

# The Great Australian Debate – Asia and the United States: the WTO and the FTA

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# **The Great Australian debate – Asia and the United States**

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# **Some Economic History of Australia and the World Economy**

**Australia has had important preferences in our tariff structure for most of the past 100 years**

- British preferences from 1906 to 1983**
- Preferences to NZ goods from 1965**
- Developing country preferences since 1965**

**Similarly, the GATT/WTO system is based on multilateralism but allows free trade areas and customs unions under Article XXIV. Such regional trading agreements (RTAs) were envisaged as exceptions but they have become the rule.**

# **Our First Preference should be Multilateralism**

**Our declared preference for multilateralism is  
the right policy.**

**Multilateralism has two advantages**

- trade on an MFN basis is non-discriminatory**
- Multilateral negotiations under the WTO cover many commodities and many areas of GATT/WTO rules. The broader scope allows more trade-offs and the prospect that all countries will gain**

## **Trends in the Asia-Pacific Area**

**The Asia-Pacific region is a latecomer to the global trend towards regional trading agreements (RTAs). The first RTA involving a North Asian country was the Japan-Singapore Economic Partnership Agreement of 2002.**

**But all Asia-Pacific countries are now members of or are negotiating RTAs**

**Most are now members of more than one RTA, and many more are being negotiated.**



# Table 1: Hub Countries in the Asia-Pacific with their Spokes, mid-2003

## Actuals

### **Singapore, in ASEAN with spokes to**

Japan, New Zealand, USA, Canada, Australia, EFTA States\*

### **Thailand, in ASEAN with spoke to**

Bahrain, China, Australia

### **USA, in NAFTA with spokes to**

Israel, Jordan, Singapore, Chile  
CACM \*

### **Canada, in NAFTA with spokes to**

Chile, Costa Rica, Israel, Singapore

### **Mexico, in NAFTA with spokes to**

Nicaragua, Costa Rica, Bolivia, Chile, Israel

EU\*, EFTA\*, CACM\*, Group of Three\*

## Under Negotiation

Mexico, Chile

Pacific Three\* (S+NZ + Chile)

Australia, Morocco

FTAA\*, SACU\*, CAFTA\*

CA-4\*, EFTA\*, FTAA\*

Singapore, Peru, Ecuador, Japan, Panama, Trinidad and Tobago, FTAA\*

## Actuals

### **Chile with spokes to**

Canada, Mexico, Colombia, Venezuela

Peru, Ecuador, Bolivia, USA

EU\*, EFTA\*

### **Peru, in Andean Community with spoke to**

Chile

FTAA\*

### **Australia, in CER with spokes to**

Singapore, Thailand

### **New Zealand, in CER with spokes to**

Singapore

Pacific Three\* (S+NZ + Chile)

### **Russia, in CIS with spokes to**

Kyrgyz Republic, Georgia

## Under Negotiation

Singapore

FTAA\*, Pacific Three\*

Mexico

USA

Hong Kong

\* denotes a plurilateral spoke

# **Policy Towards RTAs in Asia and the Pacific**

**Australia should pursue all avenues of trade liberalisation**

**-multilateral**

**-regional**

**-Unilateral**

**The pursuit of regional agreements is not inconsistent with a preference for multilateralism; we would prefer that our trading partners did forgo RTAs but, given that they have not, we must act similarly.**

**“Regional trading arrangements are like street gangs: you may not like them but if they are in your neighbourhood, it is safer to be in one.”  
(Alan Winters)**

# **US-Australia FTA –dangers in the negotiations**

**The agreement should be comprehensive and modern.**

**It should cover trade in goods and services, capital and labour.**

**It should prohibit anti-dumping duties, have limited safeguards, liberal rules of origin, provide for state-to – state and investor-to-state dispute settlement, and mutual recognition of standards where possible.**

**In relation to trade in goods, it should aim for 100 per cent coverage and the elimination of all tariff and subsidies by the end of a 10 year transitional period. In agriculture, the elimination of tariff quotas and subsidies will be difficult.**

**Rules of origin should not be very trade-restricting. CER rules are better than NAFTA rules.**

**In relation to trade in services, there should a limited negatives list.**

# **Three Areas of Possible Progress**

**There are areas of policy where some Australian stakeholders resist change**

- Single desk marketing in the AWB**
- Quarantine regulations**
- FDI rules**

**All three areas are policy areas where it is in Australia's national interests to liberalise (sensibly)**

**Moreover, in the first two areas we are very likely to have to make "concessions" if and when the Doha Round of multilateral negotiations resume.**

# **Some Real Problem Areas**

**There are a number of areas where we may be pressed to make changes that are not in the national interest. These include**

- Parallel imports**
- Content provisions for TV and radio**
- Pharmaceutical Benefits Scheme**