

Inquiry into expanding membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

Submission to the Joint Standing Committee on Foreign
Affairs, Defence and Trade.
April 16, 2021

The Australian Chamber of Commerce and Industry thanks the committee for the opportunity to comment on the range of issues under consideration in this inquiry. We note that most of the issues in the terms of reference have been subject to many earlier inquiries. We suggest it would be useful for this inquiry to consider recommendations and issues arising from these earlier inquiries.

A number of nations have expressed interest in joining the CPTPP and the process for accession is available at <https://www.mfat.govt.nz/assets/Trade-agreements/CPTPP/Accession-Process.pdf>. We assume that new entrants must “buy it off the shelf” and cannot negotiate to adjust the commitments, nor its scope. Clarity on this would assist both new entrants and existing members.

The inquiry is interested in how trade agreements advance “freer” trade. It is important to note that completely “free” trade is not a result of preferential trade agreements. Preferential Trade Agreements (PTAs) contain a set of discriminatory terms with which parties will deal with each other at the exclusion of others. Once such an agreement is completed the result usually is that while some liberalisation of trade and investment may occur, other barriers to trade are retained and some new ones introduced.

Australia has championed the use of preferential trade agreements as “stepping stones” on the path to achieve “free trade” in the WTO context in the hope that smaller groupings of nations agreeing to advance trade liberalisation efforts would then take those positions into the multilateral WTO system. It is not clear how well this strategy is working, and the future of the WTO remains uncertain.

The CPTPP is but one among many agreements and at present doesn’t broadly cover our key markets. Hence, its usefulness is limited. This “noodle bowl” of inconsistent and overlapping agreements results in additional complexity for international trade and compliance issues for the commercial sector, let alone the regulators.

Where Australia already has bilateral and regional agreements that are now covered by a more contemporary “modern” agreement, then the earlier agreement should be discontinued as

recommended by previous inquiries into the CPTPP¹. Australia has already embarked on this process with older bilateral investment treaties and so should also begin to do so with our older trade agreements.

At present, CPTPP generally covers nations with whom we already had existing trade agreements except for Canada and Mexico. Since CPTPP, the Regional Comprehensive Economic Partnership Agreement (RCEP) has also been negotiated and in the process of entry into force. RCEP is more reflective of our key trade relationships and supply chains than CPTPP. One option would be for Australia to champion the combining or harmonisation of CPTPP with RCEP. Australia should also encourage membership accession from nations with whom we have no existing trade treaties, to improve trade outcomes without the need for additional negotiation.

As an aside, we note that Hong Kong has expressed interest in joining RCEP and so this raises the same issue as this inquiry has about how nations join in regional agreements as a general question more widely.

The Inquiry is interested in how agreement standards impact those acceding. “High” standards are in the eye of the beholder. There is no reference point for this to gauge the “standard” of any trade agreement. Governments refer to their agreements as being “high quality”, however our member surveys consistently report the difficulties which Australian firms, and SMEs in particular, experience in benefitting from the suite of agreements.

These concerns were highlighted in the recent Inquiry of this committee - *From little things big things grow: Supporting Australian SMEs go global*. Very often, many of the terms of the agreement only refer to “best endeavours” and have no actual enforcement mechanism. In other cases, acceding nations need to adjust their internal regulation in order to comply (as occurred in Australia following the entry into force of the AUSFTA on IP). In such cases then the regulatory environment is potentially improved to all and not only those party to the agreement.

The Australian Government does not analyse the success or otherwise of its trade agreements. Without regular empirical analysis that our negotiating objectives are being met, we cannot tell the quality of any given agreement, let alone the cumulative set. The Government should undertake regular assessments of Australia’s s treaties as recommended by previous inquiries².

The Productivity Commission, in many of their reviews of trade issues, along with ACCI, has pointed out that the increased complexity that results from the many and varied and often overlapping agreements covering our trading partners risks undermining the efforts of the government and negotiators in their goal of “freer” trade. The Government should agree with the many recommendations from earlier inquiries into PTAs and undertake a contemporary economic review of the performance of our array of trade agreements. The terms of reference used in the 2009 inquiry into Bilateral and Regional Trade Agreements³ would be a good reference point for any new inquiry.

ACCI monitors the trade performance data available from the ABS and from this we can see how our imports and exports are performing in each market. Recently COVID has curtailed trade performance in most markets but this also highlights that trade performance is influenced by many more issues than the presence or absence of a trade agreement.

¹ <https://www.dfat.gov.au/sites/default/files/jscot-report.pdf>

² <https://www.dfat.gov.au/sites/default/files/jscot-report.pdf>

³ <https://www.pc.gov.au/inquiries/completed/trade-agreements>

We provide information on Australia's current trade performance with the CPTPP members (noting not all have completed accession), along with the UK as a comparison of a nation with which we are yet to achieve a trade agreement, in an attachment to this submission.

Recommendation 1:

The Australian Government should propose a more transparent process that may be adopted by CPTPP members about the modalities for accession by new members.

Recommendation 2:

Rationalise the trade agreements Australia is party to in order to simplify trade, investment and movement of people.

Recommendation 3:

The Australian Government should investigate the opportunity to bring CPTPP and RCEP into a single agreement for our region, potentially realising the APEC goal of a "free trade area of the Asia Pacific"⁴

Recommendation 4:

The Australian Government should commission regular independent economic analysis of the outcomes from our trade agreements in order to inform future policy settings and negotiations.

Conclusion

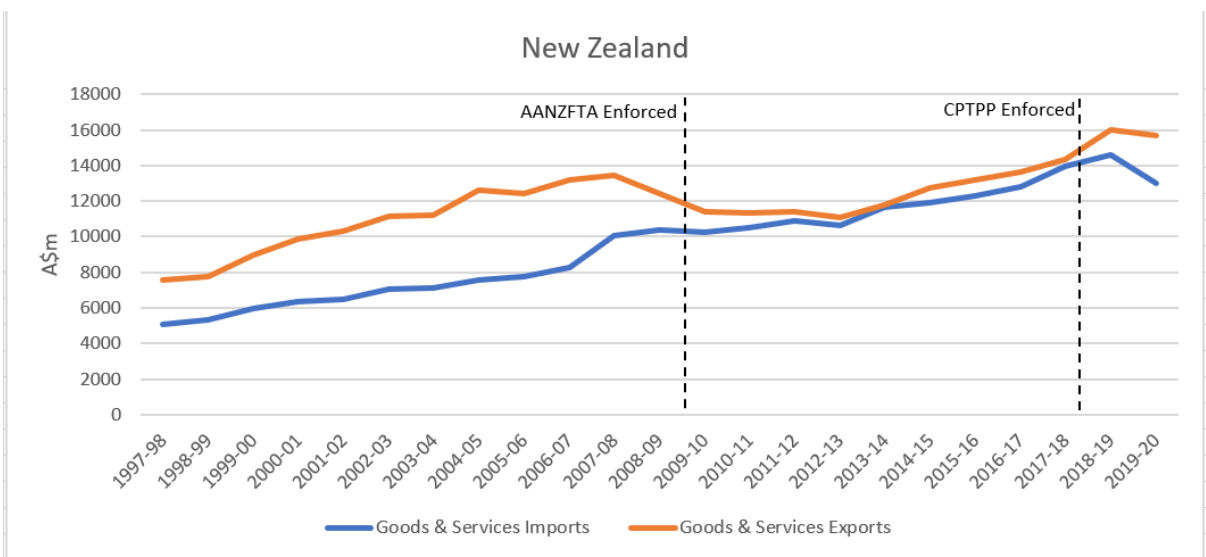
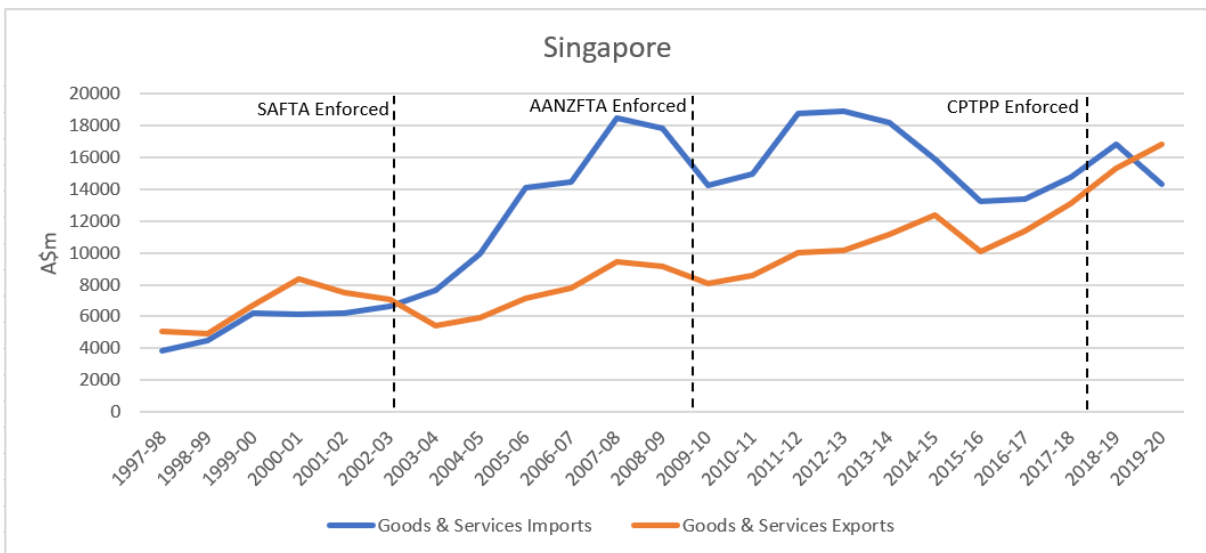
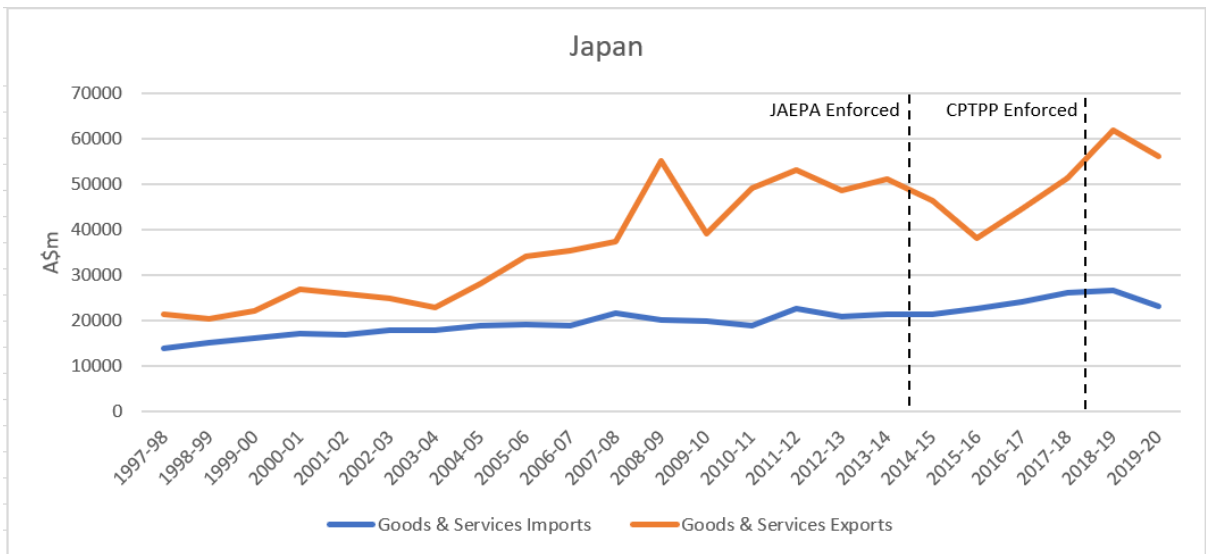
ACCI supports efforts to achieve "free trade". This however occurs unilaterally, where a Government acts out of self-interest or at the WTO, where all Governments act in unison. Preferential trade agreements can assist with some aspects of improved trade but should not be promoted as advancing "free trade".

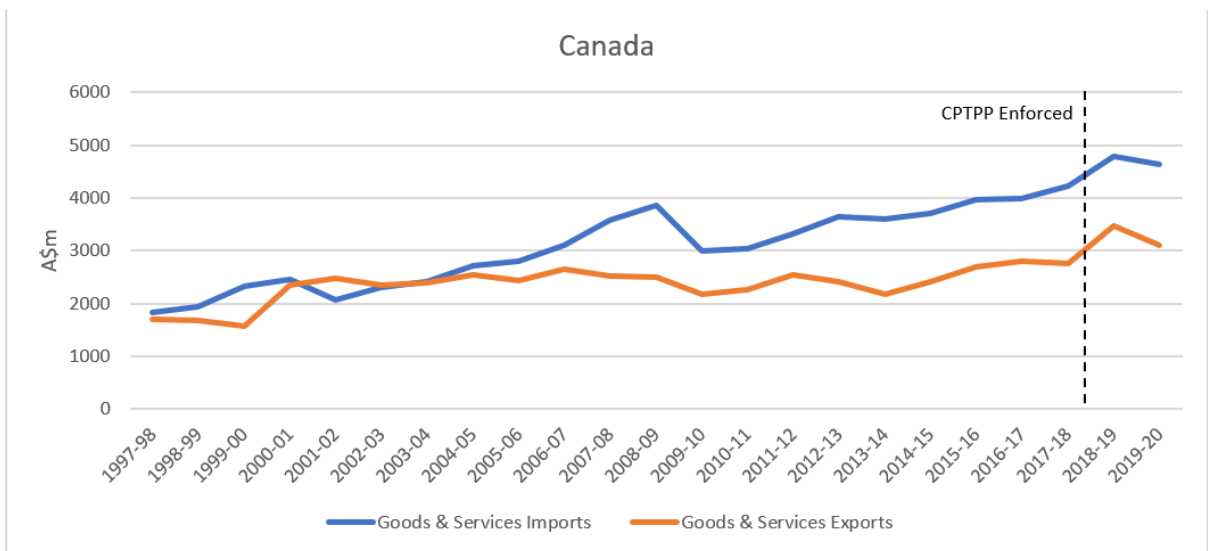
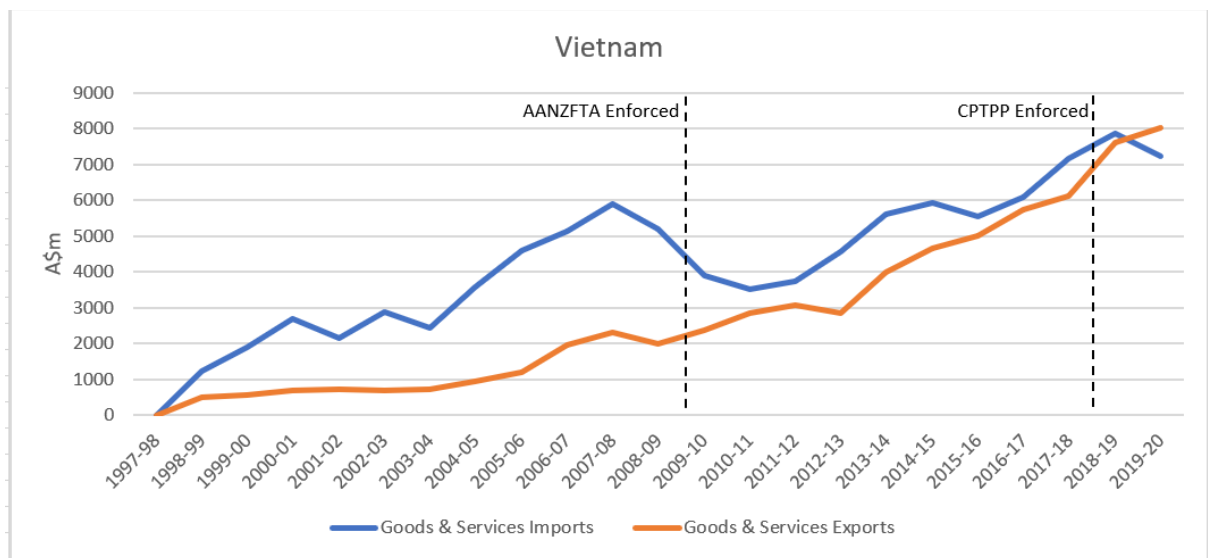
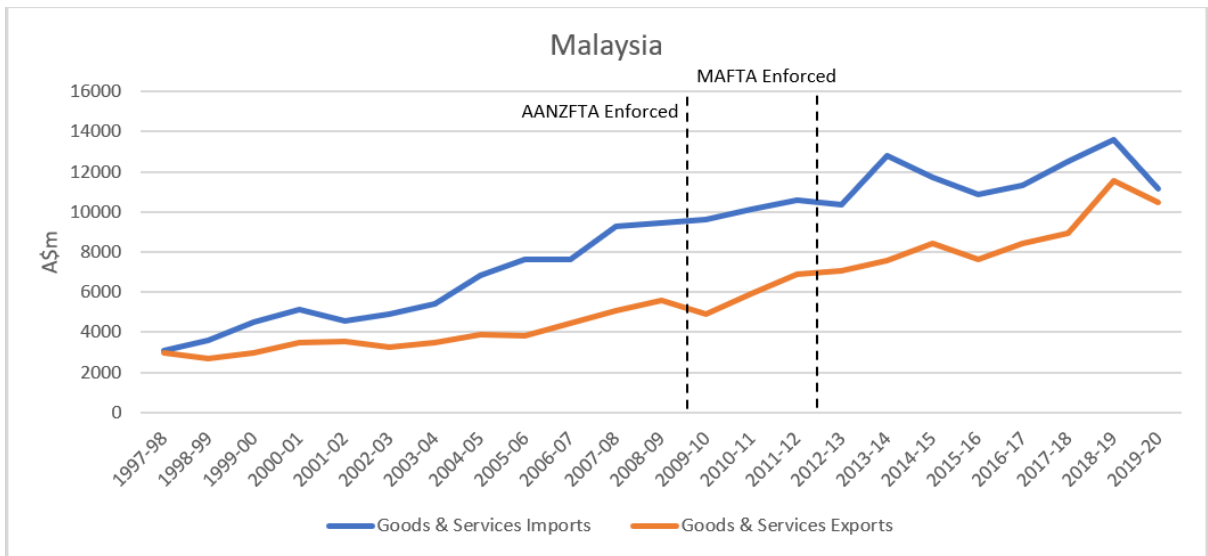
Despite Australia having many agreements, we know that SMEs struggle to take advantage of our agreements. Also, the costs of compliance and domestic inefficiencies dramatically detract from the competitiveness of Australian companies. These lead us to be languishing in the global comparative tables for trade performance.

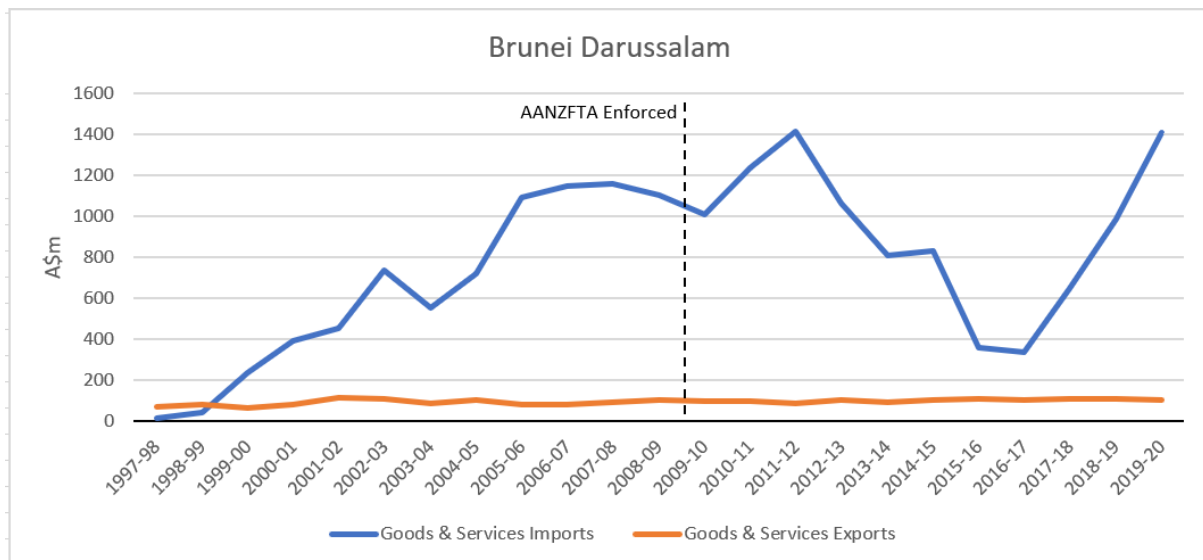
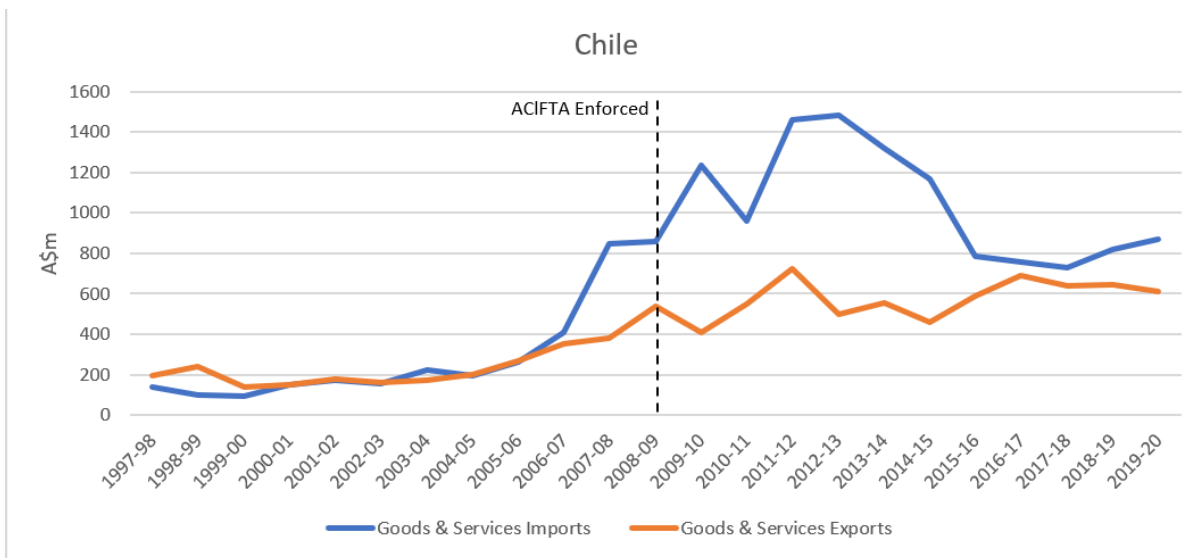
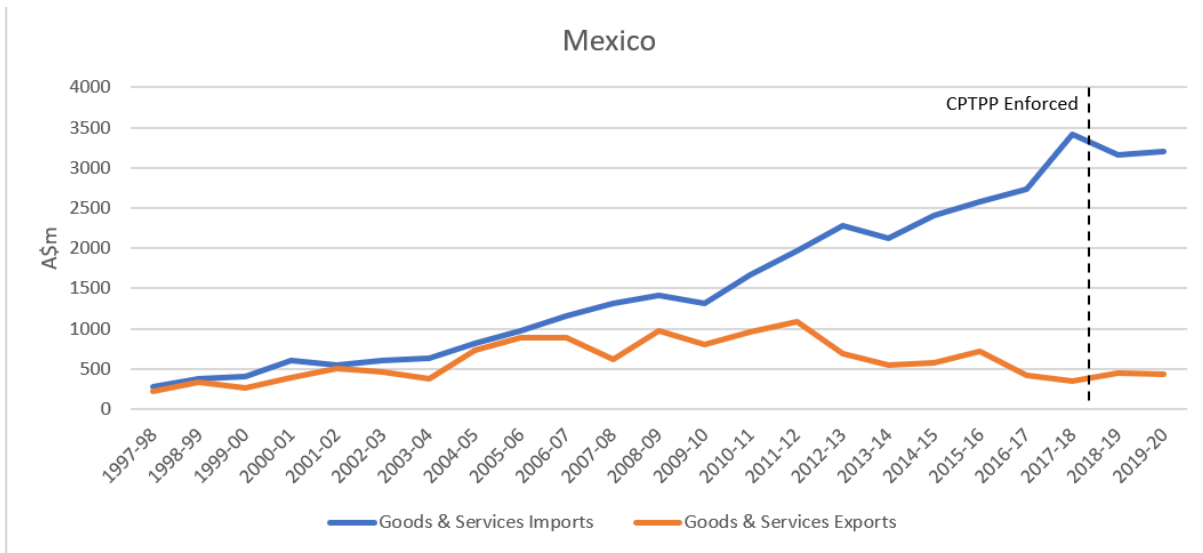
Along with expanding the membership of existing trade agreements, ACCI would prefer the Government placed greater emphasis on reducing domestic costs, along with resurrecting the world trading system.

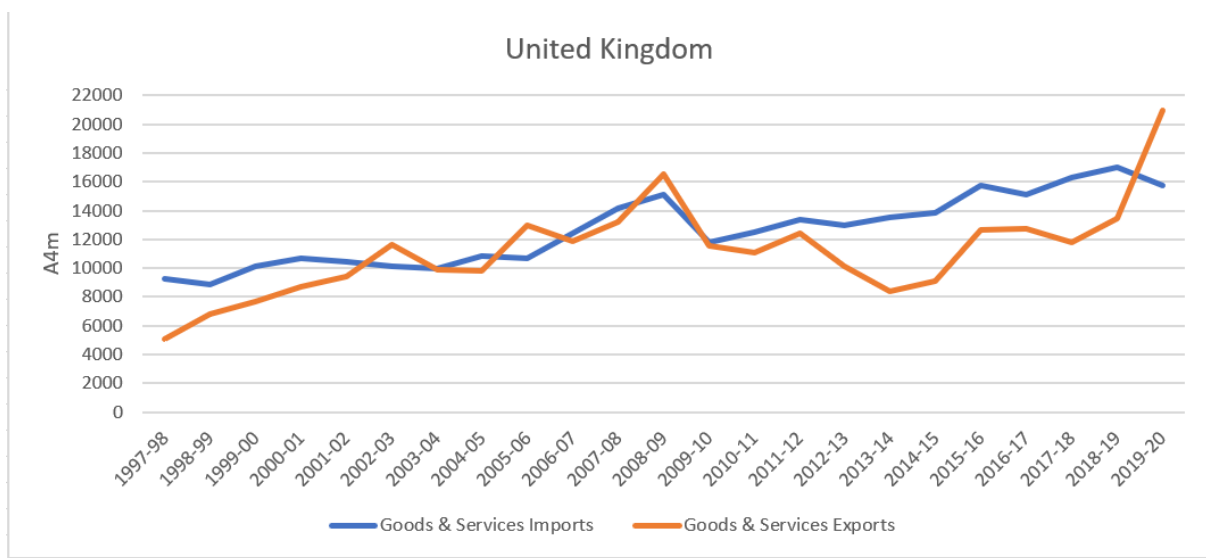
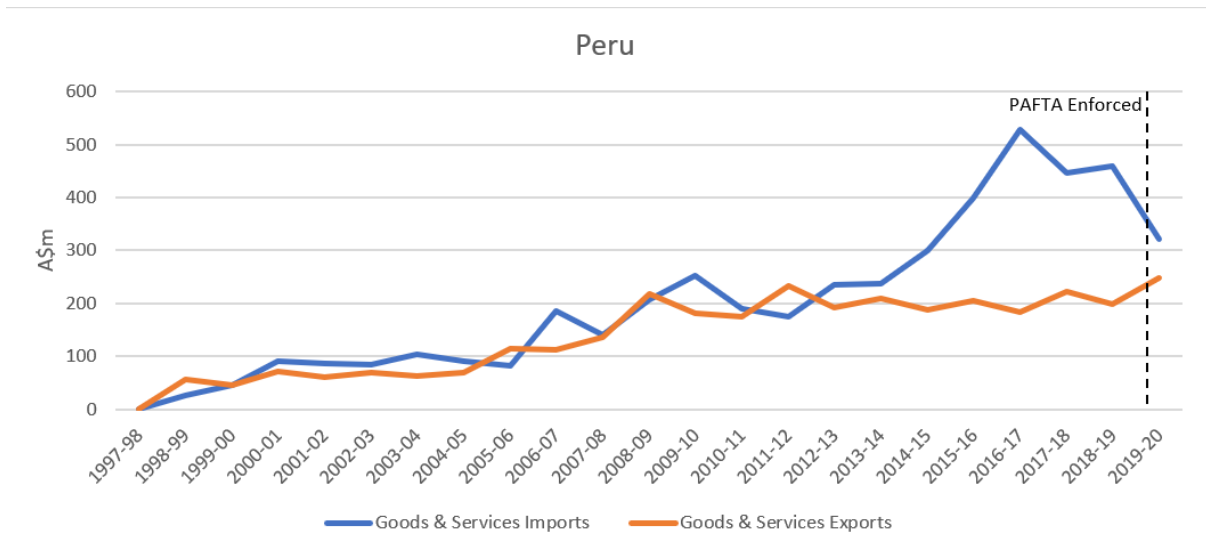
⁴ https://www.apec.org/Meeting-Papers/Leaders-Declarations/2014/2014_aelm/2014_aelm_annexa.aspx

Attachment 1: Current trade performance with CPTPP partners and the UK









About ACCI

The Australian Chamber of Commerce and Industry speaks on behalf of Australian Businesses at home and abroad. The Australian Chamber represents hundreds and thousands of businesses in every state and territory and across all industries. Ranging from small and medium enterprises to the largest companies, our network employs millions of people. The Australian Chamber membership list can be viewed at www.australianchamber.com.au/membership/current-members/

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