



# ACCI POLICY STATEMENT

## TRADE AND INTERNATIONAL AFFAIRS POLICY

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### PRINCIPLES OF TRADE AND INTERNATIONAL AFFAIRS POLICY

Australia's commercial and economic interests, and those of the world economy, are best served by a free and liberal system of global trade, capital, investment and information.

At the same time, our commercial and economic prospects are critically dependent on broader and deeper involvement in global affairs, with business and government working cooperatively, where appropriate, to advance our national interests.

The policy horizon of trade and international affairs is necessarily broad, embracing trade, investment and information exchanges, foreign and strategic policy, transport and migration.

### POLICY OBJECTIVES

ACCI's overarching policy objectives include:

- strengthening Australia's representation within key international fora whose activities and programs affect Australia's interests in global trade and commerce; and
- advancing/defending the interests of Australian business in the negotiation of key international treaties and their implementation in domestic legislation.

Specific, immediate policy objectives include:

- the active promotion of a comprehensive Round of multilateral trade negotiations;
- promoting greater outcomes of benefit to commerce and industry from the Asia Pacific Economic Co-operation (APEC) and Indian Ocean Rim Association for Regional Co-operation regional processes;
- working with the Australian Government to improve bilateral market access in key foreign markets; and
- engagement with the Australian Government and international business groups on negotiations of treaties of importance to commerce and industry.

### THE POLICY FRAMEWORK

The world economy and trading system are undergoing dramatic changes which will set the basic framework for international trade, commerce and investment, and national economic performance, for coming decades.

National economies are becoming more closely integrated through trade, capital and information flows, while business is being conducted on an increasingly global basis.

The growth in the trade in services is outstripping that of commodities and manufactures, while capital flows are eclipsing trade flows in many countries and regions.

The aim of Australia's trade and international relations policies must be to deepen and widen our national engagement in global affairs, which will also require sustained domestic progress to lift our international competitiveness.

### **Australia's National Interests**

Australia's longer-term economic interests are best served by our wider and deeper integration into the world economy. The world, not one region, economy or part thereof, is Australia's market place. Business must, and will, pursue international trade, commerce and investment opportunities wherever they can be found.

This also means, as a nation, we are critically dependent upon our ability to achieve and then maintain broadly-based and genuine international competitiveness, not just by pursuing price competitiveness through a depreciating currency, but more importantly through non-price considerations such as design, quality and service.

The traditional notion of trade and commerce based on comparative advantage is increasingly being replaced by the greater attention being given to competitive advantage.

Business and governments are more and more realising they can make their own opportunities in international trade, commerce and investment, rather than being constrained by natural endowments.

The traditional dominance of exports and imports of commodities and products is being supplanted, to varying degrees, by trade in services and the increasing importance of capital flows.

New information technologies mean 'trade' can be transacted without the supplier ever leaving their home base. Electronic commerce has the potential to dramatically change the nature of international business.

### **Globalisation**

The globalisation of commerce and industry will dramatically change the nature and conduct of trade and international affairs, in particular the relationships between governments and business. Mindsets of partnership and dialogue will need to replace those of separation and even antagonism.

Globalisation is already impacting upon the way commerce and industry operates and the parameters within which governments can design and implement a broad range of policies.

Many companies, large and small, are exploring the opportunities of electronic commerce, which will bring closer the 'global marketplace'. It will also have a profound impact on the nature and extent of competition in the domestic marketplace.

Governments are increasingly coming to realise the looming impact of globalisation on their competitive position in the world economy. The Australian Government has, correctly, identified globalisation as one of the two major driving influences on Australia's medium-term prospects.

Governments must resist the temptation to deny, let alone subvert, the forward march of globalisation, in particular to distort or inappropriately regulate one of its most prominent manifestations - the rapid expansion of international electronic commerce.

### **Multilateral Liberalisation**

Artificial barriers to global trade and investment, including tariffs, quotas and increasingly non-tariff trade barriers, have

to be identified and then substantially wound-back, if not eliminated, with clear and strong resolve.

This objective can best be achieved, and should be pursued primarily, through multilateral frameworks and mechanisms such as the World Trade Organisation (WTO), although bilateral and regional mechanisms which will deliver our trade liberalisation objectives should not be precluded. We support the concept of 'competitive liberalisation' which involves the pursuit of bilateral free trade agreements with countries such as the US, Thailand, Singapore and China at the same time that multilateral negotiations are conducted through the WTO.

The Australian Government, in coalition with commerce and industry, must continue to press for freer trade and investment through the WTO. While the Uruguay Round of trade negotiations has come to an end, there remains considerable unfinished business which must be brought to a positive conclusion.

The Australian Government should pursue a bold and comprehensive agenda within the 'Doha Round' of trade and liberalisation negotiations, while ensuring this does not detract from implementation of the Uruguay Round.

Such a round should address issues of emerging importance, such as investment, competition policy and electronic commerce and distinguish issues which must remain separate from the world trading system such as the environment and labour standards.

Telecommunications, financial services (in the broadest sense) and maritime transport are early candidates for action. Other issues and sectors will also require attention in coming years, including aviation transport, electronic commerce, professional services and government procurement.

### **Regionalism: Asia Pacific Economic Cooperation**

ACCI continues to support the deepening of the APEC initiative, both for its potential to deliver meaningful benefits from its programs of trade facilitation and liberalisation and its capacity to reinforce the multilateral system.

While APEC has a significant role to play in promoting economic integration within the Asia-Pacific region, this should not extend to APEC becoming a closed trading bloc. ACCI endorses the APEC commitment to 'open regionalism' and the bold objective of 'free and open trade and investment'.

The Chamber strongly supports the Bogor Commitment of APEC Governments to 'free and open trade and investment' in 2010 for developed countries (such as Australia) and 2020 for developing countries.

The agenda for APEC's work programs must be oriented towards producing tangible outcomes of benefit to commerce and industry, which should also play a strong role in setting the broader APEC agenda and in its performance evaluation processes.

In the near term, a substantial reduction in the number of activities underway beneath APEC could productively strengthen its longer-term performance.

### **Regionalism: Other Groupings**

Australia's national interest requires a close watch be maintained over the development of other regional groupings. While such groupings can encourage trade and investment liberalisation, improperly designed or functioning they can weaken the multilateral, rules-based trading system.

ACCI believes that, as a nation, we must monitor carefully the development and expansion of the European Union, with its tendency to operate as an exclusive and trade and investment-diverting arrangement.

We also need to watch closely the North American Free Trade Area (NAFTA), both in terms of its growing membership,

especially the potential for linkages with the Mercosur grouping of South American countries, as well as for its tendency to become trade and investment-diverting.

The Indian Ocean rim initiative should develop as a trade, commerce and investment liberalising grouping, with a clear commitment to 'open regionalism'. While it is unlikely to ever rival the economic depth and integration of the APEC grouping, it could usefully develop synergies with its larger counterpart.

### **Domestic Liberalisation and Reform**

Achieving and sustaining genuine global competitiveness will require not only action to promote trade liberalisation in international fora, but also action to remove domestic impediments to the effective operation of market forces.

Key sectoral priorities include sea and air transport systems as well as taxation, the labour market, government business enterprises and competition policy (including business regulation) - in short, the aggressive and decisive pursuit of an ambitious microeconomic reform agenda.

The appropriate benchmark for evaluating performance is not 'current against past domestic performance', but 'current Australian performance against international best practice'. Similarly, such reform is a continuing process, not a series of discrete events.

### **The Role of Government**

Governments will continue to play a significant role in trade and international affairs through the design and implementation of broader policy settings and their engagement in trade facilitation and liberalisation, especially the negotiation of international treaties.

ACCI expects governments to minimise the nature and extent of intervention in the marketplace, given the distortive impact on commercial decision-making. The Australian Government must become a leading advocate of this view in key international fora.

All levels of government can play a useful role in promoting an export-oriented culture, especially within their own agencies. They also have a role to play in trade facilitation and promotion, although such work is best undertaken either in conjunction with, or solely by, the private sector.

The Australian Government should, in the short term, continue to fund the Australian Trade Commission (Austrade), although its work should be increasingly exposed to competitive tendering from competent and experienced private sector interests.

Similarly, commerce and industry has a valuable role to play as an equal partner with government in the determination and implementation of national trade and foreign relations negotiations and strategies.

The work of business-government consultative mechanisms such as the Trade Policy Advisory Council and the National Trade Strategy group are useful mechanisms in this regard.

### **Treaties**

Australia's engagement in international affairs is increasingly being guided by an ever-widening range of treaties and similar documents which in many cases facilitate the conduct of trade and commerce and deal with essential intellectual and other issues such as communications, transport and property rights.

Other agreements, however, are venturing into new areas, with potentially profound implications for global trade and commerce. These include agreements on the environment, labour standards, human rights and culture.

The Australian Government must adopt a careful and cautious approach to engagement in negotiations on these latter issues, with a clear understanding of their implications for our underlying international competitiveness.

While recent improvements in the transparency of the Australian treaty-making and negotiation processes are welcomed, the outreach to commerce and industry must be strengthened, especially at the earliest stages of treaty consideration and negotiations.

While Australia's national interests are best served by wider and deeper integration into the global trading system, pursuing this objective is not without its risks and challenges.

Emerging pressure for action under the world trading system to deal with issues such as the environment and labour standards must be resisted, while strong action is important to ensure the growing number and influence of regional groupings do not fragment and undermine the global trading system.

### **Economies in Transition**

The formerly centrally planned economies are making commendable progress in their transition to market economies, however few have yet to complete these formidable changes.

A number of these economies, such as China and Russia, as well as those of eastern Europe, are likely to become significant players in international economic affairs as markets for goods and services, as claimants on international capital flows and as competitors in the global market place.

International agencies, like the International Monetary Fund, the European Bank and the World Bank, as well as industrialised nations, can play a valuable role in facilitating these transitions through, for example, investment and technology transfer.

Nevertheless, the best support which can be given to the economies-in-transition is to facilitate their integration into a more liberal, rules-based multilateral trading system, including membership of the pivotal World Trade Organisation, on suitable terms and conditions.

### **Foreign Aid**

Accelerating economic development and growth in some parts of the world will be dependent upon effective and efficient foreign aid programs.

As a relatively affluent member of the world community of nations, Australia has a moral obligation to assist those less well off to achieve self-sustaining economic development and growth.

A central challenge to policy-makers is how to redress, in the most effective and efficient way, the underlying problems that impede economic development and cause poverty. The solution does not necessarily lie in applying more monetary resources to the aid-poverty problem.

The core objective of Australia's overseas aid policy and programs must be to tackle absolute poverty at its root-cause to the benefit of the recipient, while promoting economic development and growth through a market economy as a permanent means to alleviate poverty.

Australia's publicly-funded foreign aid program should include provision for capital infrastructure, the nature and configuration of individual projects being determined by the economic development needs and growth objectives of the recipient country.

For further information:

Greg Evans

Director, Industry Policy and Innovation

Telephone: (02) 6273 2311

Facsimile: (02) 6273 3286

Email: [greg.evans@acci.asn.au](mailto:greg.evans@acci.asn.au)