

**JOINT MEDIA RELEASE
WITH
THE HON SIMON CREAN
MINISTER FOR TRADE**

**PRODUCTIVITY COMMISSION REVIEW INTO BILATERAL AND
REGIONAL TRADE AGREEMENTS**

The Minister for Trade, Simon Crean, and the Assistant Treasurer, Senator Nick Sherry, today announced a Productivity Commission review into the impact of bilateral and regional trade agreements on trade and on investment barriers.

The review will also examine the effects of these bilateral and regional agreements on Australia's trade and economic performance.

The Rudd Government is committed to a strong multilateral trading system as a way of resisting any rise in global protectionist measures, particularly during the global recession and its aftermath.

While continuing to push multilateral trade negotiations, Australia has increased its participation in bilateral and regional trade and investment negotiations in recent years. Australia has signed six Free Trade Agreements (FTAs) and is in the process of negotiating seven others.

These FTAs reflect the Australian Government's approach to completing comprehensive FTAs that are consistent with the World Trade Organization's rules based system for international trade. An example of this is the ASEAN-Australia-New Zealand FTA which comes into force on January 1, 2010. It is a world-class, comprehensive agreement and the largest FTA Australia has signed.

To complement these developments, the Productivity Commission study will examine the effectiveness of trade agreements in responding to national and global economic and trade developments and in contributing to efforts to boost Australia's engagement in the region and evolving regional economic architecture.

The 2008 *Review of Export Policies and Programs* (the Mortimer review) recommended that the Government "accord a high priority to the Productivity Commission ... undertaking more economic analysis and advice on export and investment issues" (Recommendation 4.5).

To assist with the study, the Government has appointed Mr Andrew Stoler as a part-time Associate Commissioner. Mr Stoler has a long background in working on trade-related issues and will bring a wealth of experience to the role.

The terms of reference for the study are attached and the Productivity Commission is required to issue its final report within 12 months. To register an interest in the study, or for further information, please visit www.pc.gov.au.

CANBERRA
26 November 2009

ATTACHMENT

TERMS OF REFERENCE

REVIEW OF BILATERAL AND REGIONAL TRADE AGREEMENTS

The Productivity Commission is requested to undertake a study on the impact of bilateral and regional trade agreements on trade and investment barriers and on Australia's trade and economic performance.

Context

It is widely acknowledged that the benefits of trade liberalisation are greatest if the liberalisation is undertaken multilaterally. Nevertheless, conclusion of the current round of multilateral trade negotiations has proven elusive and many countries have sought more quickly realisable outcomes through bilateral and regional free trade agreements. Free trade agreements have also been seen by many as promoting broader economic integration and serving foreign policy and strategic interests.

Globally, bilateral and regional trade arrangements have thus emerged as part of the policy landscape. The World Trade Organization estimates that close to 400 free trade agreements will be in force globally by 2010. The proliferation of free trade agreements poses many challenges for Australia and for the global trading system. Depending on the nature of the agreements they can carry the risk of trade diversion. Countries not party to agreements can be disadvantaged by the preferences offered to others under the agreements.

The Australian Government is committed to reinforcing the primacy of the multilateral trading system and resisting any rise in global protectionist measures. Australia has been pursuing bilateral and regional agreements intended to support the multilateral trading system while also enhancing commercial opportunities between Australian businesses and businesses in partner countries and enhancing Australia's broader economic, foreign and security policy interests. Australia has therefore signed a number of trade agreements and is in the process of negotiating, or considering, several others.

Against this background, the Commission is requested to provide advice on the effectiveness of trade agreements in responding to national and global economic and trade developments and in contributing to efforts to boost Australia's engagement in the region and evolving regional economic architecture.

Scope of the Study

The Commission is requested to:

- examine the evidence that bilateral and regional trade agreements have contributed to a reduction in trade and investment barriers. Consider also to what extent such agreements are suited to tackling such barriers, including in the context of the proliferation of such agreements between other countries; examine the evidence that bilateral and regional trade agreements have safeguarded against the introduction of new barriers. Consider also the potential for trade discrimination against Australian businesses without full engagement in the evolving network of bilateral and regional agreements;
- consider the role of bilateral and regional trade agreements in lending support to the international trading system and the World Trade Organization;
- analyse the potential for trade agreements to facilitate adjustment to global economic developments and to promote regional integration;
- assess the impact of bilateral and regional agreements on Australia's trade and economic performance, in particular any impact on trade flows, unilateral reform, behind-the-border barriers, investment returns and productivity growth;
- assess the scope for Australia's trade agreements to reduce trade and investment

barriers of trading partners or to promote structural reform and productivity growth in partner countries. Consider alternative options for promoting productivity improving reform in partner countries; and

- assess the scope for agreements to evolve over time to deliver further benefits, including through review provisions and built-in agenda.

Key Considerations

In conducting the study and making recommendations the Commission shall:

- seek public submissions and consult widely with the business sector, government agencies and other interested parties;
- draw on available, credible evidence both nationally and internationally and take into account the changed international trade, economic and strategic environment;
- have regard for the Government's commitment to uphold Australia's international treaty obligations and to play a constructive role in any global response to the economic challenge of rekindling sustained growth; and
- have regard to the report of the independent Review of Export Policies and Programs undertaken by Mr David Mortimer AO and Dr John Edwards and the work undertaken by the associated FTA Reference Panel.

The Commission is to produce and publish a final report within twelve months of commencement.