do not detract from our negotiations with other trading partners and that all our free trade agreement negotiations continue to achieve and promote ongoing trade liberalisation across the Asia-Pacific region and exemplify Australia's strong commitment to open markets. Australia has or will soon have existing free trade agreements with all P4 participants and with the United States. The consultations revealed that we could build on these commercial gains with countries like Peru, and potentially with other members as participation expands.

During the consultations there were, understandably, also a number of commercial sensitivities expressed in some of the submissions. Reflecting the government's commitment to transparency, we have indicated to all those who have made written submissions that we intend to table their submissions should they agree. I am also pleased to make those submissions public today on my department's internet site. We will not stop at this point in our commitment to inclusiveness and transparency. As the negotiations get underway, which I anticipate will happen from March next year, the government will continue to consult fully on the terms of its participation and to convey feedback on the course of the negotiations.

APEC is our leading forum for trade and investment cooperation, and cooperation in this important sphere binds our region together. Membership of APEC expands Australia's focus beyond the domestic market and provides tremendous opportunities to create jobs and income. Australian business has access to over 2.5 billion consumers and around 60 per cent of global income in 21 APEC member economies. These economies also purchase around three-quarters of Australia's merchandise exports. In the last decade, APEC exports have more than doubled to nearly A\$5 trillion, and APEC economies have generated 195 million new jobs and 70 per cent of the increase in the world's economic growth. The region accounts for nearly 60 per cent of world GDP and over 50 per cent of international trade. There has been a substantial increase in trade and investment between countries in the region over the last two decades, which has contributed strongly to economic growth and cooperation.

Australian trade with parties to the trans-Pacific agreement negotiation amounts to more than 20 per cent of Australia's total two-way trade in goods and services and is growing at an average of nearly five per cent each year. The trans-Pacific partnership initiative has the potential to make a positive contribution to continued economic liberalisation and integration in the Asia-Pacific Region. It will, importantly, allow us to engage the United States, under the new Obama administration, in the evolving economic architecture in the Asia-Pacific region. These are early days with the initiative, but it is my firm view that we have to be part of it.

Extending the principles of openness and multilateralism will lead to less trade discrimination, lower trade tensions, less trade diversion and higher global economic welfare. We are pursuing these goals vigorously through our efforts to secure a successful conclusion to the Doha Round. We also need to start knitting together bilateral trading arrangements if we are to make progress towards our goal of ensuring FTAs, free trade agreements, are truly consistent with the multilateral system. We need to start harmonizing the rules in these various FTAs for the benefit of our business communities.

Apart from laying firm foundations for trade reform, this initiative will also help position Australia to sustain its economic future, which is particularly pertinent given the current global economic uncertainty. The fact is that Australia is one of the few developed countries forecast to continue to grow. We are also well positioned because of our trade focus on the Asia-Pacific region, which is in our time zone and which is also forecast to grow. But we must build the framework which strengthens the role of trade reform for economic growth and which underpins the principles of multilateralism. Australia's participation in the trans-Pacific partnership is an important step in this direction.

I table the priorities and objectives for participation in the trans-Pacific partnership and a summary of the views expressed in public consultations, and I ask leave of the House to move a motion to enable the Leader of the Nationals to speak for 16 minutes.

Leave granted.

**Mr CREAN**—I move:

That so much of the standing and sessional orders be suspended as would prevent Mr Truss speaking for a period not exceeding sixteen minutes.

Question agreed to.

**Mr TRUSS** (Wide Bay—Leader of the Nationals) (4.27 pm)—The opposition supports Australia's participation in discussions to establish the so-called trans-Pacific partnership. This proposal builds on a trade arrangement already put in place known as the P4, which was put together by Chile, New Zealand, Singapore and Brunei. In a sense, the P4 would not have been one of the most difficult agreements to put together, because most of the countries have limited trade with one another and, in addition to that, the range of issues would have been small. It was perhaps something of a surprising agreement because, again, the countries concerned do not especially have a degree of geographic affinity or, for that matter, a lot of commonality. Nonetheless, I think that emphasises the point that the Minister for Trade made in his statement that there has been a rapid growth in FTAs, and some of them have been quite curious partnerships.

I think that the fact that the P4 has put together countries from a range of different geographical areas and with different interests provides an interesting foundation for a potentially wider arrangement. The proposal now to extend the P4 to P7, P8 or maybe even a wider agreement is potentially quite exciting. Of course, it would be a gigantic step to bring into an arrangement like that a country like the United States, because it would be a much, much bigger partner in that kind of arrangement than any of the other current participants, or, for that matter, a country like Australia, which has considerable ambitions in relation to our export opportunities in many of these countries.

I am somewhat concerned that there has been an emphasis, perhaps, on quantity rather than quality in free trade agreements around the world. Some of the things that are labelled free trade agreements are clearly not consistent with the WTO's rules in relation to what can be called a free trade agreement; in fact, they are probably a direct breach of the members' commitments to the WTO, but this seems to have been overlooked for a period of quite some years now. Everyone takes some degree of pleasure out of incremental advances in free trade around the world, but some of these agreements are really just that—at best an incremental advance. They do not provide the comprehensive breakdown of trade barriers that is expected from a WTO-consistent free trade agreement. In fact, what is obligatory for a WTO-consistent free trade agreement is that it be WTO-plus. Many of these are WTO-even or sometimes even WTO-minus. There are a lot of agreements around, and some countries are able to boast that they have a very large number of agreements, but they do not necessarily have a particularly freetrading regime. So I think it is important that we also emphasise the importance of quality—that there be real advances. Let us not do deals for the sake of clocking up additional numbers of agreements and getting certificates on the wall. What we actually have to do is to deliver fairer and freer trade around the world. Let us not sign up to an agreement just for the sake of improving relations with the country if there are not any real advances in the opportunities for Australian industry and new initiatives which lead to genuinely freer and fairer trade.

A bad deal is worse than no deal. A bad deal is one which enables high levels of industry protection and barriers to trade to be entrenched. In fact, when we agree to a free trade agreement that leaves in place significant levels of protection, we provide a comfort zone for the country that signed the agreement. They can stand behind, sit behind or, even worse, relax behind or lie down behind the legitimacy of a free trade deal and feel as though they do not have to take any further steps. So we should not be prepared to accept deals that are bad deals and that do not in fact make significant advances.

The minister said in his speech:

Our announcement to join negotiations on the Trans Pacific Partnership is perhaps the most important initiative the Rudd Government has taken to fulfil that aim.

That may well be the case, although it might be said that there have not been many other initiatives so there was not much competition. The statement then goes on to say that the reason for that somewhat flamboyant statement is about the hope for the future—that this agreement might lead to a more significant Asia-Pacific free trade agreement. You see, the most significant countries in this latest round of discussions—countries like New Zealand, Singapore, the United States and Australia—all already have free trade agreements generally with one another, so one would expect that this agreement will need to go beyond those arrangements so that there is some additional benefit. Our trade with Brunei, for instance, is about \$1.1 billion, but all of that except \$32 million is oil imports from Brunei, so the trade is quite small. When it comes to Peru, our total trade is \$152 million. When you talk about Vietnam the trade is much larger, but again two-thirds of that trade is oil imports from Vietnam. I think that, of the countries involved in this initial round of discussion, the potential for us to have a stronger trading relationship with Vietnam is perhaps the most important, although I welcome any breakdowns in barriers and any new trading opportunities, whatever country they might be with. The clear hope is that the P4 might expand to a P7 or P8 and then perhaps something broader covering a significant breakdown in tariff barriers. If we can in fact achieve the 90 per cent elimination in tariff barriers across all of the countries that are involved on entry into an arrangement, that is certainly a worthwhile advance.

I know that there have been discussions over recent months—in fact quite a few years, but the new government has taken up the mantle—in relation to the ASEAN Australia-New Zealand free trade agreement. Having been a trade minister for a while, I appreciate some of the difficulties that there have been in those negotiations. Good progress was made and we thought we were close, but when most of the Asian countries went home they found a whole range of new difficulties that had to be addressed. I am aware of statements that have been made that some kind of agreement has now been reached, although the text of that is not available; we have been told that the agreement has been made even though certain issues are not resolved. I do not even know what those issues are, although my guess is that one of them might happen to be the car industry, which would be a bit of a sensitivity for the minister himself and obviously is of some interest to all Australians. I think that, if there is to be an ASEAN free trade agreement with Australia and New Zealand, it needs to set the example. It must be a good deal and not a poor deal. For it to be a good deal, the countries of the ASEAN group will have to be prepared to open up their markets for Australian goods. It cannot be a one-way deal where Australia and New Zealand provide opportunities to the countries of ASEAN without getting anything in return. There must be genuine progress towards reducing industry barriers and protectionism in the countries of Asia so that the merits of a free trade agreement can actually flow through to the economies of Asia as well as to our own.

This does create some sensitivities, I appreciate, in the countries of Asia, who are keen to protect their own industries and have been very, very slow to wind back protection measures. In addition to that, there has been a desire for Australia to break down quarantine barriers, for instance, which is simply unacceptable. We cannot put issues like biosecurity on the table when it comes to discussion about trade, and that has been an issue that many of the countries in the ASEAN group have had difficulty accepting. I am looking forward to hearing and learning a bit more about what has allegedly been agreed in relation to the ASEAN-Australia-New Zealand FTA. I think it is an important grouping which can also play a key role as a building block to a wider Asia-Pacific free trade area. So all of those sorts of things are important developments and need to be pursued.

While I am talking about the importance of having good deals rather than bad deals, let me make a couple of comments about the Doha Round, which the minister also referred to in his statement. I note with interest that the APEC leaders made a statement calling for the Doha Round to be advanced; it sounded very much like the same leaders saying the same thing as they said in Sydney. Some little progress was made, and it is good to have the commitment of international leaders but it is not necessarily the key to turning out a successful outcome.

The G20 also made similar comments about wanting the Doha Round to come to finality. I notice that the British government is part of the G20 and two days ago they announced a new duty on

international travellers, which suggests that protectionism is alive and well in the UK and that there is no new-found enthusiasm from the leaders of the G20 to break down barriers. They are in fact putting a new tax on people who travel to and from the UK and that tax will fall most heavily on countries like Australia that are further away. So I do not think that there has been, in spite of the joint statements that might be made at G20 and APEC, any fundamental turnaround in the desire of not only the Europeans but also the Americans to actually embrace a significant level of trade reform.

We should not be desperate in relation to the Doha arrangements to get a certificate on the wall or to get to a stage where we have traded everything off and ended up with signatures but no actual gains. I repeat again what I said earlier: the real problem with having an agreement that everyone is prepared to sign up to but does not actually make any progress is that countries slip back into a comfort zone. They have nothing more to do until there is another round of trade talks. This was the problem with the Uruguay Round because it allowed farm subsidies, export subsidies and the like to fester because they were put off to another time.

I appreciate there are a few things potentially to be gained from the Doha Round. I understand there is a high level of agreement on issues such as an end to export subsidies, although that is some way off. There is some commitment to tariff cuts, although that is mainly in the water with very little pain associated with it. There is some commitment to reduce industry subsidies, although in the case of the United States it will pretty much be an academic cut because, with prices the way they are at the present time, it is highly unlikely that there would be a call for anything like the amount of money that will still be available to the US under these kinds of subsidy programs.

We know, of course, from past experience that the US frequently has found tricks and ways to get around the rules of the WTO to in fact deliver more protection to their farmers than would otherwise be allowed. There is an important case currently before the WTO in relation to US farm subsidies and I hope that the Australian government is giving urgent consideration to participating in that case. It is a very important case because it seems to have identified a whole range of new issues in relation to industry support in the United States which will have ramifications across the world. It is an important test case and Australia should be there and be a part of it.

What we really do want out of Doha, if it is worth doing, are actual real reductions in protection, real reductions in subsidies that actually happen and cause some pain and deliver real results. Then we want practical market access, not theoretical market access but real market access that does not have a whole stack of conditions attached to it which make it very difficult to be taken up.

From an Australian perspective, it is also important that the developing countries are prepared to pay their way. I acknowledge that many of the most difficult issues have been unwillingness by the developing countries to provide access to their markets in return for the demands they are making on the developed countries. I accept that developed countries can do more than developing countries, but developing countries have got to show good faith and goodwill as well. I am particularly perturbed about some of the non-government organisations that advise the least developed countries that they should hide behind protection or that they can expect everything to be done for them rather than acknowledge that their economies will benefit most by being more open and that their consumers will have access to leading technology and the best things in the world which will then drive competitive industries in their country as well.

So a successful outcome to the Doha Round would be an important boost to world trade, but only if the deal is a good one. So I appeal to the minister, who I do not very often have the opportunity to be able to speak to directly on these issues, that if he comes back with his signature on the dotted line, to make sure that it is something he will be proud of in two or three years time; that there will be Australians actually exporting and getting advantage from the Doha deal rather than just have his name in history as the person who signed the deal and perhaps achieved little for our country.

The final point that I would like to make is that these discussions in relation to a trans-Pacific partnership are welcome but let us not lose sight of the two most important bilateral free trade agreements that we should be concentrating on at the present time—that is, China and Japan. Japan is still our most important trading partner; China our most important export market. Any agreement that we can make with China and Japan has the potential to provide enormous benefits to Australia. I know they are hard but they are well worth doing. I was disappointed when the government cut funding to negotiations for the free trade agreements with Japan and China because they ought to be priorities. They ought to be the areas that we are concentrating on. I know the department is stressed with resources, but please do not take any resources away from the Chinese and Japanese negotiations in order to do the new Pacific partnership deals or for that matter any of the other FTAs. Our relationship with Japan is long-standing and needs to be refreshed. Our relationship with China is growing and strong but needs to be underpinned by a quality free trade agreement.

*(Time expired)*