Global networks: transforming how Australia does business

November 2015

>ceda
committee for economic development of australia

WITH SUPPORT FROM

CommonwealthBank

Global networks: transforming how Australia does business

November 2015

ceda
committee for economic development of australia

About this publication
Global networks: transforming how Australia does business

ISBN: 0 85801 302 9

Design: Robyn Zwar Graphic Design

Photography:
Page 25: Sheep farm at Yass, NSW; Fairfax Media/ Rob Homer, Feb 2005
Page 73: Sydney University graduates; Fairfax Media/ Phil Carrick, May 2006
Other images: iStock

About CEDA

CEDA – the Committee for Economic Development of Australia – is a national, independent, member-based organisation providing thought leadership and policy perspectives on the economic and social issues affecting Australia.

We achieve this through a rigorous and evidence-based research agenda, and forums and events that deliver lively debate and critical perspectives.

CEDA's membership includes 700 of Australia's leading businesses and organisations, and leaders from a wide cross-section of industries and academia. It allows us to reach major decision makers across the private and public sectors.

CEDA is an independent not-for-profit organisation, founded in 1960 by leading Australian economist Sir Douglas Copland. Our funding comes from membership fees, events and sponsorship.

CEDA – the Committee for Economic Development of Australia
Level 13, 440 Collins Street
Melbourne 3000 Australia
Telephone: +61 3 9662 3544
Fax: +61 3 9663 7271
Email: info@ceda.com.au
Web: ceda.com.au

ceda
committee for economic development of australia

Contents

Forewords 4

Introduction 6

Executive summary 9

Recommendations 13

CEDA overview 16

Chapter 1 25
Succeeding from Australia
The Hon. Andrew Robb AO MP,
Federal Minister for Trade and Investment

Chapter 2 37
Free-trade agreements: do they matter?
Professors Peter Dixon and Maureen Rimmer,
Victoria University

Chapter 3 51
Rules-based trade as a pivotal power
Susan Harris Rimmer, Associate Professor,
Griffith University

Chapter 4 69
Australia's hidden ambassadors
Kerry Brown, Director, China Studies Centre and
Professor of Chinese Politics, University of Sydney

Chapter 5 79
Australia and the fourth freedom
Alex Dobes
Regulatory reform specialist, Victoria

Acknowledgements 94

Foreword: Professor the Hon. Stephen Martin, Chief Executive, CEDA

In the 1980s Australia chose to give up protectionist policies and open our economy to international market forces by adopting significant and far-reaching economic reforms.

Since then our economy has been built on trading with other countries, be it tangible products such as our earth resources or our skills and knowhow.

While inevitably there have been winners and losers, these decisions have overwhelmingly been to the benefit of the standard of living for Australians.

However, technological advances in the last 20 years, which are likely to continue at an even faster pace in coming decades, have rapidly changed how business is done across the globe.

Importantly this technology revolution has opened up new opportunities, networks and trading partners. It begs the question how can Australia take advantage of this changing global market?

Over the past decade a swathe of free trade agreements have been negotiated. Governments and perceived beneficiaries loudly trumpet the economic benefits to Australia, whether in trade access or increased employment opportunities.

Critics point out that many of these agreements are negotiated in secret. During the parliamentary ratification period, there is little time to assess for unintended consequences, and as always with complex agreements, the devil is often in the detail, not the headline.

It is also important that these agreements do not create issues with key trading partners outside or excluded from an agreement. Simply, these agreements should be about trade not foreign policy.

Accordingly, a key recommendation in this policy perspective is for a formal trade policy to be set out and that all subsequent agreements fit under that framework. It is more than 20 years since Australia's last trade policy and this would help alleviate any criticism of governments perceived to be using trade policy as a deliberate substitute for foreign policy objectives.

Another recommendation that will no doubt be contentious is that Australia considers negotiating free movement of workers with other countries, such as the current policy Australia has with New Zealand. Singapore is suggested as a logical extension. Obviously employment safeguards would need to part of any such agreements.

In a global economy we need to be smart and nimble and rethink what policy options can open up new opportunities. Hopefully this policy perspective provides options to start that national discussion.

Foreword: Peter McGregor, Managing Director, Industrials, Food, Beverages and Agriculture, Commonwealth Bank

The signing of the recent Free Trade Agreements (FTAs) with Japan, South Korea and China in particular, the combined destination of around 56 per cent of Australia's exports in the year to 30 June 2015, as well as the successful conclusion of negotiations on the Trans-Pacific Partnership Agreement, are potential game-changers for Australian businesses looking to expand in the Asia Pacific region.

Looking across the Tasman provides an understanding of the opportunity for Australian businesses across a range of industries. For example, New Zealand's dairy export volumes to China increased six-fold in the five years after the two nations signed an FTA in 2008.

FTAs can open doors but are no guarantee of growth for Australian companies. Nor do they remove many of the risks of international expansion.

To fully optimise the improved access that FTAs bring, Australian exporters must have a clear strategy to grow into these markets in the Asia Pacific.

Viable plans would include the identification of potential customers and the establishment of supply chains. Also critical to success is identifying, and building relationships with, potential local partners in each market.

Companies require the financial capacity and flexibility to support the expected demand for their goods. This may take the form of supply chain finance, foreign currency accounts, international trade finance and the ability to settle trades in renminbi.

The government's role doesn't end with the signing of the FTA. It must ensure the policy settings and regulations facilitate growth in Australian exports, not hinder them.

If corporate Australia and the Australian government can work together effectively to harness these new opportunities, the size of the prize for Australia is significant as the centre of world economic growth shifts from the old economies in the North Hemisphere.

This way, Australia will continue to benefit from the Asian Century and further strengthen its links within this dynamic region.

Introduction

Technological developments and changing global networks are growing international trade, two-way investment, and the exchange of people and ideas. The result is reshaping business practices and revolutionising Australia's relationships with the rest of the world.

Australia is uniquely well-placed to take advantage of the opportunities created by digital disruption. New global production models provide niches into which Australia can compete, and many Australian businesses are already preparing for and capitalising on the increasingly global marketplace, generating our long-term prosperous future.

This policy perspective examines Australia's connections with the rest of the world, particularly Asia, as the demographic and technological changes in our region accelerate. In particular, it examines how Australia can increase its exposure to free trade and underpin its global advance, while building on the nation's flexibility and its capacity to engage the best and brightest.

The contributions focus on different aspects of this challenge, including the proliferation of bilateral free-trade agreements and how they might be structured to maximise benefits and minimise any down-side risks.

Contributions

Chapter 1: Succeeding from Australia

The Hon Andrew Robb AO MP, Federal Minister for Trade and Investment, presents the major benefits "limited only by our imagination" that will come from the China-Australia Free-Trade Agreement, which he describes as a "game changer" for Australian business. He discusses examples of the benefits already experienced as a result of the Korea and Japan agreements that have been in force for less than a year.

Chapter 2: Free-trade agreements – do they matter?

Professors Peter Dixon and Maureen Rimmer use the theory of efficiency gains and terms-of-trade losses to explain why there has been a proliferation of free-trade agreements in recent decades, and to quantify the benefits of recent agreements. Almost all of the world's 276 free-trade agreements were signed since 1990. Why have they become the dominant vehicle for many countries to implement trade reforms? How important are they in delivering economic welfare gains? And why do they generate so much political heat?

Chapter 3: Rules-based trade as a pivotal power

Associate Professor Susan Harris Rimmer aims to help the non-expert navigate the current trade debates in Australia. She outlines Australia's historic approach to encouraging free trade and the challenges associated with bilateral agreements; and describes how Australia, as a middle power, can play an outsized role in international affairs. She discusses free-trade agreements in terms of their transparency and democratic accountability, their impacts on third country economies, and the risks of transnational trade litigation.

Chapter 4: Australia's hidden ambassadors

Professor Kerry Brown suggests that Australia's foreign students, particularly those from developing countries, represent the country's most significant, and largest, underused resource – a potent cohort of alumni who are rapidly becoming important business people, policy makers and researchers. He suggests we engage these people's untapped value as potential carriers of ideas and entrepreneurial dialogue between Australia and their home countries, as sources of skilled labour, and as ambassadors for Australian cultural and political values.

Chapter 5: Australia and the fourth freedom

Alex Dobes describes how the experience and evolution of Australia and New Zealand's long standing Trans-Tasman Travel Arrangement could be expanded to other suitable countries. The free movement of people can be contentious, less so if the benefits associated are appropriately restricted. In particular, if labour mobility is between countries with similar characteristics, such as education, income and relative size, and it is likely to be mutually beneficial. Australia can learn from the New Zealand experience, and also not emulate some of the European Union's mistakes.

Acknowledgements

The report has been developed with the expert input of a CEDA Advisory Group. This group has provided oversight of the project scope and assistance in developing the reform recommendations.

The CEDA Advisory Group consisted of:

- Dr Rodney Maddock, Adjunct Professor of Economics, Monash University; Vice Chancellor's Fellow, Victoria University; and President, Economic Society of Australia (Victorian branch) and Chair CEDA's Council on Economic Policy.
- Angus Armour, Business Council of Australia Principal Advisor; and
- Dr Julia Newton-Howes AM, CARE Australia CEO.

The CEDA Advisory Group is supported by a secretariat of the CEO and Chief Economist of CEDA, who are responsible for the final recommendations and conclusions.

Executive summary

In the face of rapidly changing global markets, the trade system is in deep trouble. The current multilateral system of trade governance may be too slow and cumbersome to remain relevant.

Technology-driven transformation has made the world a more connected place than ever before and has reduced entry barriers to both industries and countries. The nature of trade itself is changing and the trade agreements regime has simply not caught up with the modern reality driven by this technological revolution.

The arguments of protectionism versus free trade have become stale and irrelevant. Markets for goods, money and labour are already integrating across borders and beyond the control of national jurisdictions, accelerated by communications, technological innovation and consumer demand.

Meanwhile, global production is still outpacing global trade. Trade in services, in particular, critically needs liberalisation, but negotiations are far too slow at a time when the service and knowledge-driven economy is already a reality. With technological change threatening to radically upend traditional approaches to business, it is more important than ever that Australia is open to the evolution of the global economy.

Free-trade agreements*

The World Trade Organization (WTO) cites 276 regional trade agreements currently in force around the world – a 'noodle bowl' of conflicting obligations. Many WTO member countries are worried about a potential clash among blocs of nations facing citizen backlashes against some of the impacts of globalisation that create losers as well as winners. Worth noting is that none of the mega-regional agreements include any African countries, and Africa's share of global trade languishes at an unacceptable two to three per cent with no sign of likely redress.

Among the global trade highlights is the possibility of a December 2015 conclusion to the WTO's ambitious Trade Facilitation Agreement (TFA), which aims to reduce the red tape and ease the flow of goods through ports and customs processes of all WTO member countries. The TFA will come into force once two-thirds (or 107) of the 161 member countries have agreed. Once fully implemented, the TFA is expected to increase global gross domestic product by an impressive US$1 trillion per annum and create 21 million jobs.

Australia has established a series of bilateral and regional trade agreements that cover the majority of its export markets. However, individual free-trade agreements (FTAs) will not guarantee Australia's continued economic future. In fact it can be argued that the direct economic benefits of FTAs are minimal. FTAs are subject to a range of criticisms which, if unaddressed, suggest they can impede global trade rather than facilitate it. Australia's economic prosperity will result from an economy focused on innovation and productivity.

With respect to the most recently concluded FTAs, economic modelling suggests the China-Australia FTA (ChAFTA) will generate a modest but worthwhile welfare gain for Australia, mainly from terms-of-trade improvement. Industries that win from the three North Asian FTAs (Japan, Korea and China) include wool, beef, sugar, dairy and leather products. Losers are mainly in the manufacturing sector through an appreciating exchange rate negatively affecting manufacturing industries that import, including paper products, chemicals, metal products, motor vehicles and parts, transport equipment and electronic equipment.

Proponents of the Trans-Pacific Partnership free-trade agreement (TPP) suggest that it will open up markets in a region that represents 40 per cent of the world economy. Australian winners are expected to include beef, dairy, grain, wine, horticulture, and a vast array of services all seeking to expand into lucrative Asia-Pacific markets slated to contain three billion middle-class consumers within 15 years.

* *The term Free-Trade Agreement (FTA) is used to describe both bilateral and multilateral (including regional) trade agreements.*

Trade policies

Trade policies create winners and losers by reallocating resources between alternative activities that pit the interests of one part of the community against those of another. Controversy over trade policies is further fuelled by lack of transparency in the negotiating process and community understanding. Since the formation of FTAs is likely to be a continuing process, governments would best serve the Australian public by encouraging evidence-based discussion, and by providing answers to legitimate queries.

FTAs are only one effective vehicle for liberalising trade and need to be placed in context of Australia's broader trade agenda. Australia has not had a foreign policy white paper since 2003 and it is overdue for one. Australia needs to articulate a clear vision to help improve the public debate.

Free-trade negotiations are often regarded as an extension of diplomacy rather than of economic policy. Ideally, movements to free trade would be negotiated globally instead of the current piecemeal approach of bi-lateral and limited multilateral agreements. This would help avoid the disadvantages of FTAs – the high repeated costs of negotiations, the complexities, and the inherent risks of inefficient trade diversion.

Particular risks

It is in Australia's interest to have an effective, rules-based and predictable international order. It is important that the recent proliferation of free trade agreements actually delivers improvements in living conditions and does not contribute towards undermining the international order.

The inclusion of investor-state dispute settlement (ISDS) clauses in FTAs has the potential to undermine national sovereignty and can create significant liabilities for the Australian government. This is currently happening with Phillip Morris Asia's challenge to Australia's tobacco plain packaging – the government's defence tab already exceeds $50 million. Between nations with robust judicial systems, ISDS clauses are superfluous and could also weaken the role of the WTO, which already has a viable dispute resolution system.

Agreement on the recent 12-country Trans-Pacific Partnership (TPP) was held up in part by Australia's resistance to US pressure to match its 12-year patent life for new medicines. The risks for Australia's healthcare costs meant there was no economically feasible reason to agree to extend its existing five years. But the pressure placed on Australia was enormous. The compromise deal maintains Australia's five years' protection for new biologic drugs, plus some time for other measures, the detail of which will be clear once the full text of the TPP is made publicly available and Parliament commences the ratification process.

Other opportunities

Technological advances are rapidly reshaping the way business is conducted and the ease with which knowledge is disbursed, but they also make the physical distance between innovators even more important. Asia's rapid economic development means Australia is well-placed to sell goods and services to the region and to engage with its innovators.

Australia has long been educating the best and brightest of Asia's developing economies. As a result, hundreds of thousands of highly skilled former students have returned to their home countries with a strong appreciation for Australia's society and culture. Many now represent a source of potential talent and an opportunity to develop economic and cultural bridgeheads between both countries.

Just as the Trans-Tasman Travel Arrangements (TTTA) enabled free movement of workers and expanded the pool of skills available in both Australia and New Zealand, Australia could benefit from actively seeking the free mobility of labour between other appropriate countries. Singapore could be the first, given its relative closeness to Australia and its role as a regional hub.

Recommendations

1. A new trade policy statement

Australian governments have long championed the benefits of free-trade agreements (FTAs), citing substantial increases in export volumes and composition, improvement to gross domestic product, and opening the economy to efficiencies and productivity improvements as rationales for pursuing and implementing them.

However, there are also contrary views as to their benefits. The direct economic benefits of FTAs are minimal. Individual FTAs will not guarantee Australia's continued economic prosperity. FTAs are not about creating jobs: employment in Australia will be determined almost totally independently of FTAs.

FTAs are only one vehicle for liberalising trade. As with all trade policies, FTAs create losers as well as winners. If Australia's growth stagnates, its current FTAs will exert downward pressure on manufacturing, exacerbating existing structural problems.

Any formal trade policy strategy developed should be informed by Australia's foreign affairs concerns while being distinct from the nation's diplomatic efforts. It should include options for multilateral, bilateral and non-discriminatory reductions in trade barriers; provide a component that looks to the future development of Australia's trade liberalisation measures; and ensure that appropriate governance protocols are part of the FTA approval process.

Recommendations

- The government should publish a formal trade policy statement that sets out how individual agreements fit within a single strategic framework.
- There should be clear differentiation between Australia's free trade and foreign policy objectives.

2. Free-trade agreements that strengthen policy

Free-trade negotiations are often regarded as an extension of diplomacy rather than of economic policy. The intellectual property provisions that were a key negotiating block for the recently-signed Trans-Pacific Partnership (TPP) agreement could have represented significant consequences for Australia's healthcare costs by extending the patent life of many vital medicines. While Australia apparently managed to have these excluded from the agreement, it is unclear what, if any, changes will be made to the nation's intellectual property arrangements as a consequence of this agreement.

The inclusion of investor-state dispute settlement (ISDS) clauses in FTAs has the potential to undermine national sovereignty and can create significant liabilities for the Australian government, exemplified by Philip Morris Asia's challenge of Australia's tobacco plain-packaging legislation. While the recently signed TPP agreement excludes public health from its ISDS arrangements it is not necessary to have such clauses at all. Between nations with robust judicial systems, ISDS clauses are superfluous and could weaken the role of the World Trade Organization, which already has a viable dispute resolution system.

FTAs are costly to negotiate, complex to administer, and divert economic activity from its most efficient outcomes. But, with appropriate safeguards, FTAs can play an important role in freeing up global trade.

Recommendations

Australia should pursue bilateral and regional FTAs subject to the following improvements:

- Free-trade agreements that are pursued to expand free trade should be extended to complying countries and should underpin WTO agreements.
- The negotiation of free-trade agreements must be subject to democratic oversight, particularly if there is a likelihood that they might impinge on domestic policy. This can be achieved by using a pre-negotiation model, with realistic scenarios overseen by an independent body.
- Rules of origin, and other administrative aspects of these agreements, need to be streamlined and harmonised to reduce costs and complexity for business.
- Free-trade agreements should not include investor-state dispute settlement clauses.

3. Strategic engagement and simplified labour exchange

Technological advances are rapidly reshaping the way business is conducted. Technological advances make it easier to disburse knowledge, but they also make the physical distance between innovators seem even more important. Asia's rapid economic development means Australia is well-placed to sell goods and services to the region and to engage with its innovators.

For 50 years, Australia has been educating the best and brightest of Asia's developing economies, who are now the researchers, the policy decision makers and the business leaders driving innovation in their respective countries. Hundreds of thousands of former students have returned home with a strong appreciation for Australia's society and culture. They now represent an opportunity to develop bridgeheads between both countries, and a source of potential talent in today's ferociously competitive globalised labour market.

Just as the Trans-Tasman Travel Arrangements (TTTA) enabled free movement of workers and expanded the pool of skills available between Australia and New Zealand, Australia could benefit from actively seeking the free mobility of labour between other appropriate countries. Singapore should be the first, given its relative closeness to Australia and its role as a regional hub.

Recommendations

- Australia should seek to adapt the Trans-Tasman Travel Agreement to one with Singapore, i.e. replicate the spirit of the agreement as one that is not a prescriptive and detailed agreement between governments, but a set of procedures independently implemented by both governments working together towards a broadly agreed common aim.
- After achieving a free-travel agreement with Singapore, Australia should seek to extend these arrangements with other suitable countries.

CEDA overview

Nathan Taylor

CEDA CHIEF ECONOMIST

The world is awash with trade agreements, the vast majority having been signed in the last few decades. With the ongoing failure to secure successful multilateral trade deals, a web of individual and regional agreements has been formed around the world. However, whether they inhibit or enhance global trade critically depends on how they are structured. These agreements reflect the next stage of trade liberalisation and present Australia with an opportunity to enmesh itself more strongly in global value chains. With technological change threatening to radically upend traditional approaches to business, it is more important than ever that Australia is open to the evolution of the global economy.

Since the early 1980s, the dismantling of Australia's protectionist barriers, combined with significant domestic reforms, has improved the resilience, flexibility and productivity of Australia's economy. The most significant benefit of trade liberalisation was not the foreign markets that were opened to Australian businesses, but the improved performance of the domestic economy. To maintain national prosperity, Australia needs to be open and engaged, not just in markets for goods and services, but also to the people and ideas that will determine future economic growth.

Much of Australia's history has been defined by its isolation from the global centre of economic activity in the Northern hemisphere. The tyranny of distance from other developed economies was a significant early influence on Australia's economic and social development as the nation tied its fortunes to the United Kingdom by cultural attitudes, institutions and preferential trade agreements.

The rise of Asia has seen the global centre of innovation as well the economic centre of gravity move closer to Australia. Asia has dethroned Europe as the generator of the majority of global patents, a leading indicator of innovation. Despite technological improvements making it easier than ever to travel and communicate globally, personal connections and physical location still matter.

Australia has successfully unwound almost a century of protectionist policies. In the process, the nation reversed historic poor productivity performance and became considerably more adaptive to changing global circumstances. However, the unilateral approach that was adopted at that stage of liberalisation is no longer appropriate. The next phase of trade liberalisation should position Australia as a key contributor to global value chains and allow the nation to form key links with the sources of future innovation.

Fortress Australia knocks down the walls

At the dawn of the 20th century, Australia had the highest per capita income in the world. This was largely due to the good fortune of having a small population endowed with abundant natural resources and with robust institutional frameworks inherited from Britain. After federation, successive Australian governments adopted a series of policies referred to as the Australian Settlement.[1] This social compact attempted to restrict Australia's exposure to the global economy with high tariffs and restricted migration. Protection increased with each passing decade until well into the second half of the 20th century.[2] The social compact was highly regulated, anti-competitive and redistributive. It also had bi-partisan support and widespread community acceptance for most of last century.[3] The economic inefficiencies of these policies were masked by the rich natural endowment of the Australian continent as the nation was able to 'ride on the sheep's back.'

However, by the 1970s the terms of trade had begun to move against commodities, exposing structural challenges for the economy. Inefficient policies and a lack of strong incentives meant that Australia lagged behind the best in the world and the nation's relative prosperity had started to decline. Between 1950 and 1973, Australia's annual productivity was a full percentage point below the Organisation for Economic Cooperation and Development (OECD) average. To protect Australia's standard of living, the nation needed to take down its barriers to trade and embrace the global economy.[4] Starting with floating the exchange rate, reducing tariffs, and importantly removing the restrictive migratory practices, Australia opened the economy to the world. It went from having the highest level of protection against imported goods of all developed countries in the early 1980s, to having the lowest by the mid-1990s.

> "...Australia's total productivity growth from the depth of the 1990–91 to 2000 recession was the highest in the developed world..."

Reducing the level of protection in the economy was never widely popular. It inevitably created distinct losers while the beneficiaries were dispersed. But, removing protection exposed more sectors to international competition and created incentives for further reforms. Importantly, removing protection exposed more sectors of the economy to international competition and created incentives to reform inefficient parts of the economy. This culminated in the National Competition Policy that reformed many aspects of the non-traded sector. The productivity of Australian workers surged in response to these reforms. Rather than lagging behind OECD peers, Australia's total productivity growth from the depth of the 1990–91 to 2000 recession was the highest in the developed world, reversing historic norms.

From 1989, Australia sponsored Asia-Pacific Economic Cooperation (APEC) and promoted trade liberalisation without discriminating against outsiders – an important influence on many Western Pacific countries embracing free trade.[5] Australia also helped reduce agricultural protection in the 1991 Uruguay Round of tariff reductions.

The evolution of trade liberalisation

Australia has now removed the vast majority of its protectionist policies such that the allocative efficiencies that arise from removing the remaining tariffs do not compensate for the terms-of-trade effects. This means that further unilateral trade liberalisation will worsen Australia's economic performance and Australia should only reduce the remaining protectionist policies in conjunction with other countries.

Since the successful Uruguay Round of multilateral trade negotiations, and the failure of subsequent talks, the most popular means of advancing trade has been through free-trade agreements (FTAs). According to the World Trade Organization, there are now 276 FTAs in force globally[6] with nearly all introduced since 1990.

The increasing use of FTAs reflects the fact that many other countries are in the same situation where they require mutual reductions in protection.

Australia has nine FTAs currently in force with New Zealand, Singapore, Thailand, US, Chile, the Association of South East Asian Nations (ASEAN) (with New Zealand), Malaysia, Korea and Japan. The countries covered by these FTAs account for 42 per cent of Australia's total trade. Australia concluded FTA negotiations with China in November 2014 and the agreement will enter into force once domestic processes are complete. China accounts for 23 per cent of Australia's total trade.

Australia is currently engaged in five other FTA negotiations – two bilateral FTA negotiations: India and Indonesia; and three plurilateral FTA negotiations with the Gulf Cooperation Council (GCC), the Pacific Trade and Economic Agreement (PACER Plus), and the Regional Comprehensive Economic Partnership Agreement (RCEP). The additional countries covered by these negotiations account for a further six per cent of Australia's total trade.

Governments have long championed the benefits of FTAs, often citing substantial increases in export volumes and composition, improvement to GDP and opening the economy to efficiencies and productivity improvements as rationale for pursuing and implementing them.

At the time of writing, the most recent, the China-Australia Free-Trade Agreement (ChAFTA), is in the process of being ratified. Its consideration has been the subject of considerable political debate with the Federal Opposition and others raising concerns about threats to local wages and conditions.

China is Australia's largest trading partner. The Australia China Business Council 2014 Australia-China Trade Report noted that two-way trade with China per household increased to AUD $16,985 from $14,480 in 2013, an almost five-fold increase from $3400 in 2009.[7] However, with recent Chinese government policy GDP adjustments, for every one percentage point reduction in Chinese investment, the International Monetary Fund (IMF) is estimating that Australia's growth rate will fall by -0.2 percentage points. Putting that together with the IMF's own forecast for Chinese investment, that implies a massive drag on Australian growth (of around one percentage point per annum).[8]

> "...two-way trade with China per household increased to AUD $16,985... an almost five-fold increase from $3400 in 2009."

ChAFTA joins recent bilateral FTAs signed with Japan and South Korea, signalling clearly the shift in geopolitical and economic interest to Asia. Each of the agreements will reduce the tariffs and quotas Australian goods are subject to, expand the range of services Australia can offer, and improve the competitive footing of Australian businesses. The Korean FTA provides Australia with equivalent access to that provided to the US and EU in a range of services, while the FTA with Japan provides market access to a range of areas and a commitment that any future liberalisation will be extended to Australia.[9]

ChAFTA is seen to provide considerable economic benefits to Australia in several industries including retail, agriculture, tourism, financial services, clean energy and environmental services, healthcare, advanced manufacturing and education. It will particularly provide Australian services industries with considerably greater access to the Chinese market compared to competitor countries, reducing significant barriers to services trade. This represents a vital opportunity for Australian businesses to become involved in the growing services markets of China as services' share of global trade has increased from 56 per cent in 1980 to around 70 per cent in 2012.[10] In addition to the economic importance of services in international trade being heightened by its embodiment in other products, overall services output has tended to increase faster than that of other industries with the demand for services increasing ahead of per capita incomes.

However, it should be noted that China, Korea and Japan have all recently reached FTAs with a number of countries other than Australia. It is argued that this is particularly important in terms of ChAFTA because if Australia does not reach agreement with its premier trading partner, the nation's businesses will experience a worsening competitive disadvantage.

Notwithstanding these positive aspects of FTAs being advocated, it should be noted that there are also contrary views from an economic perspective as to their benefits.

The cumulative benefit of the FTAs signed with China, Korea and Japan is not anticipated to be high in and of itself. The Centre for International Economics estimated that collectively they will contribute between 0.05 to 0.11 per cent of Australia's GDP by 2035. This is a worthwhile gain, but not a game changer. The gain will arise mainly from an increase in the prices we receive for our exports to China. Individual FTAs will not guarantee Australia's continued economic prosperity.

Importantly, FTAs are not about creating jobs: employment in Australia will be determined almost totally independently of the FTAs. As with all trade policies, there will be losers as well as winners. The structural effects of FTAs will be absorbed much more easily if the Australian economy continues to grow at around three per cent. If growth stagnates, then the downward pressure on manufacturing exerted by the FTAs will exacerbate existing structural problems. The ultimate success of Australia's trade agenda does not come from the agreements signed but from a domestic economy that puts a premium on productivity and competitiveness, as pointed out by Department of Foreign Affairs and Trade, Secretary Peter Varghese.[11]

Here then is an opportunity in public policy. Given the proliferation of bilateral arrangements globally and those in which Australia participates, there is scope to produce a formal trade policy. No matter how important individual FTAs are, and it is easy to overstate their direct economic significance, they are only one vehicle for liberalising trade. It would be helpful if Australia published a formal trade policy strategy that included, among other things, options for multilateral, bilateral and non-discriminatory reductions in trade barriers.

A formal trade policy would be informed by Australia's foreign affairs concerns while being distinct from the nation's diplomatic efforts. It should provide a component that is forward-looking as to the future development of Australia's trade liberalisation measures. Such a document could also contribute to improving the democratic accountability of FTAs by ensuring appropriate governance protocols are part of the approval process. Just as unilateral liberalisation received broad bipartisan support, so should the next stage of international engagement be structured so that the public is informed.

The 12-country Trans-Pacific Partnership agreement (TPP) was concluded in October 2015. It is purported to cover about a third of Australia's exports and 40 per cent of the global economy.

The signing of the TPP has resulted in voices raised in both support and opposition. The pro-economic development lobby suggests it will ensure growth across diverse markets and reduce tariffs and other market-distorting access issues and, as such, is a pointer to a brighter world economic future.

> "...concerns have ranged from FTAs being costly to negotiate, complex to administer, diverting economic activity from its most efficient outcomes, and having the potential to undermine national sovereignty."

Those who are less sanguine about the outcome question transparency issues associated with its content and express concerns about issues as diverse as environmental impacts, investor-state dispute settlement (ISDS) clauses, and compromises over medical patents. There are also concerns about the phasing in of any agreements.

However, the fact is that with all trade agreements there will be winners and losers. Not everyone will get as much as they expected. A definitive final analysis of the eventual benefits will have to await the release of the documents and critical examination of the detail, which itself will take considerable time.

Free-trade agreements: two steps forward or one back

The proliferation of FTAs has been accompanied by significant criticism, as would be expected. These concerns have ranged from FTAs being costly to negotiate, complex to administer, diverting economic activity from its most efficient outcomes, and having the potential to undermine national sovereignty.

FTAs frequently take years to negotiate and involve numerous experts – a costly process. More significant costs arise when the agreements are administratively complex, or add to the cost of doing business, in which case they may serve to impede free trade. In particular, the rules of origin that determine if a good benefits from a tariff reduction can be incredibly complex to determine, non-standardised and not suitable for the dispersed production networks that are increasingly a feature of global trade. For instance, the Singapore agreement involves three tiers of regional value content whereas the Korean agreement contains more than 5200 individual rules.[12] One recent study suggested the costs of complying with rules of origin can amount to 25 per cent of the value of the trade in goods within the Association of Southeast Asian Nations.[13]

In contrast, the direct economic benefits of FTAs are minimal. This suggests it is important to make the process of their negotiation, and the eventual agreements themselves, as standard as possible. Without standardisation and greater simplicity, FTAs may become an impediment to global trade. As the Australian Chamber of Commerce and Industry has argued:

> "When the hundreds of trade agreements across the globe are negotiated in aggregate by nations a complex barrier of administrative obligations and procedures emerges, which traders must understand and overcome for each specific agreement in order to obtain benefit."[14]

A key challenge is that free-trade negotiations are frequently seen as an extension of diplomacy rather than of economic policy. For example, it could be argued that the motivations of the TPP would appear to be based on geopolitical considerations, with the intent to exclude China, rather than to encourage greater levels of trade liberalisation.

Diplomatically-focused FTAs can impinge on domestic preferences in a way that an economically-focused agreement would not. For example, the US was pushing for Australia to extend the patent life of many vital medicines from Australia's five-year patents to the same 12-year period the US allows, representing significant consequences for Australia's healthcare costs. There was no economically feasible motivation for Australia to adopt such an extension. Fortunately Australia's resolve forced the US to accept a five-to-eight year time limit instead – five years' protection for biologic drugs, plus some time for other measures that will become clear once the full text of the TPP is made publicly available.

The inclusion of ISDS clauses in FTAs is also a significant concern. These clauses erode national sovereignty and can create significant liabilities for the Australian government. They are also largely superfluous, particularly between nations with robust judicial systems. The use of ISDS clauses could weaken the role of the World Trade Organization, which already has a viable dispute resolution system. Concerns about ISDS clauses are not groundless. Already Australia has had policy choices, such as plain packaging of cigarettes, challenged via an ISDS clause in a trade agreement with Hong Kong. While the TPP carves out public health from ISDS challenges, the clause is redundant in its entirety and should not be included in any agreement Australia signs.

Due to these and other concerns, the Productivity Commission has recommend Australia adopt unilateral action to reduce or eliminate trade barriers while also encouraging multilateral trade and investment liberalisation.[15] However, it can be argued that this advice does not reflect Australia's best economic interests. Given Australia's low level of tariff protections, the phase of unilateral reductions has past, as it has with many open economies. By extension, further unilateral trade liberalisation could diminish Australia's economic prosperity.

While the benefits of FTAs are frequently overstated, they do represent the most appropriate way of liberalising trade. With appropriate safeguards for national sovereignty, ensuring they reinforce global institutions such as the World Trade Organization, and with streamlined processes so that they do not add needless complexity, FTAs can play an important role in freeing up global trade.

> "To maintain Australia's national prosperity, it is vital that the nation not only remains at the technological frontier but actively advances it."

The fact that trade negotiations are conducted in secret and are only presented as finalised agreements, risks limiting the democratic accountability associated with the process. However, it must be stressed that both the ChAFTA and TPP are still required to be ratified by the Australian Parliament. Concerns about the secretive nature of negotiations producing outcomes that disadvantage Australia will be tested through this process.

Global ideas and skills networks

Technological advances are rapidly reshaping the way in which business is conducted. To maintain Australia's national prosperity, it is vital that the nation not only remains at the technological frontier but actively advances it. Australia cannot remain a rapid adopter of less viable technology as rapid dispersion and a failure to innovate risks commoditisation.

Historically, Australia has been disadvantaged in generating new ideas and bringing them to market because of both the distance its goods must travel to market but also by the distance ideas must travel. The country was far removed from the centres of thinking that generated new ways of doing business. Despite technological advances making it easier to disburse knowledge, it is also making the distance between innovators even more important.

With the economic development of Asia, Australia is not only better placed to sell goods and services but it also has the opportunity to engage more deeply with the generators of tomorrow's economic growth. The rapid industrialisation of the emerging economies of Asia has been accompanied by the rapid education of their population. In 2002, the total number of Science Technology Engineering and Mathematics (STEM) students graduating in Asia was just over a million. By 2012 the number of STEM students had grown by more than 500 per cent and by 2015 China alone will graduate more STEM degree students than all of Asia did first degrees in 2002.[16] India is experiencing similar growth trajectories. By 2025 the total number of students around the globe enrolled in higher education is anticipated to be 262 million, with nearly all the growth occurring in the developing world, dominated by China and India.

For almost 50 years Australia has been educating the best and the brightest of China and many developing economies. What started out as a diplomatic gesture has become one of Australia's most successful services sector exports.

These students are the researchers, the policy decision makers and the business leaders who will drive innovation in their respective countries in the years to come. Over the last decades, Australia has educated hundreds of thousands of these students, a potentially powerful alumnus who may go on to become significant leaders in their country. When these students return home they take with them a strong appreciation for Australia's society and culture. They represent potential bridgeheads between both countries.

Labour markets are becoming increasingly globalised with ferocious competition for the best talent. As an example, the free movement of workers between Australia and New Zealand under the Trans-Tasman Travel Arrangements (TTTA) has expanded the pool of skills easily available to both countries.

Australia can enhance its capacity to draw on the largest possible pool of talent by extending the free mobility of labour to other appropriate countries. Such an agreement should be actively sought with Singapore given its relative closeness to Australia and its role as a regional hub.

Endnotes

1 Kelly, P. 1992, *The End of Certainty: The Story of the 1980s*, Allen and Unwin, St Leonards, NSW.

2 Garnaut, R., *Dog Days: Australia after the boom*, Redback, Collingwood, Victoria, page 39.

3 Banks, G., May 2005, *Structural reform Australian-style: lesson for others?*, presentation delivered to the IMF and World Bank, accessible from: http://www.pc.gov.au/news-media/speeches/cs20050601/cs20050601.pdf

4 Garnaut, R., *Dog Days: Australia after the boom*, Redback, Collingwood, Victoria, page 45.

5 Garnaut, R., *Dog Days: Australia after the boom*, Redback, Collingwood, Victoria, page 47.

6 See World Trade Organization (2015). List of all the RTAs in force, available at: http://rtais.wto.org/ui/PublicAllRTAList.aspx Accessed on: 22 September 2015

7 Business Council of Australia *2014 Australia-China Trade Report*

8 AlphaBeta StrategyxEconomics September 2015 The lucky 8: Eight opportunities for Australian businesses in the Chinese economy

9 DFAT http://dfat.gov.au/trade/agreements/Pages/about-ftas.aspx

10 World Bank 2010, World DataBank – World Development Indicators, http://databank.worldbank.org/data/home.aspx And World Bank 2015, World DataBank – World Development Indicators, http://databank.worldbank.org/data/home.aspx.

11 Varghese, Peter AO. 2015 An Australian world view: A practitioner's perspective, Speech to Lowy Institute for International Policy, 20 August 2015.

12 Productivity Commission, 2013, *Trade and assistance review 2013-14*, Productivity Commission Annual Report Series, accessible: http://www.pc.gov.au/research/ongoing/trade-assistance/2013-14/trade-assistance-review-2013-14.pdf

13 APEC (Asia Pacific Economic Cooperation) 2009, *APEC Elements for Simplifying Customs Documents and Procedures Relating to Rules of Origin*, page 67, accessible from http://www.apec.org/Groups/Committee-on-TradeandInvestment/~/media/Files/Groups/ROO/App3_09_cti_rpt_Simplifying%20Procedures.ashx

14 Australian Chamber of Commerce and Industry, 2013, *Harmonising Administrative Procedures in PTA to Support Trade Facilitation*, accessible: http://dfat.gov.au/trade/agreements/aifta/Documents/acci-1.pdf

15 Productivity Commission, 2010, *Bilateral and Regional Trade Agreements Research Report*, Canberra, accessible here: http://www.pc.gov.au/inquiries/completed/trade-agreements/report/trade-agreements-report.pdf

16 Craig, E., Thomas, R. J., Hou, C., and Mathur, S, 2011, *No Shortage of Talent*, Accenture Institute for High Performance, page 6. This figure includes Masters and PhDs awarded in STEM subjects.

1. Succeeding from Australia

The Hon. Andrew Robb AO MP

Competition in the Chinese market is fierce and China can be a challenging place to do business. This chapter discusses the China-Australia Free Trade Agreement and the new opportunities for mutual benefit.

The Hon. Andrew Robb AO MP, Federal Minister for Trade and Investment is one of the most senior members of the Coalition Government and is responsible for pursuing Australia's trade and investment interests around the world.

Since coming to office, Mr Robb has concluded landmark free-trade agreements with our top three export markets, Korea, Japan and China, and most recently concluded the ground-breaking Trans-Pacific Partnership Agreement.

Mr Robb is also progressing trade negotiations with India and is working towards concluding that Comprehensive Economic Cooperation Agreement by the end of 2015.

He's also overseeing negotiations for a Regional Comprehensive Economic Partnership agreement and is working to promote deeper trade, investment and business links with Indonesia, the Gulf States, the European Union and Pacific Island countries.

He is working with co-chairs the United States and the European Union to conclude the Trade-in-Services Agreement, and continues to work actively to promote Australia's interests in the World Trade Organisation (WTO), Asia-Pacific Economic Cooperation (APEC) and the Organisation for Economic Cooperation and Development (OECD).

As Australia's first Minister for Investment, Mr Robb has conducted 66 business roundtables in 26 countries in less than two years, actively promoting Australia as a secure destination for global investors.

The Minister was also tasked with overseeing the finalisation of the Government's White Paper on developing Northern Australia, which outlines measures to support sustainable growth in the north, including the attraction and facilitation of large-scale investment, and hosting a major Northern Australia Investment Forum in Darwin this month bringing international investors together to attract interest in the region's untapped potential.

Introduction

It has certainly been quite an historic time for Australian trade and investment policy over the past two years, capped off with the recent conclusion of the Trans-Pacific Partnership (TPP) Agreement negotiations.

The TPP involves Australia and 11 other countries, which collectively represent 40 per cent of global GDP. It has transformational promise and represents the biggest trade agreement in the 20 years since the 1995 conclusion of the Uruguay Round, which launched the WTO. The liberalisation of trade, including establishing common sets of rules across TPP countries, will help drive growth, job creation and innovation.

The TPP comes on the back of our landmark agreements with Korea, Japan and China, with the first two having already come into force in December 2014 and January 2015 respectively. We are hopeful that the China-Australia Free Trade Agreement (ChAFTA) will enter into force before the end of 2015, which would provide for an immediate round of tariff cuts, followed by a second round on 1 January 2016. This would save our agricultural exporters alone $300 million in reduced tariff payments in 2016.

These three countries are our top three export markets and together account for over half of Australia's total exports, valued at over $170 billion in 2014.

Free-trade agreements (FTAs) are a central part of the government's microeconomic reform agenda in this critical post-mining boom period. They are fundamental to supporting the diversification of our economy and reducing our reliance on any one sector, regardless of how strong.

> "...ChAFTA represents one of the largest opportunities for Australian businesses in decades."

The promotion of our world-class services industries is a most important element. While we are a services economy, with about 75 per cent of our gross domestic product (GDP) coming from services, they currently represent only about 20 per cent of our exports. We are confident that our trade deals will provide a launching pad for strong growth in this area.

Our FTAs will fuel business growth into the global marketplace, supporting business strength and encouraging innovation at home, ultimately resulting in more Australians doing business overseas and more jobs for Australians. In this way, Australia's FTAs are forging global linkages that will help drive prosperity in the years and decades ahead.

ChAFTA represents one of the largest opportunities for Australian businesses in decades. This Agreement is vital because it will put Australians and Australian businesses into the starting blocks, ready to benefit from China's massive economy.

China is already Australia's largest trading partner – two-way trade was $150 billion in 2014 – so a more open China will have big net gains for us. Such is the scale of the opportunity ChAFTA provides, the benefits will be limited only by our imagination.

Although there is a tendency to view the economic relationship between China and Australia exclusively through our major resource exports such as iron ore and coal, this economic relationship is highly dynamic and already much more diverse. For example, in 2014 China was Australia's largest services export market.

ChAFTA lays a historic foundation for the next phase of this broadening relationship, putting Australia at a significant competitive advantage in key growth sectors including premium foods, financial services, and health and aged care.

'The trifecta' effect – already delivering benefits

Independent economic modelling by the Centre for International Economics estimates the benefits from the North Asian FTAs with China, Japan and Korea, 'the trifecta', will flow to the Australian economy for many years to come. For example, the modelling shows that the three FTAs together will be, in net present value terms, worth $24.4 billion in total additional income to Australia between 2016 and 2035. Based on the New Zealand experience of its FTA with China alone, these numbers could prove to be conservative. New Zealand Prime Minister John Key recently said that his country's FTA had produced outcomes 11 times greater than the most optimistic estimates.

> "New Zealand Prime Minister John Key recently said that his country's FTA had produced outcomes 11 times greater than the most optimistic estimates."

The modelling shows that our FTAs will support Australia's competitiveness in key export markets. Compared with a scenario in which Australia does not enter into the three FTAs – but our trade competitors do – Australian exports of goods and services to North Asia are forecast to be 11 per cent higher by 2035. Modelling also predicts that tariff reductions under the three FTAs will drive a 43 per cent increase in manufacturing exports to North Asia by 2035. Increased exports and cheaper imports will allow Australian businesses to hire more workers, driving growth for the Australian economy.

Importantly, the modelling cannot hope to properly capture the expected opportunities that will flow from increased services trade, as well as the other intangibles that will result from a deepening of two-way investment relations, and the other benefits that will flow from the increased trust and people-to-people linkages that the FTA will promote.

For Australian exporters, the benefits of the Korean and Japanese FTAs already in force speak volumes. Although the Korea and Japan agreements have been in force for less than a year, Australian businesses are already seeing some very significant results. For example, high-quality Australian beef is being served in more restaurants and on more dinner tables across Korea and Japan. In the period from December 2014 (after the Korea-Australia FTA entered into force) to July 2015, the tariff on Australian beef into Korea fell from 40 per cent to 34.6 per cent, and the value of exports of prime frozen beef to Korea surged by almost 50 per cent, compared to the same period a year prior. Similarly for Japan: with tariffs falling from 38.5 per cent to 28.5 per cent, frozen beef exports from January to July 2015 were up 27 per cent, compared to the same period a year earlier.

Exports are up, but FTAs are not only about more exports. They are about more efficient and more profitable trade, and giving businesses choices when it comes to exporting our high-quality Australian goods and services to overseas markets.

It's also important to remember that FTAs are not only for Australia's big industries and businesses; small and medium enterprises (SMEs) make up 96 per cent of Australian businesses and they have a significant cumulative impact on economic activity in Australia. Specialised industries are also seeing great benefits from the Korea and Japan agreements as they quickly work their way up from a low export base. For example, under the Japan-Australia Economic Partnership Agreement (JAEPA), tariffs of 2.4 per cent on shelled almonds were immediately eliminated once the agreement came into force. As a result, between January and July 2015, our almond exports to Japan grew by seven times on value terms, compared with the same period in 2014. Korean consumers have been equally keen on our macadamias, with the value of exports more than doubling after tariffs were cut from 30 per cent to 18 per cent – and in just two more years those tariffs will be completely eliminated.

"Exports are up, but FTAs are not only about more exports. They are about more efficient and more profitable trade..."

For a variety of other products, including fresh table grapes, cherries and wine, Australian producers are seeing genuine, tangible results as a result of tariff reductions delivered by these high-quality FTAs.

Importantly, export growth is not only evident in the agricultural sector. Australian resource and manufacturing exporters are also experiencing positive outcomes. For example, once the agreement with Korea came into force, the 6.5 per cent tariff on titanium dioxide exports to Korea was immediately eliminated and exports have more than tripled. Our share of the Korean import market for these products has since grown from only five per cent to 19 per cent.

And this is just the beginning. Tariffs will continue to fall, and access is being further opened for services and investment. The results from the Korea and Japan FTAs are also helping to build anticipation about ChAFTA's entry into force. Signing ChAFTA on 17 June 2015 marked another important step in the Australia-China relationship. The Australian Government is working to have ChAFTA enter into force before the end of 2015.

ChAFTA outcomes support the China-Australia relationship

Australia and China enjoy an extensive bilateral relationship based on strong economic and trade complementarities. We also have a growing range of common interests in multilateral and regional forums, as well as deep and expanding cultural, artistic and community relationships. Our strong government-to-government relationship was underpinned by agreement in 2014 to establish a Comprehensive Strategic Partnership.

ChAFTA builds on Australia's already large and successful commercial relationship with China by lowering tariffs, increasing access for services exports to China, and supporting two-way investment.

Goods

Australia is a key supplier of the energy and minerals that drive China's industrialisation and urbanisation, and we are a reliable and trusted provider of the food for China's growing number of middle-class consumers. In 2014, China bought almost a third of all Australian exports, worth over $98 billion.

Under ChAFTA, more than 86.2 per cent of Australia's goods exported to China (by value in 2014) will enter duty free when ChAFTA enters into force, rising to 93.9 per cent after four years and 96 per cent when ChAFTA is fully implemented.

China is by far Australia's largest market for resources and energy products. In 2014, Australia exported more than $80 billion worth of resources, energy and manufactured products to China. Iron ore (52 per cent of total exports to China in 2014), coal and gold lead the way. On the Agreement's entry into force, 92.8 per cent of China's imports of these Australian products will enter duty free, with most remaining tariffs removed within four years. For example, ChAFTA will mean that existing Chinese tariffs on products like coking coal, alumina, nickel mattes and oxides and unwrought zinc will be eliminated immediately.

> "On ChAFTA's full implementation, important products like beef, dairy, wine and spirits, barley, all seafood exports and a range of processed foods will all enter duty free."

In fact, on the agreement's full implementation, 99.9 per cent of Australia's resources, energy and manufacturing exports will enjoy duty free entry into China. The agreement means that, within four years of entry into force, tariffs will be eliminated on key Australian manufactured products including pharmaceuticals, car parts and engines, orthopaedic appliances, hearing aids, make-up and hair products.

China buys more of Australia's agricultural produce than any other country. In 2014, this market was worth more than $8 billion to Australian farmers and the broader agricultural sector. On ChAFTA's full implementation, important products like beef, dairy, wine and spirits, barley, all seafood exports and a range of

TABLE 1
AUSTRALIA'S TRADE WITH CHINA SNAPSHOT

Australia – China Trade**	A$b (2014)
Total exports	98.2
Total imports	54.3
Total two-way trade	152.5
Share of Australia's total trade (%)	23.0
Top five exports to China	**A$b (2014)**
Iron ores and concentrates	50.6
Coal	8.3
Gold	7.0
Education-related services*	4.4
Crude petroleum ***	2.3
Top five imports from China	**A$b (2014)**
Telecommunications equipment and parts	5.6
Clothing	5.0
Computers	4.9
Furniture, mattresses and cushions	2.3
Prams, toys, games and sporting goods	2.0
Australia-China Investment 2014	**A$b (2014)**
Australia's investment stock in China	57.9
China was the sixth largest destination for Australian investment stock abroad in 2014	
China's investment stock in Australia	64.5
China was the seventh largest source of investment in Australia in 2014	

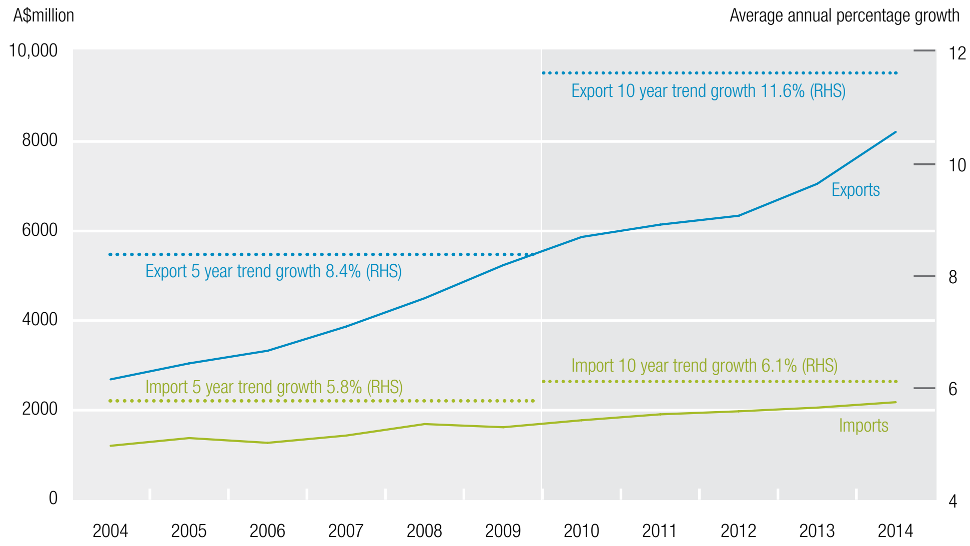
All data is based on ABS data, unless otherwise specified
* Defined by the ABS as 'Education-related personal travel'
** Includes unpublished data
*** Includes the cost of insurance and freight - China Customs data

processed foods will all enter duty free. These tariff eliminations will give Australia an advantage over our major agricultural competitors, including the United States, Canada and the European Union. It also levels the playing field by countering the advantages that Chile and New Zealand currently enjoy through their FTAs with China.

Services and investment

Today, China is Australia's largest services export market, worth more than $8 billion in 2014. Over the last five years, our services exports to China have seen an eight per cent average annual growth, albeit from a low base. Looking at education and tourism services, for example, our universities, TAFEs and schools are already helping educate the generations that will drive China's future stages of growth, and we are a popular destination for growing numbers of Chinese tourists.

FIGURE 1
SERVICES TRADE GROWTH OVER TIME



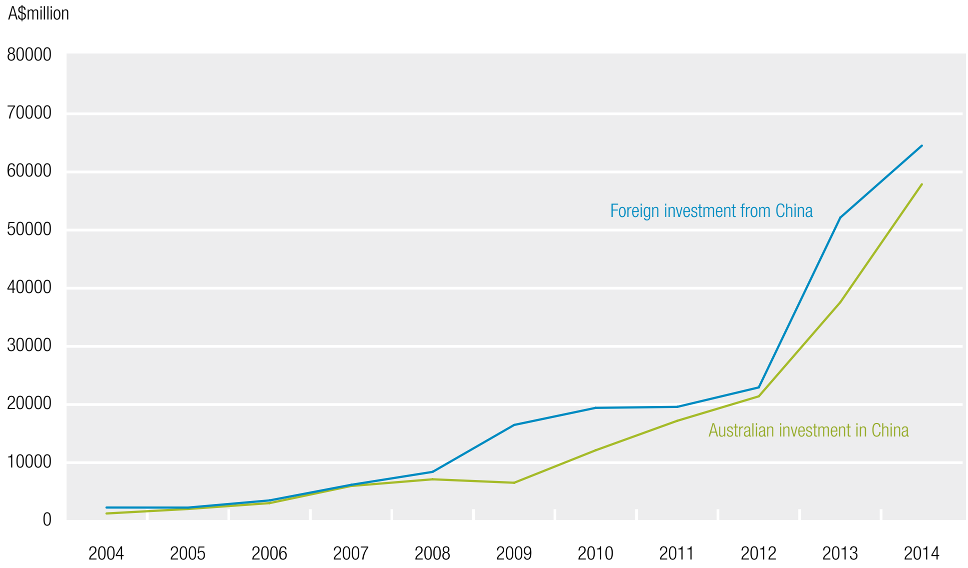
Source: ABS catalogue 5368.0.55.004 International Trade in Services by Country, by State and by Detailed Services Category, 2014. Consistent with March quarter 2015 BOP 5302.0

In ChAFTA, we have secured for Australia the best-ever services commitments China has given to any country in an FTA. This includes new or significantly improved guaranteed market access for Australian banks, insurers, securities and futures companies, law firms and professional services suppliers, education services exporters, as well as health, aged care, construction, manufacturing and telecommunication services businesses in China.

As China's reforms begin to change the structure of its economy, demand growth is expected in new sectors such as finance, health and aged care, as well as professional services. Under ChAFTA, expected strong outcomes in these sectors place Australian services providers extremely well to tap into this growth.

ChAFTA is also good news for our ever-growing investment relationship with China. At the end of 2014, the total stock of Chinese investment in Australia reached $64.5 billion, a 24 per cent increase over the previous year. Although China currently accounts for only 2.3 per cent of the stock of total foreign investment in Australia, recent growth demonstrates the importance of China as a source of new investment in Australia.

FIGURE 2
INVESTMENT GROWTH OVER TIME



Source: ABS catalogue 5352.0 International Investment Position, Australia: Supplementary Statistics, 2014

ChAFTA will promote greater private Chinese investment in non-sensitive sectors.[1] The threshold for screening of such investments by the Foreign Investment Review Board (FIRB) will increase from $252 million to $1,094 million. Importantly, Australia has retained the ability to screen investments at lower thresholds for agricultural land and agribusiness, and for sensitive sectors, including media, telecommunications and defence-related industries.

China is also an increasingly attractive investment destination for Australia. Australia's stock of total investment in China reached $57.9 billion at the end of 2014, and many of Australia's largest companies now have investments in China in industries such as banking and finance, health and construction.

> "...a Most-Favoured Nation (MFN) clause for investment and certain services sectors ... mean that, should China give more liberalising outcomes to another trade partner at a future date, China must automatically extend this beneficial treatment to Australia."

ChAFTA also includes a Most-Favoured Nation (MFN) clause for investment and certain services sectors, protecting Australia's competitive position. These MFN provisions mean that, should China give more liberalising outcomes to another trade partner at a future date, China must automatically extend this beneficial treatment to Australia. This way, the services and investment components of the agreement will continue to expand over time and continue to protect Australia's competitive position.

Supporting ChAFTA outcomes in goods, services and investment

As with Australia's other FTAs, the outcomes in ChAFTA for goods, services and investment are supported by provisions that apply to the temporary movement of natural persons (MNP).

It is important to recognise the significance of the temporary movement of persons: it gives businesses on both sides the chance to make the most of commercial outcomes secured through ChAFTA. Australian and Chinese business people and skilled professionals already travel regularly between our countries to build business relationships, forge business deals and support this growing partnership. ChAFTA will ensure continued ease in this temporary movement of persons. The MNP outcomes in ChAFTA guarantee that Australian engineers will be able to travel and work in China as an inter-corporate transferee for up to three years, providing certainty for Australian investors in the country. Additionally, for the first time in any FTA, China will also guarantee that skilled Australian business workers can take their spouses and dependants with them to China, ensuring Australians working in China have the support of their families.

These MNP outcomes are designed to facilitate trade and investment between our two countries, not to allow just anyone to come to Australia. ChAFTA labour provisions have been designed to operate within our existing visa frameworks. Importantly, appropriate safeguards, skills assessment, trades licencing and workplace health and safety laws will remain in place to ensure that overseas workers continue to work safely and under fair work conditions in Australia.

> "...appropriate safeguards, skills assessment, trades licencing and workplace health and safety laws will remain in place to ensure that overseas workers continue to work safely and under fair work conditions in Australia."

Without the MNP outcomes, ChAFTA would not be as valuable to Australian businesses.

ChAFTA also includes a commitment to review the agreement within three years with a view to deepening liberalisation and expanding market access. Furthermore, the Agreement sets out an extensive and dynamic built-in agenda of cooperative work, including a mechanism to address non-tariff measures on trade and investment issues. The opportunity for review, supported by the ongoing work program, means that Australia can work with China to continue to maximise the benefits we receive as China continues along its path of economic liberalisation.

Looking to the future

China is Australia's largest trading partner by a significant margin. The long-term profitable relationships built by Australian and Chinese businesses demonstrate this success and ChAFTA will further build upon this strong base.

Opportunities in the Chinese market continue to grow in key sectors including some of Australia's most successful industries: agribusiness, red meat, dairy, wine, health and beauty products, resources, tourism, aged care services and senior living. These sectors are supported by ChAFTA and many will benefit from significant market access improvements and guarantees, placing Australian businesses in an enviable position internationally to compete for and profit from the Chinese market.

> "In 2014, China's online retail market grew by 50 per cent to reach the equivalent of half-a-trillion Australian dollars... e-commerce brings China's 332 million online consumers within the reach of even Australia's smallest producers."

The machinery of China's trade market is also evolving in an exciting way. In 2014, China's online retail market grew by 50 per cent to reach the equivalent of half-a-trillion Australian dollars. This presents an immense opportunity for Australian businesses, especially SMEs, as e-commerce brings China's 332 million online consumers within the reach of even Australia's smallest producers. ChAFTA will help businesses to harness the efficiencies of e-commerce, while ensuring the protection of consumers engaging online.

However, it is also important to remember that China can be a challenging place to do business. Australian businesses must ensure they do adequate research and seek advice from partners such as Austrade, so they gain a thorough understanding of the regulatory, legal and cultural practices specific to the China market.

Competition in the Chinese market is indeed fierce. But the opportunities from ChAFTA combined with existing people-to-people links and market conditions such as the growth of e-commerce, will help Australian companies gain or expand their foothold in the Chinese market.

ChAFTA is, without doubt, a game changer for Australia and Australian businesses. Timing is everything in business and with interest in the agreement ramping up on both sides, there has never been a better time for Australian businesses to make the most of such an exciting opportunity.

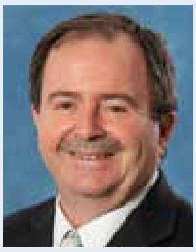
Endnotes

1 A full description and list of prescribed sensitive sectors can be found by following the links on the Australian Foreign Investment Review Board website, available at: http://www.firb.gov.au/content/definitions.asp#P211_22530

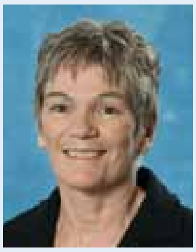
2. Free-trade agreements: do they matter?

Professors Peter Dixon and Maureen Rimmer

In the domestic economy, trade policies are contentious because they create both winners and losers. The community's many legitimate questions about free-trade agreements are lost when the debate becomes politically polarised. More evidence-based truthful discussion might avert unrealistic expectations and disillusionment.



Professor Peter B Dixon is known for his work in computable general equilibrium modelling. Together with colleagues at the IMPACT Project and the Centre of Policy Studies, he created the ORANI model and its dynamic successor, MONASH. These models have been prominent in the Australian economic debate for 35 years and have been used as templates for the development of other models throughout the world. He is the principal author of the ORANI and MONASH books published in the North-Holland Contributions series in 1982 and 2002. In recent years he has led the development of the USAGE model of the United States (US), which is being used by the US International Trade Commission and the Departments of Agriculture, Commerce, Energy, Transport and Homeland Security, and by the Canadian Embassy in Washington DC. He is currently Professor, Centre of Policy Studies, Victoria University, Melbourne.



Professor Maureen T Rimmer is the co-developer of the MONASH model of the Australian economy and the co-author of the MONASH book, published in 2002 in North-Holland's Contributions to Economic Analysis. In the last 15 years she has been a key contributor in the development, application and documentation of USAGE. This is a 500-industry, dynamic model of the US economy, with facilities for generating results for the 50 States and 700 occupations. The model is used in Washington by the US International Trade Commission and the US Departments of Commerce, Homeland Security, Agriculture, Transport and Energy. She has made major contributions in applications of the model to key policy areas such as: the replacement of imported crude oil with domestically produced biofuels; legalisation of unauthorised immigrants; and the effects of the Obama stimulus package to combat the 2008–09 US recession. Her current position is Professor, Centre of Policy Studies, Victoria University, Melbourne.

Abstract

This paper uses the theory of efficiency gains and terms-of-trade losses to explain the proliferation of free-trade agreements (FTAs). It then focuses on Australia's FTAs with Japan, Korea and China in a discussion of gains from FTAs. Continuing that focus, the paper explains why FTAs (and trade policies more generally) are politically divisive. With regard to the China-Australia FTA the paper concludes that:

1. There will be a modest but worthwhile welfare gain for Australia;
2. The gain will be mainly from terms-of-trade improvement, not employment;
3. The Federal Government is exaggerating the likely gain;
4. There will be losers as well as winners;
5. The Federal Opposition is well within its rights to question labour-market aspects of the agreement; and
6. The formation of FTAs is likely to be a continuing process and the Government would best serve the Australian public by encouraging evidence-based discussion and providing answers to legitimate queries.

Introduction

World-wide there are now 276 free-trade agreements (FTAs) in force with nearly all of these introduced since 1990.[1] The number of FTAs is increasing by about 10 a year. Each agreement is highly complex with hundreds of pages of conditions, e.g. the China-Australia agreement runs to about 1100 pages. Many of the agreements have taken years to negotiate by large teams of skilled and expensive professionals.

In Australia's case, we have 10 FTAs: with New Zealand, Chile, ASEAN, PNG, Japan, Korea, Malaysia, Singapore, Thailand and the US. Apart from the agreements with New Zealand and PNG, all of these have come into force since 2003. Currently (November 2015), the China-Australia FTA is awaiting ratification through the Australian parliament.

This paper addresses three questions:

1. Why have FTAs become the dominant vehicle for many countries through which trade reforms are implemented?
2. How important are FTAs in delivering gains in economic welfare?
3. Why is there so much political heat surrounding FTAs and trade policies more generally?

We start in section two by answering the first question drawing on the theory of efficiency gains and terms-of-trade losses. Our treatment is a non-technical, simplified account of textbook theory.[2]

Sections three and four deal with the second and third questions, focusing on Australia's FTAs with Japan, Korea and China.

Section five contains concluding remarks including comments on the conduct in Australia of the debate on the China-Australia FTA.

Why free-trade agreements?

It is easy to be cynical. FTAs provide lucrative employment for public servants and consulting economists. They also generate kudos for politicians who can portray themselves as delivering great deals in the national interest. While some cynicism is probably justified, there is nevertheless a real economic rationale for FTAs.

To understand this we need to review some trade theory. When a country reduces protection by cutting a tariff or eliminating a quota, there are two effects: an efficiency gain and a terms-of-trade loss. FTAs aim to reap the efficiency gains while avoiding the terms-of-trade losses.

Efficiency gains

Assume that there is a tariff on cars of 60 per cent, as there was in Australia to the end of the 1980s. This allows domestic producers to be competitive on the local market against imports even though their production costs are $16,000 per car whereas production costs of foreign producers are only $10,000. Now assume that the tariff rate is reduced slightly so that one more car is imported and one less is produced domestically. As a nation Australia pays for the import by using $10,000 of resources (capital, labour and materials) to produce an export good (e.g. an agricultural or mineral product). At the same time, Australia releases $16,000 worth of resources from the production of cars. This leaves $6000 worth of resources free to produce schools, hospitals or other goods and services that enhance living standards. This $6000 of extra goods or services is known as the 'efficiency gain' from having liberalised the trade.

"While some cynicism is probably justified, there is nevertheless a real economic rationale for FTAs."

This is the big picture. How does it work in detail? When the tariff is slightly reduced, say to 59.99 per cent, then one consumer decides to switch to an imported car. That consumer pays $10,000 to the foreign producer and $5999 to the government which spends the money on schools, hospitals or returns it to households via a tax cut. The foreigner converts the $10,000 into his/her own currency causing a small devaluation of the A$. The devaluation makes Australian exports more attractive to foreigners and eventually allows sufficient export expansion to pay for the additional car import.

Realising the efficiency gain from trade liberalisation requires resource reallocation. $16,000 worth of resources is transferred out of car production. An extra $10,000 worth of resources is used in agriculture, mining and other export activities, and an extra $6000 is used in the production of schools, hospitals and other standard-of-living enhancing goods or services. Ideally, this transfer takes place in an environment of economic growth. With trade liberalisation the car industry simply grows a little slower than otherwise would have been the case while the export sectors and the sectors producing public and private consumer goods and services grow a little quicker. In this ideal situation no one experiences unemployment as a result of the trade liberalisation: the resource transfer is handled entirely by redirecting sectoral flows of new resources (new entrants to the labour force and newly created capital). But as described below, adjustment processes are not always benign.

Terms-of-trade losses

Trade liberalisation means that there will be an increase in both imports and exports. In our example, imports of cars increase by $10,000 matched by an increase in exports of agricultural, mineral and other commodities of $10,000. If trade liberalisation is unilateral then it will almost certainly be accompanied by terms-of-trade deterioration; that is, a reduction in the price of exports relative to the price of imports. In general qualitative terms, supplying more exports will reduce their price while demanding more imports will increase their price.

"Even for exports such as tourism, education, financial services, wine and gourmet cheese in which Australia is a small player by global standards, supply expansion requires price reduction."

On the import side, it is reasonable in Australia's case to assume that the price effect is negligible. In most modelling exercises it is assumed that the prices in foreign currency (such as US dollars) at which we obtain imported commodities are independent of our demands. For almost all commodities Australia accounts for only a small share of global demand. Consequently large percentage fluctuations in Australia's demand are only tiny fluctuations in world demand, with tiny resulting fluctuations in world prices.

The story is different on the export side. Australia is a major producer of several mineral and agricultural products. For these products, increases in our exports have a noticeable effect on global supplies, with a resulting negative effect on prices. Even for exports such as tourism, education, financial services, wine and gourmet cheese in which Australia is a small player by global standards, supply expansion requires price reduction. This is because Australian varieties of these products are distinctive. Greater sales of our varieties require lower foreign-currency prices in order to switch international demand away from the varieties produced by other countries. For example, to sell more Australian wine of a given quality in the US, we must reduce its US$ price relative to that of Californian wine.

A terms-of-trade loss implies that Australia must generate a greater volume of exports to pay for any given volume of imports. Perhaps to pay for the imported car, we now need to divert into export production resources that could have produced $12,000 worth of exports at the old prices, but only $10,000 worth at the new prices. In this situation we say that there is a **terms-of-trade loss** of $2000. Now, instead of having $6000 worth of released resources available to increase our standard of living, we have only $4000 of released resources. More generally, in assessing the benefits of trade liberalisation we must weigh the terms-of-trade loss against the efficiency gain.

Efficiency gains versus terms-of-trade losses: which wins?

Consider a trade policy (e.g. a small tariff cut) that leads to a unit increase in car imports. The efficiency gain will be large if the car tariff is high. In our example with the tariff at 60 per cent, the efficiency gain from importing one more car was $6000. Reworking that example with a low tariff, say 10 per cent, gives an efficiency gain of only $1000. On the other hand, the terms-of-trade loss, $2000 in our example, is barely affected by the car tariff. Irrespective of the tariff, we need to generate sufficient additional exports to pay the foreign-currency price of one imported car. Consequently the reduction in our export prices, or more generally the reduction in our terms of trade, is largely independent of the level of the tariff rate on cars.

What this means is that unilateral reductions in tariffs enhance economic welfare when tariffs are high and reduce economic welfare when tariffs are low. With the tariff at 60 per cent, a unit increase in car imports generates a welfare gain of $4000, made up of a $6000 efficiency gain and $2000 terms-of-trade loss. With the tariff at 10 per cent, there is a welfare loss of $1000: the efficiency gain of $1000 is more than offset by the terms-of-trade loss which stays at $2000.

Trade negotiations

This brings us to the answer to the question posed earlier: why free-trade agreements? Since 1990, Australian tariffs and those of many other countries have been sufficiently low that terms-of-trade losses from unilateral trade liberalisations outweigh efficiency gains. Whereas it made sense in the 1970s and 1980s for Australia to cut its high tariffs without reciprocal action by its trade partners, it doesn't make sense today for Australia to make unilateral cuts in its current low tariffs. The situation is similar for many other countries. In these circumstances, further moves towards free trade require negotiation. We should reduce our trade barriers and reap efficiency gains only if we can avoid terms-of-trade losses. These can be avoided by a negotiation in which our partner countries agree to simultaneously reduce their trade barriers allowing an expansion in our exports without reductions in the prices we receive.

> "...unilateral reductions in tariffs enhance economic welfare when tariffs are high and reduce economic welfare when tariffs are low."

In an economically rational world, movements to free trade would be negotiated globally. A global agreement to cut tariffs and other impediments to trade would avoid the disadvantages of the current piecemeal approach based on bi-lateral and limited multi-lateral agreements. Two obvious disadvantages of the piecemeal approach are high repeated negotiating costs and complexity especially with respect to rules of origin (rules determining whether a commodity embodies sufficient value added from country A to qualify for preferential treatment by country B under an A-B free-trade agreement). A third disadvantage emphasised by economists is inefficient trade diversion.[3] This takes place when a trade agreement between countries A and B causes consumers in country A to switch their demand to free-trade partner B away from a cheaper supplying country C which is outside the agreement. For example, assume that the pre-tariff price in Australia of an electronic product from the US is $10 whereas the pre-tariff price of a similar product from Japan is only $9. Assume that the Australian tariff is 20 per cent, making the prices to Australian consumers $12 for the US variety and $10.80 for the Japanese variety. In this situation Australian consumers choose the Japanese variety. Then Australia enters an FTA with the US, eliminating the tariff on the US variety. Now the price to Australian consumers for the US variety falls to $10 while the price of the Japanese variety remains at $10.80. This diverts demand by consumers away from the Japanese variety towards the US variety. As a nation Australia loses. Instead of having to find resources to generate exports worth $9 to pay for a unit of the Japanese variety, we now have to find resources to generate exports worth $10 to pay for a unit of the US variety.

> "...it doesn't make sense today for Australia to make unilateral cuts in its current low tariffs."

Unfortunately, global negotiations such as the Doha round have had little or no success. It is difficult to get two countries to agree on reductions in trade barriers and the difficulties multiply with increases in the number of negotiating countries.

Thus, proliferating FTAs are the best possibility for the world economy to continue along a path, although a tortuous one, towards global free trade.

Do FTAs matter: how big are the gains?

Given the Government's rhetoric in the recent debate about the China-Australia free-trade agreement, members of the public could be excused for thinking that Australia's economic prosperity was at stake. Former Prime Minister Tony Abbott was quoted in *The Australian*, 1 September 2015 as saying:

> "If Bill Shorten and the Labor Party try to reject the China-Australia Free Trade Agreement they will be sabotaging our economic future and they will be turning their back on one of the greatest opportunities our country has ever been offered."

In fact, careful economic modelling carried out for the Department of Foreign Affairs and Trade by the Centre for International Economics (CIE) demonstrated that the gains will be quite modest. With economic welfare measured by the quantity of private consumption, the CIE estimates that the welfare gain from the three North Asian FTAs (the recently activated agreements with Japan and Korea and the agreement with China awaiting parliamentary ratification) will be sustained at 0.4 per cent. That is, the level of Australia's private consumption each year will be 0.4 per cent higher with the trade agreements than it would be without the agreements.

> "...the level of Australia's private consumption each year will be 0.4 per cent higher with the trade agreements than it would be without the agreements."

There are various ways in which this result can be presented. We could call it an annual boost in welfare of about $3 billion. We could call it an annual increase in welfare of $300 per household or $130 per person. If we want a really big impressive number we could work out the present value of a $3 billion annuity, and call the gain $50 billion. All of these numbers are being quoted by proponents of the agreements. With private consumption under business-as-usual assumptions projected to grow by about two per cent per annum, a wet-blanket way of looking at the gain from the North Asian FTAs is to say that it is about 2.4 months' growth. With the agreements, the CIE estimates show that we will reach a certain standard of living by 1 January 2035 and without the agreements we would have to wait until 13 March 2035 to reach the same standard. But whatever way we dress it up the gain is still 0.4 per cent.[4]

What explains the 0.4 per cent? It is almost entirely a favourable terms-of-trade effect. Australia's tariffs are now so low that cutting them on imports from Japan, Korea and China has almost no efficiency effect.

The FTAs give Australia a positive terms-of-trade effect because they will enable Australian firms to receive higher prices for their products in the three North Asian countries. The main reason is that the three countries already have agreements with some of Australia's competitors. All of them have agreements with the Association of Southeast Asian Nations (ASEAN)[5] and Chile. China and Korea have agreements with New Zealand and with each other. Japan and Korea have agreements with India, and Korea has agreements with Canada, US and EU.

In the absence of FTAs between Australia and the three North Asian countries, Australia would be at a competitive disadvantage in their markets. Assume, for example, that the Chinese tariff on beef from non-FTA partners is15 per cent while it is zero on beef from FTA partners. Assume that the pre-tariff price for New Zealand beef (the price received by New Zealand producers) in China is 30RMB[6] per kilogram. Then as a non-FTA partner facing a 15 per cent tariff, Australian producers can compete with New Zealand only when the pre-tariff price of Australian beef is 26RMB (that is 30/1.15). When Australia becomes an FTA partner with China, it can edge up its pre-tariff price towards 30RMB. The extent of the RMB increase in the price of Australian beef will depend on the supply response of Australian producers and the subsequent responses of producers in New Zealand and other countries. However, we can be confident that for Australian producers the eventual price effect will be positive.

In calculating the terms-of-trade effect for Australia from the three North Asian FTAs, the CIE considered the tariff changes on Australian exports for the 11,000 commodities mentioned in the agreements. For a few agricultural commodities there are significant tariff reductions. For example, in the China-Australia agreement, Chinese tariffs on imports of Australian dairy, beef, lamb and wine all fall by more than 10 percentage points phased in over the next four to 11 years. However, for most of Australia's exports the FTA tariff changes are negligible. In total, the CIE estimates that the FTAs with the three North Asian countries will give Australia a terms-of-trade improvement of about 1.2 per cent.

From here, we can understand the 0.4 per cent welfare increase (increase in private consumption). Under business-as-usual assumptions, the export share in Australia's GDP will be about 20 per cent over the next 20 years. An increase in the price of our exports relative to the price of our imports of 1.2 per cent is equivalent to a gift worth 0.24 per cent of GDP (that is, 20 per cent of 1.2). Private consumption is about 60 per cent of GDP. Consequently the terms-of-trade gift will enable us to increase private consumption by 0.4 per cent (that is 0.24/0.6).

"...in the average year between now and 2035 the agreements will cause jobs to be 9000 higher than they would be in the absence of the agreements."

What about all the other effects of FTAs? Proponents claim that they will create jobs. For example, commenting on the CIE study, Federal Minister for Trade Andrew Robb was quoted in the *Sydney Morning Herald*, 16 June 2015 claiming that because of the agreements:

> "… Australian jobs would grow by 9000 per year to be 178,000 higher in 2035 …"

This is a misinterpretation of the CIE analysis. In fact the CIE study says that the agreements will cause job numbers to be 5434 higher in the year 2035. What their modelling implies is that in the average year between now and 2035 the agreements will cause jobs to be 9000 higher than they would be in the absence of the agreements. It seems that Mr Robb erroneously derived his figure by adding the employment effects in each of the 20 years and assigning the grand total (178,000) to 2035.

Despite assertions to the contrary by our political leaders, free-trade agreements are not primarily about jobs. Aggregate employment depends on macro-economic conditions, particularly the balance between real wages and productivity. Over the long run, this balance adjusts to ensure that employment is approximately labour supply (determined mainly by demographic factors) less about six per cent (the unemployment rate determined by labour market frictions including frictions in wage adjustments). The path of employment over any period longer than a couple of years will be determined independently of whether or not Australia completes the trifecta of North Asian free-trade agreements by ratifying the agreement with China.

Because wage rates adjust with a lag, favourable economic policies, such as a free-trade agreement that improves the terms of trade, can cause a short-run increase in employment. A favourable movement in the terms of trade temporarily increases employment by increasing the value of what Australian workers can produce relative to the cost of employing them. We suspect this mechanism explains CIE modelling results showing that the North Asian FTAs will generate an employment gain in Australia of 0.07 per cent (8000 jobs) in 2016, increasing to 0.11 per cent (14,000 jobs) in 2020 when most of the Chinese tariff cuts will be in place. These are reasonable estimates of the short-run employment effects of a phased in terms-of-trade improvement of 1.2 per cent. The CIE modelling implies that the employment effect of the agreements gradually declines, reaching 0.04 per cent (5434 jobs) in 2035. The job effect is dissipated by wage adjustments. The adjustment process seems unrealistically slow in the CIE model. Nevertheless, the general proposition reflected in their model is correct: in the short run, the benefits of terms-of-trade improvements are realised through an increase in employment; in the long run, they are realised through an increase in real wages. The CIE projects a long-run real wage increase of 0.3 per cent in Australia from the agreements.

"The CIE projects a long-run real wage increase of 0.3 per cent in Australia from the agreements."

As well as goods and services trade, the three FTAs deal with foreign direct investment (FDI). They include reductions in Australian red-tape on inbound FDI from Japan, Korea and China. These reductions are quite minor. CIE's view[7] is that there will be no discernable effect on FDI from these countries, which has been growing very rapidly over the last 10 years without FTAs. Going around the other way, in the case of China, the FTA may encourage Australian FDI, especially in the services sector. However, the growth of Australian FDI in China is likely to be determined largely independently of the FTAs. In any case, it is doubtful that FTA-related Australian FDI in China will have a noticeable effect on the welfare of Australian households.

Why are FTAs such hot political issues?

Trade policies have been contentious in Australia for at least 125 years. They were a major stumbling block along the road to Federation in 1901. Victoria favoured a protectionist policy for the new nation while New South Wales favoured free trade. The Victorians won and set Australia on a path to very high tariffs for manufacturing. It was not until the 1980s that substantial progress was made in dismantling the tariff wall.

> "In the case of the FTAs with the North Asian countries, identification of the winners is straightforward... cattle and other meat animals, wool, bovine meat products, sugar, dairy products and leather products."

Lack of community understanding often creates controversy over trade policies. As described earlier, the reallocation of resources caused by a trade policy may be benign, particularly when the economy is growing strongly. Unfortunately, adjustment processes are sometimes painful as attested by depressed areas such as Elizabeth in South Australia. In popular discussions of adjustment problems the role of trade policies is frequently exaggerated. Trade policies are blamed for structural adjustment problems that arise from other factors including, exchange rate appreciation associated with the success of our mineral industries (Dutch disease); the emergence of developing economies as producers of manufactured goods; labour-saving technical changes in manufacturing processes; and communication technologies that have increased Australian consumers' awareness of foreign products.

But even when they are understood, trade policies are contentious because they are approximately zero-sum games. In the domestic economy there are winners and losers and although the overall national prize is not zero, it is usually quite small, e.g. a total welfare gain of 0.4 per cent. Winners and losers are created because trade policies work by reallocating resources between alternative activities. With a cut in tariffs, import-competing industries have fewer resources than they otherwise would have had (provide fewer jobs and use less capital) while export-oriented activities have more resources than they otherwise would have had. Unlike a good health or social policy that can make everyone a winner, a trade policy tends to pit the interests of one part of the community against those of another.

In the case of the FTAs with the North Asian countries, identification of the winners is straightforward. They are the subset of industries producing the agricultural products and related downstream products for which the agreements include substantial tariff reductions in Japan, Korea and China. As shown by the CIE modelling, Australian industries that gain resources include cattle and other meat animals, wool, bovine meat products, sugar, dairy products and leather products. When the FTAs are fully implemented, the CIE projections for the output gains by these industries lie in the range of 1.5 per cent to 11 per cent.[8]

The Australian losers are mainly in the manufacturing sector and include paper products, chemicals, metal products, motor vehicles and parts, transport equipment and electronic equipment. The CIE projections show output contractions for these industries in the range of 0.6 per cent to 2.3 per cent.[9] The agreements partly remove tariff protection from these industries. However, the current tariffs are low and their removal will have little effect.

The main negative impact of the FTAs on manufacturing is via the exchange rate which appreciates in response to increases in agricultural exports and the terms of trade. Appreciation reduces the $A price of manufacturing imports, with negative consequences for import-competing manufacturing industries. Appreciation also damps the gains to the export-oriented agricultural industries, but unlike the manufacturing industries, the agricultural industries receive a substantial boost from the cuts in tariffs by Australia's North Asian FTA partners, particularly China. In addition, appreciation explains why the CIE modelling of the North Asian FTAs shows negative effects for Australian mining. The FTAs do not give miners an improvement in their access to the North Asian countries while at the same time the induced appreciation reduces the $A value of mineral exports.

"We should think of FTAs as a continuing process that is moving the global economy inexorably towards free trade."

Why does boosting agricultural exports and improving the terms of trade cause appreciation? Perhaps the easiest way to understand this point is to think about the balance of trade (the value of exports less the value of imports). It is reasonable to assume that the FTAs will not noticeably affect Australia's balance of trade. By increasing the foreign currency value of exports, the FTAs must also increase the foreign currency value of imports. The mechanism is the exchange rate. With foreigners demanding more $A to buy Australia's exports, the $A appreciates, stimulating Australia's imports by reducing their $A price.

Concluding remarks

Global negotiations have not been effective in securing significant trade liberalisation, and for many countries unilateral liberalisation is welfare-reducing because terms-of-trade losses outweigh efficiency gains. FTAs are complex and expensive to negotiate, but they can be achieved. We should think of FTAs as a continuing process that is moving the global economy inexorably towards free trade.

In the debate concerning the China-Australia FTA, the Government under former Prime Minister Tony Abbott exaggerated the potential benefits. This is understandable: the Government was keen to take credit for negotiating the deal while at the same time portraying the Opposition as sacrificing the national interest to support the narrow interests of the CFMEU and the ACTU.

Nevertheless, the attitude was unfortunate. If it does not engage in an evidence-based truthful discussion about the North Asian FTAs, the Government runs the risk of creating unrealistic expectations and eventual disillusionment, with FTAs being blamed for economic ills not of their making. This has the potential to inhibit Australia's participation in future FTAs that will be necessary to safeguard our competitive position as FTAs between other countries proliferate.

The Opposition led by Bill Shorten has focused attention on the labour-market aspects of the China-Australia FTA. The agreement largely eliminates the requirement for businesses operating in Australia to look for Australian residents to fill vacancies before bringing in workers from China under the 457 visa program. There are many other requirements under this program that Chinese workers would still need to meet. Expert opinion (for example, David Crowe's article on page 12 of *The Australian*, 4 September 2015) suggests that the liberalisation of entry requirements under the China-Australia FTA will have a negligible effect on job opportunities for Australian workers.

Whether this opinion is right or wrong is not the main point here. Eliciting and testing information and analysis relevant to policies proposed by the Government is a vital role of the Opposition. Rather than branding Mr Shorten as an economic saboteur, Mr Abbott would have served the community better by laying out the evidence on how the China-Australia FTA will affect the Australian economy, including the labour market.

What is the evidence? The best available modelling shows that the North Asian FTAs will contribute about 0.4 per cent to Australia's economic welfare. This is a worthwhile gain, but not a game changer. The gain will arise mainly from an increase in the prices we receive for our exports to China. The FTAs are not about creating jobs: employment in Australia will be determined almost totally independently of the FTAs. As with all trade policies, there will be losers as well as winners. The structural effects of FTAs will be absorbed much more easily if the Australian economy continues to grow at around three per cent. If growth stagnates, then the downward pressure on manufacturing exerted by the FTAs will exacerbate existing structural problems.

Endnotes

1 See World Trade Organization (2015), list of all the RTAs in force, available at: http://rtais.wto.org/ui/PublicAllRTAList.aspx

2 The best textbook presentation is Corden (1974 & 1997). See also Dixon and Rimmer (2010).

3 See for example, Vousden (1990, chapter 10).

4 See CIE (2015, p 30).

5 More information on ASEAN, including a list of association member countries is available at: http://dfat.gov.au/international-relations/regional-architecture/asean/pages/association-of-southeast-asian-nations-asean.aspx

6 RMB = Renminbi or CNY (Chinese Yuan), e.g. 100.00 Chinese Yuan Renminbi (CNY) = 21.9265 AUD

7 In their modelling, CIE (2015, p. 14) assumed no effect on inbound FDI for Australia from the North Asian FTAs.

8 CIE (2015, pp. 24-5).

9 CIE (2015, p. 25).

References

CIE (2015), *Economic benefits of Australia's North Asian FTAs*, Report prepared for the Department of Foreign Affairs and Trade, Canberra, pp. 38, available at: http://dfat.gov.au/about-us/publications/Documents/economic-modelling-of-australias-north-asia-ftas.pdf .

Corden, W.M. (1974 &1997), *Trade Policy and Economic Welfare*, 1st & 2nd eds, Clarendon Press, Oxford.

Dixon, P.B. and M.T. Rimmer (2010), "Optimal Tariffs: Should Australia Cut Automotive Tariffs Unilaterally?", *Economic Record*, vol. 86(273), June, pp. 143-61.

Vousden, N. (1990), *The economics of trade protection*, Cambridge University Press, Cambridge.

World Trade Organization (2015), *Regional Trade Agreements: facts & figures*, available at: https://www.wto.org/english/tratop_e/region_e/regfac_e.htm .

3. Rules-based trade as a pivotal power

Susan Harris Rimmer

The nature of trade itself is changing, the contribution of trade to macroeconomic growth is changing; and the multilateral system is under challenge in terms of trade governance regime. What are the real benefits and long-term consequences of bilateral or multilateral arrangements? And how transparent and democratically accountable are they?

Associate Professor Susan Harris Rimmer is an expert in women's rights, global governance and international law. She is an Australian Research Council Future Fellow at Griffith Law School, and an Adjunct Reader in the Asia-Pacific College of Diplomacy at the Australian National University.

Susan was selected as an expert for the official Australian delegation to the 58th session of the UN Commission on the Status of Women in New York in March 2014. In 2014 she was named one of the Westpac and *The Australian Financial Review*'s 100 Women of Influence in the global category. In September 2015, she was named one of Australia's two expert representatives to the W20 engagement group set up by the Turkish G20 Presidency. Susan is the author of *Gender and Transitional Justice: The Women of Timor Leste* (Routledge, 2010) and more than 30 refereed academic works.

In October 2013, Susan was appointed to the national board of the Refugee Council of Australia, and an Ambassador for the Australian Refugee Trust, and in 2014, she joined the board of the International Women's Development Agency.

Introduction: simply everything about trade has changed

Trade between nations is one of the most ancient forms of diplomacy. It is also one of the components of diplomacy transformed the most in the 21st century. While it maintains its centrality to development and macroeconomic growth, it raises a range of concerns about transparency, efficacy, national interest, development pathways and human rights.

All nations, including Australia, state that they desire an open, predictable, non-discriminatory, and rule-based multilateral trading system centred on the World Trade Organization (WTO). Yet the universal consensus is that the trade system is in deep trouble. The nature of trade itself is changing, the contribution of trade to macroeconomic growth is changing; and the multilateral system is under challenge in terms of trade governance. This chapter is designed to help the non-expert navigate the current trade debates in Australia.

The DNA of trade is changing, with most trade experts urging reforms to the WTO in order to adapt to the new world of global value chains, integrated global standards, and transnational investment flows. As Nancy Pelosi, Minority Leader of the United States (US) House of Representatives, recently stated when describing the Trans-Pacific Partnership:[1]

> In order to succeed in the global economy, it is necessary to move beyond stale arguments of protectionism versus free trade …
>
> Today, driven by a new technological revolution, national markets are being transformed into global networks of finance, production and distribution. Markets – for goods, money and even labor – are integrating across borders beyond the reach of national legislative bodies.

John Ravenhill, Director of the Balsillie School of International Affairs and Professor of Political Science at the University of Waterloo (formerly Head of the School of Politics and International Relations at the Australian National University), has found that international trade increasingly represents trade in components as part of the production of a product. With global manufacturing, goods are now 'made in the world' rather than in a single country. Ravenhill points out that one implication of the rise in global value chains is that traditional trade statistics, which are measured on a gross basis rather than value-added, may be obsolete, and so 'concern over bilateral trade imbalances is clearly misplaced'.[2] Traditional trade policy is no longer an effective tool to assist domestic industries either, according to Austrade Chief Economist, Mark Thirwell.[3] Trade in services is a crucial area of liberalisation according to almost all economists, but as we enter into a service and knowledge-driven economy this area of negotiations has proven particularly slow and difficult.

"The geo-politics of trade are changing. As the WTO reaches its twentieth anniversary, many member countries are worried about a clash among blocs..."

The fundamentals of trade are changing. Global trade is growing slower than global production. Trade growth numbers of 3.1 per cent in 2014 and four per cent in 2015 may be greater than those of recent years, but they remain significantly lower than long-term average growth rates.[4]

Trade deals now often deal with regulatory compatibility between nations (harmonisation or mutual recognition) rather than tariff preferences. This includes areas like product standards that more directly affect consumers.

The geo-politics of trade are changing. As the WTO reaches its 20th anniversary, many member countries are worried about a clash among blocs such as the BRICS (Brazil, Russia, India, China, South Africa) versus the OECD (Organisation of Economic Cooperation and Development) nations. They sometimes face backlash by citizens against some globalisation impacts. Important global trade negotiations stall while regional preferential trade agreements proliferate, often likened to noodle bowls or spaghetti.[5] The WTO website lists 276 Regional Trade Agreements currently in force, and the figure is rising.[6]

Colourful descriptions abound over the state of the multilateral trading system and the potential rivals among the mega-regional trade agreements. Professor of International Political Economy, Jean-Pierre Lehmann was particularly potent in *Forbes*:[7]

> Here we are in 2015 and the global trade agenda is in a total mess. The 20th anniversary of the establishment of the WTO marks a narrative littered with missed deadlines, disappointments, and failed negotiations. The Doha Development Round is dead and has been for some time even though officially unacknowledged.
>
> As to the much-ballyhooed "mega-regionals," the TTIP[8] is stalled. The TPP[9] which *The Economist* (and many other publications) proclaimed was going "into the home stretch" at a meeting convened in Maui, Hawaii, on July 28 to 31, in fact bit the dust due to irreconcilable differences on issues including Canadian dairy and Japanese rice.

Lehmann laments that there will be no need to tell the public to calibrate their expectations about the Nairobi WTO round in December 2015 because there are no expectations – hopeful, angry or otherwise. Failure is in part due to a lack of accessible information for the average citizen about the seismic changes occurring in the world of trade.

> "...the WTO Agreement on Trade Facilitation...may increase global GDP by US$1 trillion per annum and create 21 million jobs."

There are some bright spots on the multilateral trade agenda. A historic WTO agreement on Trade Facilitation reached in December 2013 in Bali[10] aims to make it easier and cheaper for goods to flow through the ports and customs processes of 160 countries. Just before the G20 Brisbane Summit, the US and India reached a deal that allowed leaders to commit to implement all elements of the Bali package and in June 2015, Australia formally accepted the WTO Agreement on Trade Facilitation. On full implementation, it is estimated it may increase global GDP by US$1 trillion per annum and create 21 million jobs.

Leaders at the Brisbane G20 Summit were also able to commit to defining a WTO work program on remaining issues of the Doha Development agenda. The leaders did help control trade protectionism through enhanced monitoring mechanisms but the WTO noted that stock of restrictive trade measures introduced by the G20 in 2014 continues to rise despite the pledge. Former Prime Minister Tony Abbott expressed hope that this outcome would "re-energise the global trade negotiations to tackle important outstanding issues such as trade in agricultural products and the liberalisation of important services sectors vital to global economic growth".[11] WTO Director-General Robert Azevêdo wants to open conversations on the future of the 'negotiating pillar' of the WTO – the rules that govern decision-making in the body.[12] G20 leaders subsequently agreed that, in Antalya (G20 Turkey, November 2015), they would discuss ways to make the multilateral trading system work better. APEC's decision to liberalise trade in environmental goods and services has been broadly welcomed.

This all means that as economic diplomacy has achieved a certain primacy for Australia in 2014–15, trade has become an increasingly sophisticated and difficult negotiating area. This paper seeks to explore Australia's role in supporting rules-based international arrangements, including:

- Australia's historic approach to the multilateral trade regime;
- Possible benefits of bilateral and plurilateral arrangements;
- Focus on the Trans-Pacific Partnership (TPP) negotiations;
- Key criteria for a successful bilateral or plurilateral agreement; and
- Long term consequences of favouring bilateral agreements over multilateral regime.

Economic consultant, Stephen Pickford has opined that:

> Trade is a major driver of global growth, but the growing list of bilateral and regional trade agreements is risking sidelining the multilateral system, and the World Trade Organization (WTO) as its centre.[13]

Is this contention correct? And, if it is, what are the consequences of this approach?

Peter Varghese, Secretary of the Department of Foreign Affairs and Trade (DFAT) suggests it is the "meta challenge of Australian foreign policy" … namely, "How do we maximise economic opportunity and minimise strategic risk[14] as the Indo-Pacific region becomes more powerful?" We must think more deeply about whether it is possible to spread risk and be nimble while still strengthening the multilateral system, and while engaged in the complex game that is modern trade negotiations.

This paper concludes with several recommendations aimed at making Australia's current activities more supportive of the multilateral system, and increasing transparency for citizens. The Federal Minister for Trade Andrew Robb needs to make the case for trade liberalisation in clearer terms. Rather than a 'trust us' approach, a public conversation about the possible winners and losers is necessary along with an explanation as to why the agreement is in the nation's best interest. An alien looking at Australia's trade debates in 2015 might not recognise us as committed to trade liberalisation, but in fact there is still a deep commitment to the WTO.[15]

Beeson and Higgott argue that middle powers like Australia do have the potential to successfully implement 'games of skill', especially at moments of international transition.[16] It requires a certain level of diplomatic infrastructure and investment as well as integrated strategy. The question is: How skilful have Australia's efforts been in these mini-lateral dialogues, enhanced regionalism and plurilateral processes, what are the challenges and what more can be achieved in these fora? The discussion that follows highlights the need for a new foreign policy white paper following the integration of DFAT and AusAID. In the absence of the Asian Century paper's adoption, there has not been a white paper since 2003.[17] The public debate will be enhanced if a clear vision is provided.

Australia's historic approach to multilateral trade

Australia has traditionally shown strong support for the Bretton Woods institutions and the WTO, based on the middle-power premise that 'Australia can neither bully nor buy its way in the world so an international rules-based order is in our best interests. An effective multilateral system is the surest way to get there'.[18]

The 1980s and 1990s were characterised by trade liberalisation and the lifting of tariff barriers with (mostly) bipartisan support.[19] Australia showed leadership in establishing the Cairns Group, a coalition of agricultural exporting countries committed to agricultural trade reform, and attempting to influence the Doha Round to expand free trade on agriculture.[20] The Doha Development Agenda was officially launched in November 2001 at the WTO's Fourth Ministerial Conference in Doha, Qatar with the fundamental objective of improving the trading prospects of developing countries. However, the subsequent collapse of these talks means Australia has been obliged to pursue other options.

The emerging economies are no longer emerging, but have arrived. According to data from the International Monetary Fund (IMF), the combined gross domestic product (GDP) of the top seven emerging nations is now bigger than those of the conventional Group of Seven[21] industrialised nations, when measured in terms of purchasing power parity. The contours of power are almost unrecognisable from 2001 to the present day.

In this context, the Coalition has prioritised economic diplomacy,[22] as exemplified by the repeated refrain from former Treasurer Joe Hockey that Australia is 'open for business'.[23] The four pillars of Australia's economic diplomacy are trade, growth, investment and business – "opening up the Australian economy, to empowering private sector growth, to encouraging investment and creating conditions for business partnerships to flourish and trade to flow".[24]

> "The emerging economies are no longer emerging, but have arrived ...The contours of power are almost unrecognisable from 2001 to the present day.

As a result, Australia has strengthened its focus on continuing investments in regional architecture. Our new Ambassador to the Association of Southeast Asian Nations (ASEAN) is crucial as the region moves slowly towards the ASEAN Economic Community. Our membership of Asia-Pacific Economic Cooperation (APEC) is increasingly important, with one long-term goal being the achievement of a Free Trade Area of the Asia Pacific, as endorsed by APEC members in 2014. There is new emphasis on mini-lateral dialogues such as the Indian Ocean Rim Association (IORA) and meetings of foreign ministers from Mexico, Indonesia, Korea, Turkey and Australia (MIKTA).[25] More effort was directed to plurilateral processes such as the Trans-Pacific Partnership (TPP) trade agreement, as well as the hot pursuit of bilateral free trade agreements, following the model of the Howard Government trade agenda which signed the Australia-US Free Trade Agreement 10 years ago.

Australia has concluded bilateral free trade agreements with China, Japan, and Korea. As well as the recently-completed TPP agreement, Australia is involved in negotiations of other major mega-regional agreements: the Trade in Services Agreement (TiSA) and the Regional Comprehensive Economic Partnership (RCEP). Australia is also a party to the ASEAN-Australian-New Zealand Free Trade Agreement (AANZFTA).

Federal Minister for Trade Andrew Robb ascribes Australia's pursuit of bilateral and plurilateral agreements as a direct result of the failure of the Doha round:

> Because, unlike the era of GATT[26] – which ended in 1994, only two years before my last Press Club appearance – now the role of Trade Minister is not being swept along by powerful external currents of multilateral trade deals involving 150+ countries.
>
> The difficulty of landing the TPP with only 12 countries, albeit 40 per cent of world GDP, illustrates how hard these multi-party agreements are. By the way, while I think it is still do-able, it has to be the right deal for Australia.
>
> Yet, with no WTO deal in two decades, in the modern era – as a country – you've got to row your own boat in cutting bilateral trade deals, or risk our economy missing coming waves of growth. Waves can be caught, or if you leave your run too late, you can miss the cut and the next set may be a long time coming.[27]

Australia's trade leadership was on display as host of the G20 Leaders Summit in Brisbane, November 2014. The trade session was by far the most animated. Thankfully, there was a last-minute deal between the US and India, which saw India remove its veto to advancing the WTO agreement on trade facilitation.

Mike Callaghan (Lowy Institute) argues that one of the main roles of the G20 is to "provide a circuit-breaker to intractable international economic issues", and he identifies the "collapse in 2008 and continuing impasse in the WTO Doha Development Round of multilateral trade negotiations" as a front-runner in that category.[28] In Brisbane there were some modest outcomes:

> Our growth strategies include reforms to facilitate trade by lowering costs, streamlining customs procedures, reducing regulatory burdens and strengthening trade-enabling services. We are promoting competition, entrepreneurship and innovation, including by lowering barriers to new business entrants and investment. We reaffirm our longstanding standstill and rollback commitments to resist protectionism (Leaders communiqué 2014).[29]

The Leaders agreed to define a work program to complete Doha, and find ways to make the WTO work better. But to be fair, they have been saying this since 2008 with little joy so far.

Another issue that emerged at the Brisbane Summit was that the Australian political attitude to climate change may be impacting our international reputation in this area, such as the APEC negotiations around trade in environmental goods. The link between political insecurity and economic governance was very clear at the G20 Summit with issues raised on topics such as Ebola, the annexation of the Ukraine and the conflict in Syria. An oncoming storm is brewing over the idea that TPP rules will be presented to the WTO for approval, a process the BRICS may reject. MIKTA will be very important as a grouping within the G20 to keep the avenues for communication open.

Benefits of bilateral and plurilateral arrangements

The benefits of any trade agreement are not an exact science, especially in the negotiation phase. The WTO posits that trade can increase GDP in a number of ways – for example, by improving resource allocation through specialisation according to comparative advantage, or by allowing economies of scale in production to be exploited. "Open economies also grow faster because trade fosters investment, innovation, and institutional reform".[30]

DFAT's Peter Varghese underlined this recently in a speech to the Lowy Institute, stating that ultimate success in trade comes not from trade agreements, but from a domestic economy that puts a premium on productivity and competitiveness.[31]

But even compensating for the vagaries of the international economy and behind-the-border reforms, the economic credentials of bilateral and mega-regional trade agreements are contested. Bilateral agreements are particularly contested in economic terms. The Australia-US FTA generated controversy over the simple question of whether Australians were better off or not as a result of the deal made by the Howard Government.[32] Lowy Institute economist, Leon Berkelmans points out that, at the time the Australia-China FTA was signed, it was estimated to boost Australia's GDP growth by 0.04 per cent per year for 10 years. At trend growth of three per cent per year, that is the approximate difference between Australia's GDP today and our GDP in five days' time.[33]

> "...ultimate success in trade comes not from trade agreements, but from a domestic economy that puts a premium on productivity and competitiveness."

The Centre for International Economics (CIE) has estimated the collective contribution to the Australian economy of the three FTAs signed with China, Japan and Korea at 0.05–0.11 per cent of GDP by 2035[34], a relatively low impact. Bilateral trade arrangements also carry a risk of trade diversion rather than trade creation, a point on which most economists agree. The ASEAN-based Regional Comprehensive Economic Partnership is an example of 'bundling' trade ties, and therefore has not attracted the same level of critique. Preferential trade agreements of all kinds carry direct costs, staffing requirements and opportunity costs for business, government and community stakeholders.

Australia's unions argue that the memorandum to the China FTA allows Chinese companies to bring in their own workforce for projects worth over $150 million, and removes the requirement for jobs to be offered to local workers first. Australia's Department of Immigration and Border Protection does have the flexibility to decide that jobs should be offered to local workers before it issues visas to overseas workers, but the agreement itself does not require this to take place.

The economic benefits of mega-regional arrangements, such as the Trans-Pacific Partnership, are currently also contested. Berkelmans has argued that the TPP would bring limited economic gains to Australia with possible downside risks.[35] Other economists, such as the Lowy Institute's Tristram Sainsbury argue that these agreements risk trade diversion by their limited coverage of global trade, and are not really compatible with a trading system dominated by global value chains and goods that are 'made in the world'.[36]

Sainsbury argues that the greatest economic gains from international trade policies should be broad multilateralism promoted through the WTO that reform the governance of trade:

> Whilst it can be argued that DFAT, and Australia, can only do so much to promote trade without the political will to revive the multilateral trading system, a continued policy prioritisation of bilateral and regional trade agreements, badged as a macroeconomic policy argument, sends a signal that economic diplomacy is ignoring cost-benefit analysis.[37]

Not all benefits must be economic, however. There may be considerable political advantages to these negotiations, an outcome that Productivity Commission reports are very cautious about indeed.[38] The concern is that "deals that are struck in haste for primarily political or nebulous foreign policy reasons carry risk of substantial economic damage".[39]

In contrast, the DFAT website lists the benefits of the TPP in the following terms of opportunity to shape rules and increase opportunities of access for Australian business:

- The TPP has the potential to forge stronger economic links between economies in the Asia-Pacific region based on common rules for trading. It is in Australia's interests to be involved in order to **shape the direction** of the initiative.
- The TPP will provide **new opportunities** for Australian goods to be used in manufacturing and production processes in the region.
- Australia does not have existing trade agreements with a number of the current TPP parties. The TPP could provide Australian exporters of goods and services with **increased access** to these new markets. The TPP could also build on the FTAs Australia has concluded by providing **additional access** for Australian goods and services into those TPP countries.
- The TPP provides an opportunity to benefit Australia's significant services sector, through **enhanced access** for service suppliers involved in education, legal, financial, mining and agricultural services.
- The TPP will provide substantive outcomes on **electronic commerce** which will benefit consumers and businesses.[40] (emphasis added)

In the next section, I assess the TPP in more detail, providing a particular case study of the tension between plurilateral processes and multilateral institutions.

Focus on the Trans-Pacific Partnership

The US Trade Representative (USTR), Ron Kirk describes the TPP as "an ambitious, next-generation, Asia-Pacific trade agreement that reflects US priorities and values". The TPP has sometimes called WTO-Plus or 21st century trade.[41]

There are 12 parties: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US and Vietnam. There is accession architecture that may allow other countries to join in due course. The TPP's main focus was to reach agreement on configuring the disciplines to support formation of transnational production networks, including intellectual property, investment, competition policy, services, customs procedures and investor-state dispute settlement.

The TPP text still remains largely secret, but the outline[42] indicated that the agreement is wide-ranging, covering some 20 areas, including competition, customs, e-commerce, intellectual property, investment, industrial relations, environmental norms, financial services, public procurement practices and market access. In 2012, Wikileaks leaked the TPP's annex on pharmaceuticals and medical devices, intellectual property and investment chapters, as reported in the Huffington Post.[43] In the US, there has been a high-level debate on the impact of the treaty upon open government, intellectual property, the digital economy, and public health. There has been widespread concern about the lack of transparency, due process, public participation, and good governance surrounding the TPP negotiations. For example, Congressman Sander Levin presented a report to the Council on Foreign Relations reviewing the areas of debate and conflict in the TPP negotiations. The report highlighted significant concerns about workers' rights, environmental protections, access to medicines and human rights. There are also concerns about developing countries' access to medicines – where the patents are held by American pharmaceutical companies, it will take longer and will be more expensive to get generic drugs. Former US Democrat Congressman Henry Waxman stated, "In my view, it is essential to safeguard countries' sovereign authority to take the most appropriate and most feasible action to protect the health of their citizens".[44]

In Australia the debate has had less profile in terms of process, but some business associations expressed concern that US businesses had better access to the negotiation text. Those concerns were echoed by some Parliamentarians, including a cross-party group. The TPP was negotiated like other trade deals but its unique features left many stakeholders wanting a new process for consultation. Former Australian trade negotiator, Alan Oxley dismissed criticism as coming from a "noisy minority" and the Australian government dismissed most speculation about adverse impacts of the agreement.

Most local debate was about the potential impact of the agreement on public health[45] and intellectual property rights[46] such as the US attempts to extend patents over pharmaceutical drugs. Had Australia acquiesced, it would have risked unacceptable increases in healthcare costs, particularly the Pharmaceutical

Benefits Scheme. If the mega-regionals go beyond commercially driven protectionism into the realm of social preferences for consumers and debates on mandatory standards[47], then consumers have a right to be treated as a full stakeholder in these negotiations.

Who's afraid of Investor-State Dispute Settlement clauses?

The China-Australia FTA and the TPP both have clauses on investor-state dispute settlement (ISDS), in keeping with a trend to insert such clauses into trade agreements. Typically these clauses empower businesses from one country to take international legal action against the government of another country for alleged breaches of the agreement, such as for policies that allegedly discriminate against those businesses and in favour of the country's domestic businesses.

> "Typically these clauses empower businesses from one country to take international legal action against the government of another country for alleged breaches of the agreement..."

Concerns about ISDS clauses in Australia have been crystallised by Philip Morris tobacco suing the Commonwealth government in the Hong Kong jurisdiction in relation to plain-paper cigarette packaging on the grounds of 'an expropriation of its Australian investments'. There is a related WTO case under way that challenges the Australian legislation.

Pascal Lamy and Alan Oxley defend ISDS clauses as a good way of guarding against unreliable legal systems. Lamy said, "If you are an investor in China would you trust the Chinese court system? I don't think so". However, Tim Harcourt, former chief economist at Australia's trade promotion body Austrade, said the ISDS was a "blunt instrument" to protect companies' interests:

> Giving international companies the right to sue countries left, right and centre is probably not the way to build those (free trade) institutions.

US Democratic Senator Elizabeth Warren has said:

> ISDS would allow foreign companies to challenge US laws – and potentially to pick up huge payouts from taxpayers – without ever stepping foot in a US court.

The WTO has a well-developed dispute resolution process for members. The extension of dispute resolution to ISDS clauses is a new phenomenon that has not yet been tested in legal terms in relation to corporates versus governments relying on a trade agreement for standing. The attitude of Australia's general public on such clauses is also not yet known. A public consultation in the European Union on prospective investment rules produced a wave of resistance against ISDS clauses.[48] The prospect of complexity, cost and time for transnational trade litigation will bear careful examination. In particular, the impact of ISDS clauses on the implementation of public policy goals must be monitored.

What do the multilateralists say about the Trans-Pacific Partnership?

Most of those who advocate for the multilateral system, including myself, see trade as a cornerstone of a peaceful and prosperous world. As Cordell Hull, an author of GATT, wrote in 1937:

> I have never faltered, and I will never falter, in my belief that enduring peace and the welfare of nations are indissolubly connected with friendliness, fairness, equality and the maximum practicable degree of freedom in international trade.[49]

The reaction of committed multilateralists has been antagonistic to the TPP. The former head of the WTO Pascal Lamy said the significance of the deal has been over-hyped and the gains 'relatively modest'.

> It's probably not worth the full-blown trumpets claiming it is the first 21st century trade agreement.[50]

Olivier de Schutter, former Special Rapporteur on the right to food, has called for a human rights impact assessment of the TPP, claiming the TPP's emphasis on regulatory policies suggests that "business interests will trump human rights".[51] Various human rights activists have queried whether the TPP provisions will be compatible with the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights, or the principles and objectives of the World Health Organization Framework Convention on Tobacco Control.

Joseph Stiglitz argues:

> If negotiators created a genuine free-trade regime that put the public interest first, with the views of ordinary citizens given at least as much weight as those of corporate lobbyists, I might be optimistic that what would emerge would strengthen the economy and improve social well-being. The reality, however, is that we have a managed trade regime that puts corporate interests first, and a process of negotiations that is undemocratic and non-transparent.[52]

US economist Jeffery Sachs lists[53] five main objections to the plurilateral agreements in play at present:

> 1. They are not trade treaties, but agreements aimed at protecting investors.
>
> 2. They ignore great challenges of sustainable development: the environment and growing inequality.
>
> 3. Their investor-state dispute settlement clauses give absolutely unjustified and dangerous powers to investors vis-à-vis the state.
>
> 4. The entire process is not transparent, and this secrecy alone is reason enough to reject the two treaties.
>
> 5. Finally, … the Obama administration has not presented one analysis of the cost and benefits with regard to jobs, different industries, income distribution, economic growth and trade.
>
> …

> I would say that the kind of globalization that we have right now, which in some ways expands the pie, but does so at high costs to the poor, to many poor, to rising inequality, to more frequent financial crises, and to a growing environmental catastrophe. Nothing that I know of these two treaties would do anything but continue us along that course, perhaps accelerated.

Most of these commentators would have a pro-trade stance but their comments are illustrative of the rapid development of trade negotiations and their content in recent years. Trade deals have always had winners and losers and been discreet, elite exercises. But the world around them has changed.

Key criteria for a successful bilateral or plurilateral agreement

It is all in the design of these new-generation trade deals. We can adopt Draper and Ismail's question of whether the mega-regionals represent building blocks towards multilateral convergence or stumbling blocks towards fragmentation, and there are varied opinions by governance scholars about the likely outcome of a successful TPP.

> Systemic scenarios will hinge, to a great extent, on how China responds and whether one of the unstated objectives of the US-led mega-regional drive, that of not necessarily excluding China but rather compelling the world's second largest economic power towards accepting new norms and rules on pre-established terms, leads to gradual consent or contest – particularly in the context of a powerful Asia-Pacific coalition like the TPP where China is by design an outsider to negotiations.[54]

The US Defense Secretary Ashton Carter was quoted in a speech in Arizona saying, the "TPP is as important to me as another aircraft carrier". Barack Obama also made similar comments, "If we don't write the new rules for free trade around the world, guess what, China will. And they'll write those rules in a way that gives Chinese workers and Chinese businesses the upper hand".[55] This type of comment was a jarring note in Obama's address[56] to the University of Queensland during the Brisbane November 2014 G20 meeting.

Australia should reject any geopolitical drivers behind the TPP, AIIB and recently-signed FTAs that are based on Chinese containment. When former Prime Minister Tony Abbott reportedly told Angela Merkel that Australian foreign policy towards China is driven by "fear and greed", it was not an adequate response. If the TTP and TTIP are designed to set the path of global standards[57], then they should not offer a take it or leave it formula to parties not involved in the negotiations. As one US Trade Representative, Robert Zoellick said in 2003, "America will not wait for the 'won't do' countries", reflecting an unconstructive attitude. China acceded to the WTO in 2001 and should be encouraged to join the trade space as an active governance partner to ensure a peaceful rise.[58]

In fact, Australia should consider the opposite path – one that entails a more strategic vision. World Bank economists Aaditya Mattoo and Arvind Subramanian urge a comprehensive China Round: "a China-inspired agenda – whose aim would in fact be to anchor China, to the maximum extent possible, in the multilateral trading system".[59] As the next host of the G20 after Turkey, China will be paying close attention to the blockages in the multilateral trade framework. India is also about to issue a new Foreign Trade Policy. Australia should be urgently putting our case for better global governance in our few remaining months on the G20 troika.

> "...none of the mega-regionals include any African countries. Africa's share of global trade is two to three per cent, a sad and unacceptable figure."

Australia should also more carefully consider the development impact of our current trade stance in case of spill-over effects. Trade analysts have opined that without careful design, countries outside the TPP and TTIP could be hit with three negative impacts:

1. There could be a direct discriminatory effect that asserts itself through trade or regulatory diversion as the TPP sits on top of existing preferential agreements.[60] For example, MG Quibria of the Policy Research Institute (Bangladesh) argues that the TPP may have a profound impact on the lives of the poor in Dhaka, especially women. Vietnam could gain share in the US market by diverting exports in apparel, textiles, footwear and leather goods from other poor Asian countries, such as Bangladesh, Laos, Cambodia, and Nepal.
2. New arrangements may have the practical impact of import restrictions.
3. New regulations may raise production costs in third party economies.

Of course all these negative side-effects could impact Australia: we could end up locked out of the TTIP with one (contested) estimated outcome being a seven per cent drop in real per capita income due to loss of sales in the US and EU.[61]

Worth noting is the fact that none of the mega-regionals include any African countries. Africa's share of global trade is two to three per cent, a sad and unacceptable figure. None of the current trade energy redresses this asymmetric figure.

Long term consequences of favouring bilateral agreements over multilateral regime

What are some of the long-term consequences of the trend towards bilateral and plurilateral trade agreements? The best-case scenario is that they are complementary. Advocates argue that these agreements keep the momentum and habits of cooperation strong during a slow period while the WTO inches forward the Trade in Services Agreement. The agreements could promote sustainable and balanced economic growth for all involved, even if modest. But the results could be substantial in GDP terms.

Draper and Ismail argue that plurilaterals “could, in principle, be used to pioneer new rules or market openings in an otherwise clogged system, thus keeping the WTO at the centre of the global trading system”.[62] They enumerate two ways in which this could happen – first, by negotiating a code of conduct to govern subsequent negotiations of plurilaterals that could be introduced into formal WTO processes. Second, by accelerating efforts to launch the ‘sustainable’ and global value chain plurilaterals and opening them up to all WTO members. These current deals may be inconsistent with a 21st century trading system that will be dominated by global value chains and goods that are ‘made in the world’.

Australia should consider these recommendations carefully. What is needed is to restore confidence in the world trade system by pushing forward the Doha Round (in whatever form that takes), supporting reforms of WTO governance, and making sure that any regional trade negotiations are consistent with WTO rules, with open and fair accession.

The worst-case scenario is the diminishment of WTO authority, and greater complexity in dispute resolutions due to ISDS clauses that impede the ability of governments to prosecute domestic agendas in public health. We may see delays in large trade issues that are best tackled in multilateral forums, such as trade facilitation, financial liberalisation, telecommunication liberalisation, and farming subsidies. The public could turn against the trade agenda and withdraw their support for an area of foreign policy that was broadly approved.

Australia pursued the TPP with vigour and, as with bilateral FTAs, considerable success. These deals do not always have the social support required due to concerns they will be ‘Trojan Horse’ deals that will allow international corporations to limit the measures that can be taken by national parliaments to promote public health, user-based intellectual property regimes, labour and technology transfer. DFAT contests these concerns.[63]

Harvard University political scientist, Robert Putnam reminds us that diplomacy is always a two-level game[64]: the domestic coordination and public support can be as hard as or harder than the global negotiations, as President Obama found over the TPP. Australia should pay more attention to civil society concerns about our participation in trade deals, and be clear on who the winners and losers of such deals may be.

The Lowy Institute’s Stephen Grenville has put these questions very concisely:

> While there are good reasons for conducting these negotiations behind closed doors, the general principles of our approach shouldn’t be secret. What issues do we feel strongly about? What do we have to give away and what will we win in return?[65]

My own conclusion is that, acknowledging the limited options Australia has at its disposal, we lose more than we gain in moving away from the multilateral trade system. What is clear is that the public debate on this issue is less rich and less urgent that it needs to be. Our ultimate success in trade comes not from trade agreements, but from a domestic economy that puts a premium on productivity and competitiveness, while reducing inequality. Trade liberalisation that encourages development and interdependence is still a noble diplomatic pursuit.

Recommendations

1. Australia should reject any geopolitical security drivers behind trade agreements of any sort. Instead, as an open and engaged middle power, Australia should seek to enhance the rule of law in our region. In particular, that nations must ensure any bilateral or plurilateral trade agreements are consistent with WTO rules as a basis for signing, and that there are open and fair accession regimes for the Trans-Pacific Partnership, the Transatlantic Trade and Investment Partnership, and the Regional Comprehensive Economic Partnership.

2. Australia should also consider more carefully the development impacts of our current trade stance in case of spill-over effects for developing countries. More attention is needed to the design of regulatory compatibility measures and their impacts on third country economies.

3. The impact of investor-state dispute settlement clauses on the implementation of public policy goals must be monitored, as well as the complexity, cost and time for transnational trade litigation.

4. Australia should present much deeper analysis to Parliament of the possible cost and benefits of trade agreements with regard to jobs, different industries, income distribution, economic growth and trade, and allow for the agreements' modelling to be contested.

5. A Parliamentary Friends group for trade negotiations should be considered – to require higher levels of transparency and democratic accountability than has historically applied, and to seek evidence of rigourous human rights, gender and consumer analysis.

6. Australia should consider a public listening campaign by the Federal Minister for Trade to problem-solve and socialise difficult areas of trade policy and bring added transparency to the topic. This would help build some consensus about the endgame.

Endnotes

1 Pelosi, Nancy 2015. 'Nancy Pelosi: Trade promotion authority on its last legs' USA Today 15 June. Available at: http://www.usatoday.com/story/opinion/2015/06/15/congress-trade-fast-track-tpa-pelosi-column/71270294/

2 The Lowy Institute, G20 Monitor, 2 June 2013. Trade and the G20. Available at: http://www.lowyinstitute.org/publications/trade-and-g20

3 ibid

4 Dadush, Uri, 2015. 'What Should Be Done About the Great Trade Slowdown?' CEIP op ed, 19 August. Available at: http://carnegieendowment.org/2015/08/19/what-should-be-done-about-great-trade-slowdown/iew5

5 For an excellent example of a noodle bowl, see the UN ESCAP diagram of Asia-Pacific trade agreements, vailable at: http://www.unescap.org/resources/asia-pacific-noodle-bowl-trade-agreements Accessed on: 7 September 2015

6 See World Trade Organization (2015), list of all the RTAs in force, available at: http://rtais.wto.org/ui/PublicAllRTAList.aspx

7 Lehmann, Jean-Pierre, 2015. The WTO, TPP, 21st century global trade mess and the poverty of nations, Forbes, available at: http://www.forbes.com/sites/jplehmann/2015/08/03/the-tpp-the-wto-the-21st-century-global-trade-mess-and-the-poverty-of-nations/, 3 August.

8 The Transatlantic Trade and Investment Partnership (TTIP) is a proposed trade agreement to be negotiated between the European Union and the United States.

9 The Trans-Pacific Partnership (TPP) is a recently concluded trade agreement between Australia, the United States and 10 Pacific Rim countries.

10 WTO Members concluded the Agreement on Trade Facilitation at the Ninth Ministerial Conference on 7 December 2013 in Bali. The agreement is designed to deliver practical measures to strengthen global trade and economic growth by harmonising and streamlining global customs procedures and making trade regulations more transparent.

11 Liberal Party of Australia, 2015. 'Reaction to Free Trade Agreements', transcript. Accessed 18 August 2015 at: http://www.liberal.org.au/latest-news/2014/04/09/reaction-free-trade-agreements.

12 Azevedo, Roberto, 2014. 'Let's Make Sure 2015 Will Be a Year to Remember for the WTO' (speech to WTO General Council, 10 December), available at: http://www.wto.org/english/news_e/news14_e/gc_rpt_10dec14_e.htm

13 The Lowy Institute, 2015. Available at: http://www.lowyinstitute.org/events/event-g20-studies-centre-future-international-governance-and-g2

14 Varghese, Peter AO. 2015 An Australian world view: A practitioner's perspective, Speech to Lowy Institute for International Policy, 20 August 2015.

15 McCormick, Hamish, 2015. 'Beyond FTAs: Why the World Trade Organisation Still Matters.' Presentation to Australian Institute of International Affairs (Queensland), 17 August.

16 Beeson, Mark and Higgott, Richard 2014. 'The changing architecture of politics in the Asia-Pacific: Australia's middle power moment?' *International Relations of the Asia-Pacific* 14 (2014): Pages 215–37.

17 Trood, Russell, 'Foreign Policy' in Agenda for change: strategic choices for the next government, ASPI Canberra, August 2013, ISBN: 9781921302916 Available at: https://www.aspi.org.au/publications/agenda-for-change-strategic-choices-for-the-next-government/3_55_03_PM_Strategy_agenda_for_change.pdf

18 Varghese, Peter AO. 2015 An Australian world view: A practitioner's perspective, Speech to Lowy Institute for International Policy, 20 August 2015.

19 Leigh, Andrew, 2002. 'Trade Liberalisation and the Australian Labor Party', *Australian Journal of Politics & History* 11 48(4): Pages 487–508.

20 The Cairns Group (Cairns Group of Fair Trading Nations) is an interest group of 20 agricultural exporting countries, composed of Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, Peru, the Philippines, South Africa, Thailand, Uruguay, and Vietnam. The Cairns Group seeks to liberalise global trade in agricultural produce. In the ongoing Doha Round of trade negotiations, they are mainly opposed by WTO members seeking to uphold their high level of agricultural protection on grounds of public policy, such as the EU, Japan, Norway, South Korea, Switzerland, and United States (dubbed the "multifunctionalists"). See: https://en.wikipedia.org/wiki/Cairns_Group

21 G7 (Group of Seven) is a group of seven industrialised nations of the world, formed by Canada, USA, France, Germany, Italy, Japan, and the UK. ("G6" refers to the same group minus Canada). G7 also currently refers to the former G8 forum, following the suspension of Russia from the G8 in 2014. See: https://en.wikipedia.org/wiki/G7_(disambiguation)

22 Bishop, Julie, Foreign Minister, and Robb, Andrew, Trade and Investment Minister. 2014. 'Australia's economic diplomacy: our prosperity, global prosperity', media release, 18 August 2014, available at: http://foreignminister.gov.au/releases/Pages/2014/jb_mr_140818.aspx

23 Hockey, The Hon. Joe MP Treasurer 2014. 'Australia: Open for Business'. Speech to American Australian Association, New York, 16 October, available at: http://www.liberal.org.au/latest-news/2013/10/16/australia-open-business

24 Robb, Andrew 2015. Address to the National Press Club – Trade and Investment: A Formula for Growth, available at: http://trademinister.gov.au/speeches/Pages/2015/ar_sp_150812.aspx 12 August

25 See further Jongryn, Mo (ed) 2015. MIKTA, Middle Powers, and New Dynamics of Global Governance. The G20's Evolving Agenda (Pivot). New York: Palgrave Macmillan, 2015.

26 GATT: General Agreement on Tariffs and Trade (1947 to 1995) that was replaced by the World Trade Organization (WTO)

27 Ibid

28 The Lowy Institute, G20 Monitor, 2 June 2013. Trade and the G20, available at: http://www.lowyinstitute.org/publications/trade-and-g20

29 Available at: https://www.whitehouse.gov/the-press-office/2014/11/16/g20-leaders-communiqu

30 World Trade Organization, 2014, World Trade Report, available at: https://www.wto.org/english/res_e/publications_e/wtr14_e.htm

31 Varghese, Peter AO. 2015 An Australian world view: A practitioner's perspective, Speech to Lowy Institute for International Policy, 20 August 2015.

32 Armstrong, Shiro 2015. 'The economic impact of the Australia–United States free trade agreement' Australia-Japan Research Centre Working Paper 01/2015, Australian National University, https://crawford.anu.edu.au/pdf/ajrc/wpapers/2015/201501.pdf January 2015

33 Berkelmans, Leon. 2014. 'China-Australia FTA: Let's calm down', The Interpreter (blog), 18 November, available at: http://www.lowyinterpreter.org/post/2014/11/18/China-Australia-FTA-calm-down.aspx

34 Tulloh, C Jiang, T and Pearce, D February 2014, available at: http://www.thecie.com.au/wp-content/uploads/2014/08/RIRDC-north-Asian-FTAs-report.pdf

35 Berkelmans, Leon. 2015. 'The TPP agreement has failed to be finalised — let's not shed any tears about that' The Australian, 4 August 2015, available at: http://www.lowyinstitute.org/publications/tpp-agreement-has-failed-be-finalised-lets-not-shed-any-tears-about

36 Sainsbury, Tristram, 2015a. 'Policies for the Turkish 2015 G20 Presidency: Walking a Tightrope of G20 Relevancy', The G20 at the end of 2014, G20 Monitor, Lowy Institute, available at: http://www.lowyinstitute.org/publications/g20-end-2014

37 Ibid

38 Productivity Commission (2010a) 'Bilateral and Regional Trade Agreements', Research Report, 13 December, available at: http://www.pc.gov.au/projects/study/tradeagreements/report

Productivity Commission (2010b), 'An Econometric Analysis of the Links Between the Formation of Trade Agreements and Merchandise Trade', Bilateral and Regional Trade Agreements: Supplement to Research Report, December, available at: http://www.pc.gov.au/__data/assets/pdf_file/0004/102649/econometricssupplement.pdf.

39 Armstrong, Shiro 2015. 'The economic impact of the Australia–United States free trade agreement' Australia-Japan Research Centre Working Paper 01/2015, Australian National University, available at: https://crawford.anu.edu.au/pdf/ajrc/wpapers/2015/201501.pdf

40 Department of Foreign Affairs and Trade, 2015b. 'Trans-Pacific Partnership Agreement', available at: http://dfat.gov.au/trade/agreements/tpp/pages/trans-pacific-partnership-agreement-tpp.aspx Accessed on: 14 August 2015

41 Lim, C, Deborah Kay Elms and Patrick Low 2012. *The Trans-Pacific Partnership: A Quest for a Twenty-first Century Trade Agreement*, Cambridge University Press, 20 September.

42 https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2011/november/outlines-trans-pacific-partnership-agreement

43 http://www.huffingtonpost.com.au/2012/06/13/obama-trade-document-leak_n_1592593.html?ir=Australia

44 http://theconversation.com/a-mercurial-treaty-the-trans-pacific-partnership-and-the-united-states-7471

45 Hirono K, Haigh F, Gleeson D, Harris P and Thow, A M, 2015. Negotiating healthy trade in Australia: Health impact assessment of the proposed Trans-Pacific Partnership Agreement. Liverpool, NSW: Centre for Health Equity Training Research and Evaluation, part of the Centre for Primary Health Care and Equity, Faculty of Medicine, UNSW Australia.

46 https://www.choice.com.au/shopping/consumer-rights-and-advice/your-rights/articles/tpp-secretly-trading-away-your-rights 2 March 2015 https://www.choice.com.au/shopping/consumer-rights-and-advice/your-rights/articles/where-are-consumer-interests-in-international-treaties-like-tpp 7 July 2015

47 Akman, M. Sait, Evenett S., and Patrick Low 2015. Catalyst? TTIP's impact on the rest. TEPAV & CEPR Press, August 2015.'Five trends for the Future of Diplomacy', available at: https://agenda.weforum.org/2015/08/5-trends-for-the-future-of-diplomacy/ 5 August

48 Oliver, C. 2015. 'Public backlash threatens EU trade deal with US', *Financial Times*, 13 January

49 Akman et al 2015, Quoted by Lehmann: Page 59

50 Lamy, Pascal 2015, available at: http://www.afr.com/news/economy/trade/tpp-former-wto-head-pascal-lamy-says-tpp-benefits-modest-20150730-ginvxn#ixzz3jnazG400

51 De Schutter, Olivier and Cordes, Kaitlin 2014. 'Trading Away Human Rights', Project Syndicate, available at: http://www.project-syndicate.org/commentary/olivier-de-schutter-and-kaitlin-y--cordes-demand-that-the-trans-pacific-partnership-s-terms-be-subject-to-a-human-rights-impact-assessment#dJcxuq3x81vXwd6d.01 7 January

52 Stiglitz, Joseph 2013. The Free Trade Charade. Project Syndicate. Available at: http://www.project-syndicate.org/commentary/transatlantic-and-transpacific-free-trade-trouble-by-joseph-e--stiglitz#fRUzW8LUlAp8aCi3.99 4 July

53 Sachs, Jeffery, 2014. (cited by Roger Hickey), Huffington Post Blog, available at: http://www.huffingtonpost.com/roger-hickey/economist-jeffrey-sachs-s_b_5823918.html?ir=Australia 16 September

54 Draper, Peter and Ismail, Salim 2014. 'Sitting on the sidelines: How will mega-regionals affect African LDCs?' Bridges Africa, available at: http://www.ictsd.org/bridges-news/bridges-africa/news/sitting-on-the-sidelines-how-will-mega-regionals-affect-african 1 December

55 Lehmann, Jean-Pierre, 2015. The WTO, TPP, 21st century global trade mess and the poverty of nations, Forbes, available at: http://www.forbes.com/sites/jplehmann/2015/08/03/the-tpp-the-wto-the-21st-century-global-trade-mess-and-the-poverty-of-nations/ 3 August

56 https://www.uq.edu.au/news/article/2014/11/president-obama-inspires-students-landmark-speech

57 Akman et al 2015: Page 5

58 Zoellick, R. 2003. 'America won't wait for the won't do countries', Financial Times, 22 September

59 Aaditya Mattoo and Arvind Subramanian, December 2011 The Peterson Institute for International Economics, WP 11 – 22: "A China Round of Multilateral Trade Negotiations", available at: http://www.iie.com/publications/wp/wp11-22.pdf

60 Akman et al 2015: Page 7

61 Akman et al 2015: Page 69

62 Draper, Peter and Ismail, Salim 2014. 'Sitting on the sidelines: How will mega-regionals affect African LDCs?' Bridges Africa, available at: http://www.ictsd.org/bridges-news/bridges-africa/news/sitting-on-the-sidelines-how-will-mega-regionals-affect-african 1 December

63 Department of Foreign Affairs and Trade. 2015a. 'Trans-Pacific Partnership Agreement negotiations - myths versus realities'. Accessed 25 August at: http://dfat.gov.au/trade/agreements/tpp/resources/Pages/myths-versus-realities.aspx

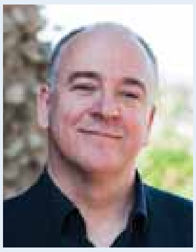
64 Putnam, Robert. 1988. 'Diplomacy and Domestic Politics: The Logic of Two-Level Games' *International Organization*, Vol. 42, No. 3 (Summer, 1988), pp. 427–60

65 Grenville, Stephen, 2015. Will the Trans-Pacific Partnership be a good deal for Australia? Lowy Interpreter, available at: http://www.lowyinterpreter.org/post/2015/03/03/Trans-Pacific-Partnership-good-deal-for-australia.aspx 3 March

4. Australia's hidden ambassadors

Kerry Brown

Australia's foreign student alumni, especially from developing countries, represent our most significant underused resource – people who are rapidly becoming important business people, policy makers and researchers. How can we engage them and tap into their potential value as carriers of ideas and entrepreneurial dialogue between Australia and their host countries?



Kerry Brown is Director of the China Studies Centre and Professor of Chinese Politics at the University of Sydney. He is also an Associate Fellow of the Asia Programme at Chatham House. From 2011 to 2014, he led the Europe China Research and Advice Network (ECRAN), funded by the European Commission. Prior to this he was Head of the Asia Programme at Chatham House.

Educated at Cambridge, London and Leeds Universities, he worked in Japan, and the Inner Mongolian region of China, before joining the Foreign and Commonwealth Office in London. He worked in the China Section, served as First Secretary, Beijing, from 2000 to 2003, and as Head of the Indonesia East Timor Section at the FCO from 2003 to 2005.

He is the author of more than 10 books on China, most recently *The New Emperors: Power and the Princelings in China* (I B Tauris, London and New York, 2014) and *What's Wrong with Diplomacy: The Case of the UK and China* (Penguin, London, 2015). His latest, *China's CEO, Xi Jinping* will be published early 2016.

From 15 November 2015, Kerry Brown will be Professor of Chinese Studies and Director of the Lau China Institute, King's College, London.

On the move

We live in a mobile age. At least, it is a reasonable conclusion to draw from the three billion individual air passenger journeys made in 2014 alone. Never before have so many people from so many different countries travelled as they do now, domestically and internationally. We travel so much it is causing immense strains on both global transport infrastructure and on the environment through pollution and energy use.

However, mobility in 2015 is not a story of uniform movement across the planet. People are certainly travelling around short term, but the vast majority retain the same depth of embedded allegiance to a specific place as they did in 1980. According to a 2014 McKinsey Global Institute study on international connectivity and the related internet trade cross-border issues, the share of people living outside their home country has remained remarkably steady at 2.7 per cent since 1980.[1] While population increases mean the figure itself has risen, proportionately we are as static as 35 years ago – before the onset of the internet and the era of hyper globalisation. The world might be a village now, but on the whole, we remain the same trenchant home bodies we were a half-century ago.

The truly transformative change of the last three decades lies not in the story of permanent migrations, nor in the vastly increased numbers of tourists whose short visits are unlikely to leave a profound mark on either them or their destinations. The real change lies in the story of international students in Australia whose numbers have vastly shot up, and whose time abroad at a key period in their lives is often life-changing.

Within this story of international students is the way that countries in the developing world feature, particularly India and China. Their movement reverses the previously prevailing trend (before the last 20 years) whereby the developed world was internationally mobile, and the developing world was largely immobile. Instead, a new potential elite is forming before our eyes. This chapter argues that we need to make sense of what that means to them, and particularly what it means to us, since this story has Australia on the frontline.

The great student migration

According to UNESCO, global international student numbers doubled from two million in 2000 to four million in 2012. In 2012, the top source countries for overseas tertiary students were in Asia, with China first and India second.

TABLE 1
TOP 10 COUNTRIES OF ORIGIN FOR MOBILE STUDENTS, 2012

Country	Numbers of students studying abroad
China	694,400
India	189,500
Republic of Korea	123,700
Germany	117,600
Saudi Arabia	62,500
France	62,400
United States	58,100
Malaysia	55,600
Vietnam	53,800
Iran	51,600

Source: UNESCO

The developing world, through China, India, Vietnam and Iran, has effectively contributed almost a quarter of global international student flows. The economic, political and cultural implications of this phenomenon are still being worked out.

But the sheer numbers and their exponential rise will have an impact on relations between the host and source countries, on their economic interlinks, and on their relationships with each other. Put simply, a whole new class of influential actors has rapidly evolved and they will have an impact for decades into the future. We need to understand more about this group: what their existence now entails, the kinds of contributions they are likely to make, and the complexities potentially created by their appearance.

In particular, citizens of the People's Republic of China (PRC) have contributed hugely to this era of sharply-increasing student international mobility and migration. Alongside Indian students, they are the main potential contributors to international connectedness. China's case is especially stark. Bear in mind that the very first group of overseas students from the PRC did not appear until the 1978 start of the process. By 2014, however, there were a total of 459,800 PRC nationals studying abroad (according to the Chinese Ministry of Education). The vast majority of these (92 per cent) were self-funded. For a country that ranks 90th in the International Monetary Fund global per capita GDP ratings, this is even more extraordinary, especially when we remember that high numbers of these students paid international fees often several times the cost of local courses, as well as significant travel and living costs.[2]

> "They are part of a richer narrative where they figure on several levels – as potential carriers of ideas and entrepreneurial dialogue between their homes and the host country..."

Indian students offer a less dramatic but still significant case. According to Australian Education International, in 2005, there were 22,500 Indians studying tertiary degrees in Australia. Following the 2008 global economic downturn, this figure fell to 12,600 in 2012, but picked up the following year to around 15,000.[3]

Australia's experience offers a case study of how mobility from (in particular) the PRC and India shows huge potential and needs to be seen as a far more significant phenomenon than just a source of tertiary education funding. While this theme is seductively simple to buy into, it is almost certainly a huge oversimplification. A host country like Australia needs to think of these students as far more than just economic agents. They are part of a richer narrative where they figure on several levels – as potential carriers of ideas and entrepreneurial dialogue between their homes and the host country, as sources of skilled labour which might prove increasingly precious in the future, and as ambassadors for Australian cultural and political values.

Currently, these students exist largely in a void and risk becoming the country's most significant, and largest, underused resource. As will be shown later, if Australia does not have a proactive attitude to the opportunities represented by the new group of international students heading our way, there are plenty of less benign outcomes that could arise. It is important to determine, sooner rather than later, the way we want the Australian story of this new phenomenon to unfold.

Unexpected visitors

The Chinese Confucian saying, "How pleasurable it is to welcome visitors from afar" is so often repeated by non-Chinese public figures welcoming visitors from the PRC that it has become a kind of cross-cultural cliché. But new life has been breathed into the phrase in recent years as so many cashed up Chinese globe-trotters have become crucial for the global economy. These days the smiles of those who greet them are derived more from estimating their profits from this new phenomenon, as from contemplating the opportunity to stimulate new relationships with people from a place we once, until quite recently, found mysterious and exotic.

Students have been the infantry of this new, peaceful but immensely powerful and important army. In 1980, if anyone had declared that, within three decades, students from the PRC would comprise the vast majority of foreigners studying in the West (specifically Australia, the US and the UK), they would have been regarded as a misled fantasist. In fact, as late as 1979, the University of Sydney agreed to host the first contingent of PRC students since 1949. There were merely nine of them, most undertaking post graduate courses. And it was largely a diplomatic gesture of friendliness, while a very early response to China's new process of 'reform and opening up'. In no way was it intended as a strategic move to build on over the coming three decades, even though by 2014, the university's PRC alumni would total more than 30,000. Of these, the university maintained contact with about 13,000. In 2015, approximately 5000 were studying in Sydney, comprising more than 10 per cent of the whole university. But this has largely evolved through dynamics and changes in the PRC itself, not because of any long term strategic plan developed in the leadership offices of Australian universities.

The University of Sydney is by no means unique. Of the 247,000 international students across Australia in 2013, 92,000 were from the PRC. The second largest contingent, from India, contributed 16,000. A decade prior, in 2005, the figure from the PRC was 38,000 – less than half. And in the 1990s, it barely registered. In 1994, Chinese constituted merely 2500 of the 110,000 combined total of all international students.[4,5]

> "In terms of financial contribution, it would be hard to overestimate how much this one group has made to tertiary education in Australia, and to Australia's wider economy."

In terms of financial contribution, it would be hard to overestimate how much this one group has made to tertiary education in Australia, and to Australia's wider economy. And yet, there is a sense in which their story – of their lives here and of their potential contribution beyond the revenue dollars – is overdue for far deeper consideration: it is one of the most tangible ways of understanding what sort of different engagement Australia might have with its most significant regional neighbours. There is also so much we can learn about the extent that the new areas of international connectivity – trade, flow of ideas and skills – will be facilitated by this group. As the 2014 McKinsey report said, these areas are essential to robust growth in the future.[6]

Of course, part of the issue of struggling to make sense of what is happening around student mobility from China, India and other emerging economies to Australia, is that the increase has been so sudden and dramatic that we (the host country) have not had the time to really think how to respond, and then find the right framework. There was nothing planned on either side about this, either in India or China, or elsewhere for that matter – it has been an organic process with its own internal logic and dynamics, constituted by hundreds of thousands of individual and family decisions. Its new prominence has almost crept up on the world, taking us all by surprise. Almost from nowhere, a whole generation of some of the most talented people from other countries have come to Australia (and the US and UK) and acquired a huge amount of knowledge, new skills, and new relationships. Some have decided to stay long term and find jobs. But many have returned to their homeland.

> "Almost from nowhere, a whole generation of some of the most talented people from other countries have come to Australia ... and acquired a huge amount of knowledge, new skills, and new relationships."

Now that this phenomenon is well established, the question we have to ask ourselves is, how well are we using this group to deepen understanding back in their homes and create long term value for both countries? After all, they are now rich in experience and knowledge of Australia, and often hold a very favourable view of our culture, environment and assets.

Australia is famously the 'lucky country'. And our universities have been recipients of good fortune, at least until now, thanks to this rise of Chinese student numbers. A huge source of new revenue appeared almost out of thin air. But all good things come to an end. After all, Chinese universities are stealthily creeping up the international league tables, despite some well-understood and researched problems.[7]

Before these students start to feel that the educational system in their own country is adequate for their needs and the numbers of the last few years start to head downwards, Australia needs a plan B. The good news is that there is such a plan staring us in the face.

Unexpected consequences

Engaging more intelligently and sustainably with the appearance in Australia of so many students from emerging economies like China and India, in such large numbers in only a decade and a half, has to start off with some self-criticism. What narrative will we fit this newly-emerged, hugely significant group of highly motivated, young and dynamic students from very different cultures and backgrounds into? If Australia as a nation, and its universities as key institutions constituting the economic, cultural and political life of that nation, asks itself this question, there might be an embarrassed silence.

China raises particular issues, some that are symptomatic of the problem of relations with emerging economies overall. The national narrative towards China is at best ambiguous, and at worst subliminally (and often visibly) antagonistic. We don't need to look much beyond three of our most recent Australian Prime Ministers to find evidence. In 2007, the self-designated sinologist Kevin Rudd was elected as perhaps the first national leader who was conversant and engaged with China. As a Mandarin speaker, in 2008 he was able to declare to students in one of China's most elite universities that Australia and China were "true friends". But a year later this phrase came back to haunt him when his government delivered its 2009 Defense White Paper that was widely regarded in China as painting it into the corner of an enemy and figuring it as a threat. Allowing US marines to rotate in Darwin from 2011 moved this perceived antagonism from rhetoric to actuality. Julia Gillard restored the bilateral relationship to one of neutrality, and under Tony Abbott, the relationship became pragmatic and trade-focussed. But, in reported comments made to German Chancellor Angela Merkel late in 2014, even Mr Abbott let slip that sentiment in Australia towards its largest trading partner was a combination of "fear and greed".[8]

"...our mindset has largely been that they are privileged to have come here, for which they should be grateful..."

Fear and greed would be a good way to describe Australia's overall attitude towards China. But is this harshly narrow narrative really the best analysis we can offer of the Chinese student experience in Australia? Huge numbers of students have come here, paid high fees, been educated, passed some of their life's most formative years here, and now know a lot about their host country. Is there not a better story we can send them home with? It sounds like the experience of someone who thought they were living in the house of a friend until they give their host a 'thank you' gift, whereupon they discover that the gift was all the relationship was ever about. China might be the most extreme case, but other emerging economies like Indonesia, Vietnam, and Iran, which have also sent us international students, probably wouldn't figure any better. The only difference is that they are less prominent and therefore have been given less thought. On the whole, our mindset has largely been that they are privileged to have come here, for which they should be grateful: their presence seen as more like a gift than anything resembling mutual gain and service. The worst aspect of what we can call this 'fear and greed' narrative is that it patently doesn't map out the more complex truth.

International students from developing countries are a hybrid group. Over time, they have become more sophisticated and their demands of their educational experience have diversified and expanded. Some want to stay here, many have filled local needs taking positions as academics or professionals, and some have become key advisors on relations with their native land for Australian companies, government institutions and universities. Many of those who have returned home have established companies that work in partnership or as allies with Australian counterparts. In other cases, the skills and acculturation they acquire in Australia helps them compete with us more effectively. Often the companies they work for in third countries go head-to-head with Australian companies for business. Internationalisation is neither a neutral nor wholly positive process. While it brings clear benefits in many areas, there are plenty of others where the rise of more effective, more globally-oriented and innovative companies from the developing world make a crowded marketplace even harder for Australians to operate in.

Politicians with a preference for keeping things black and white might prefer to avoid the pain of confronting this complexity. But for the majority of others in Australia there is an urgent need to resolve these questions of how best to relate to international students – how to fit them into a more suitable, clear-sighted, sustainable narrative that factors in the mutual benefits and risks.

Plenty of Chinese, Indians and other international students offer a great deal to Australia. But many others belong to a more nuanced story that demonstrates how Australia is moving into an era that exposes us to new demands, new risks and new threats. The overall narrative is not a straightforward one that can be mapped out by the parameters of 'fear and greed'. But it does mean Australia needs to learn about this issue much faster than it might want to: it must come up with answers about its own expectations too quickly for the comfort of some.

This issue derives its urgency from the potential long term benefits on offer to the global connectivity story as it relates to trade, services and goods. There are huge potential economic benefits if we manage this challenge well. Long after the iron ore Australia digs up has ceased to be important (importance that has already diminished in the space of three years), many of the international students who were here previously, are here now, and are continuing to come, will be ambassadors for Australia, will work for Australian companies, and will be transmitters of ideas. Many of them will even become Australians. This group stands to be one of Australia's greatest potential economic resources. But before this can happen, they must be better nurtured – something that will only happen through strategic foresight. Leaving things to chance risks outcomes that are at best mediocre and at worst detrimental to Australia's national interest. Consider for instance, the lost advantage from failing to identify those international students who might be ideal for certain skills gaps in Australia, and not offering them opportunities to remain long term.

> "This group stands to be one of Australia's greatest potential economic resources. But before this can happen, they must be better nurtured..."

Even in terms of 'soft power agents' (promoters of values and ideas), international students have immense utility. For example, just as Australians' images of China and India stray some way from reality, the same applies in reverse. Australia is widely seen as a tourist destination – a sunny, beach-drenched quasi Utopia. That's enough for fuelling the tourist appetite for an Australian holiday. But it does ill service to this country's finance, creative and human resources, and captures next-to-nothing of the fact that Australia's real strengths are in the service sector that forms 80 per cent of its economy.

The stereotype of Australia as a lifestyle rather than a country means that, even with comprehensive and well-negotiated free-trade agreements with partners like China and the one being discussed with India, it will be a truly formidable battle to shift attitudes in the developing world among the all-important emerging middle classes. And these very people will be the source of so much global growth in the coming decades as they consume and invest, and play a greater role in their own and the global economy. The contingent of international students who have lived here, already know Australia – its complexity and intellectual assets. They are surely the best qualified and the best placed of agents to effect the changes we seek. They stand to become allies of both countries, but only if they are embraced as part of a strategic, coherent narrative.

Connecting back to connectivity

It might seem risibly over-simplistic to propose a policy whose sole urge is for a change of narrative and the right accompanying mentality. But in fact, changing attitudes is easy to say and among the hardest to achieve. The bland truth is that in terms of practical issues, Australia is doing nothing wrong at the moment: it has taken the opportunity to host large numbers of foreign students from developing countries, and on the whole they have had good experiences here. This could probably continue, up to a point. Ad hoc and unstructured engagement with alumni as they return home might not be exciting, but it will not cause great pain either – at least not in the short term.

But McKinsey's nagging question is whether Australia can really maintain its competitiveness, its wealth and its good fortune by continuing to regard partners like China solely as sources of capital and material reward, rather than as partners within much more dynamic relationships. Especially when faced with the clear potential role that could be played by former students from these places who have lived in Australia. When it comes to relationships based on people-to-people contact, former international students could become the prime agents of change – towards mutual exchanges in thinking rather than currency, towards investment flows into ideas and attitudes rather than real estate and mining companies, and for exploring the resources of the mind rather than the earth.

> "When it comes to relationships based on people-to-people contact, former international students could become the prime agents of change..."

For the cynical, it is good to return to the McKinsey report cited earlier. It calculates that by 2025, the global flows of cross-border trade will triple the 2012 figure, reaching US$85 trillion. Until recently, labour-intensive goods have dominated these flows. However, knowledge industries are the future and each passing year they are taking up a larger stake.[9] Emerging economies, which China sits at the heart of, already constitute a third of these flows. China alone figures in 12 per cent of global business. And with the emergence of stronger, interconnected digital industries, the ways in which consumers and businesses in these emerging economies link with the world around them is diversifying by the day. These are hard figures to stand in front of and remain stony-faced and stoically self-denying.

In the end, despite our abundant natural resources, Australia cannot practice indifference towards the accelerating phenomenon of global connectivity and the rewards and growth that will flow from it. Once the strategic objective is clear enough – a world of greater connectivity, where services and human capital are key – the challenge becomes one of tactics.

It should be seen as essential to forge a strong role for international students as tangible actors in this process rather than accidental by-products. Universities are now embarked on this quest. Stronger government support and recognition is still needed. But that should be easy enough, because the most wonderful aspect of this proposal is that it carries no major financial cost, just an intellectual investment.

The good news is, if we make the right kinds of improvements, Australia stands to gain at every level.

Bibliography

Australia Bureau of Statistics, 2002, *Participation in Education: Overseas Students.* Accessed at: http://www.abs.gov.au/AUSSTATS/abs@.nsf/2f762f95845417aeca25706c00834efa/648c18b2950f95a8ca2570ec000af329!OpenDocument, 21 July 2015

Clark, N. 2013, *Indian Study Abroad Trends: Past, Present and Future.* Accessed at: http://wenr.wes.org/2013/12/indian-study-abroad-trends-past-present-and-future/, 20 July 2015

CLSA, 2104: 'Outbound Chinese Tourists to Double by 2010 Propelling Global Growth in Travel Related Sectors'. Accessed at: https://www.clsa.com/about-clsa/media-centre/2014-media-releases/outbound-chinese-tourists-to-double-by-2020-propelling-global-growth-in-travel-related-sectors.php, 13 July 2015.

ICEF, 2015. 'Number of Chinese Outbound Students Up by 11% in 2014'. Accessed at: http://monitor.icef.com/2015/03/number-of-chinese-outbound-students-up-by-11-in-2014/, 13 July 2015

Institute of International Education, 2014, 'International Students in Australia'. Accessed at: http://www.iie.org/Services/Project-Atlas/Australia/International-Students-In-Australia, 13 July 2015

Garnaut, J. 2015, *'Fear and Greed' Drive Australia's China Policy, Tony Abbott Tells Angela Merkel*, Sydney Morning Herald. Accessed at: http://www.smh.com.au/federal-politics/political-news/fear-and-greed-drive-australias-china-policy-tony-abbott-tells-angela-merkel-20150416-1mmdty.html, 14 July 2015

Larson, C 2014, *Chinese Tourists Make More than 100 Million Overseas Trips in 2014.* Accessed at: http://www.bloomberg.com/bw/articles/2014-12-05/theyre-coming-chinese-tourists-will-make-100-million-trips-abroad-this-year, 13 July 2015.

Manyika, J et al 2014, *Global Flows in a Digital Age: How Trade, Finance, People and Data Connect the World Economy*, McKinsey Global Institute, London.

Tourism Australia, 2014. *China Market Profile.* Accessed at: http://www.tourism.australia.com/documents/Markets/MarketProfile_China_May14.pdf, 13 July 2015

UNESCO, 2012. *Global Levels of Tertiary Level Students.* Accessed at: http://www.uis.unesco.org/Education/Pages/international-student-flow-viz.aspx, 20 July 2015

Zhao, Y 2014, *Who's Afraid of the Big Bad Dragon: Why China has the Best (and Worst) Education System in the World*, Jossey Bass, New York

Endnotes

1 Manyika, J et al 2014, *Global Flows in a Digital Age: How Trade, Finance, People and Data Connect the World Economy*, McKinsey Global Institute, London, p. 5.

2 ICEF 2015. *Number of Chinese Outbound Students Up by 11% in 2014.* Accessed at: http://monitor.icef.com/2015/03/number-of-chinese-outbound-students-up-by-11-in-2014/, 13 July 2015

3 Clark, N. 2013, *Indian Study Abroad Trends: Past, Present and Future.* Accessed at: http://wenr.wes.org/2013/12/indian-study-abroad-trends-past-present-and-future/ 20 July 2015

4 Institute of International Education, 2014, 'International Students in Australia'. Accessed at: http://www.iie.org/Services/Project-Atlas/Australia/International-Students-In-Australia, 13 July 2015

5 Australia Bureau of Statistics, 2002, *Participation in Education: Overseas Students.* Accessed at: http://www.abs.gov.au/AUSSTATS/abs@.nsf/2f762f95845417aeca25706c00834efa/648c18b2950f95a8ca2570ec000af329!OpenDocument, 21 July 2015

6 Manyika et al, 2

7 For a very comprehensive overview of the strengths and weaknesses of the Chinese educational system, see Zhao, Y 2014: *Whose Afraid of the Big Bad Dragon: Why China has the Best (and Worst) Education System in the World*, Jossey Bass, New York

8 Garnaut, J 2015, *'Fear and Greed' Drive Australia China Policy, Tony Abbott Tells Angela Merkel*, Sydney Morning Herald. Accessed at: http://www.smh.com.au/federal-politics/political-news/fear-and-greed-drive-australias-china-policy-tony-abbott-tells-angela-merkel-20150416-1mmdty.html

9 Manyika et al, 3

5. Australia and the fourth freedom

Alex Dobes

Should free movement arrangements, such as the one between Australia and New Zealand (the Trans-Tasman Travel Arrangement), be extended to citizens of other countries? Who first? And where do we start in determining the scope of any such agreements?

Alex Dobes has worked on regulatory and microeconomic reform in a number of jurisdictions, including major projects at the Queensland Competition Authority and the NSW Independent Pricing and Regulatory Tribunal (IPART). His previous work includes a review of aquaculture regulation in Queensland and a reset of infrastructure funding at the Perisher ski resort. In the early 1990s, he worked on privatisation and corporate restructuring in the Czech Republic, including the turnaround of a medium-sized brewery and the preparation for privatisation of the country's electricity distribution companies. His education includes a degree in Chinese and Linguistics from the University of Melbourne, and an MBA from INSEAD (France).[1]

Introduction

Australia and New Zealand have a long-standing arrangement, the Trans-Tasman Travel Arrangement (TTTA), for free movement of labour between the two countries. Former Prime Minister Tony Abbott suggested that Australia develop a similar arrangement with Singapore.

Free movement arrangements can have significant benefits and pitfalls. Among the latter is the danger (perceived or real) of welfare tourism. Australia has dealt successfully with this apparent problem in the past; the European Union (EU) arguably less so. However, Australia's remedy may have over-reached somewhat by removing the pathway to permanent residency for New Zealanders arriving in Australia after February 2001.

There is a group of around 20 compatible (small and wealthy) countries with which Australia could feasibly establish free movement arrangements. Singapore is one such country, and a brief examination of differences between Singapore and Australia gives some idea of the details that need to be addressed before a working arrangement can be implemented. Healthcare, military service, access to public housing, and different legal sanctions are all important details that could affect the lives of people moving between the two countries.

Free movement is probably best implemented as a loose arrangement between two countries, leaving each government the flexibility to adapt to changes in circumstances and perceptions. This has been the approach taken by Australia and New Zealand, in contrast to the free movement agreements of the EU, which bind governments to detailed obligations.

Milton Friedman's paradox

In a 1977 lecture in Chicago entitled 'What is America?' Milton Friedman posed the following question:

> I have always been amused by a kind of paradox. Suppose you go around and ask people, "The United States, as you know, before 1914 had completely free immigration; anybody could get on a boat and come to these shores[2] – was that a good or a bad thing?" You will find hardly a soul who will say it was a bad thing. But then suppose I say to the same people, "But now what about today? Do you think we should have free immigration?" "Oh no," they'll say, "We couldn't possibly have free immigration today."
>
> What's the difference?[3]

Professor Friedman answered his own question by saying that "it is one thing to have free immigration to jobs, it is another thing to have free immigration to welfare". Taking this thought a step further, he concluded that, in a welfare state, illegal immigration brings greater benefits than legal migration, since illegal immigrants do not have access to the welfare system. In the Friedman analysis, illegal immigrants cross borders only in order to find work.

This conclusion is consistent with a strong aversion to the welfare state, but has limited value when considering practical approaches to immigration policy. For example, American economist Bryan Caplan has pointed out a "keyhole"[4] solution to the problem of immigration to welfare states: restrict access to welfare for legal immigrants. Further, Professor Caplan notes that Milton Friedman was once presented with this exact solution to his paradox, and his response was that he hadn't really thought about it, and didn't think it would work because it would not be politically feasible.[5]

> "...New Zealanders who arrived after 26 February 2001 are still eligible for Medicare but have very limited access to Australian welfare benefits."

In reality, Australia has implemented this keyhole solution for New Zealand citizens. Under the TTTA, New Zealanders have free access to Australia, subject to health and character conditions that exclude very few people. However, New Zealanders who arrived after 26 February 2001 are still eligible for Medicare but have very limited access to Australian welfare benefits. For example, they must wait 10 years before they are eligible for Newstart Allowance (unemployment benefits) or Sickness Allowance, and can only receive such benefits for six months.[6]

This leads to two interesting questions:

- Does free movement for New Zealanders benefit Australia?
- If the New Zealand arrangement works to Australia's benefit, might it also work with other countries?

The fourth freedom

Free movement of goods, services and capital is widely accepted as welfare-enhancing (using "welfare" in the classical meaning of prosperity and standard of living), and these three freedoms have been agreed (to differing degrees) between a wide range of countries through free-trade agreements. The World Trade Organisation (WTO) has registered 276 such agreements.[7]

The fourth freedom is free movement of labour. The International Organisation for Migration (IOM) has grouped this into three types:[8]

- Full mobility of labour.
- Mobility and market access for specified service providers. This is a feature of groupings such as the North American Free-Trade Agreement (NAFTA) between Canada, Mexico and the US.
- Facilitating the entry and temporary stay of people engaged in specific activities (such as trade and investment) without granting market access. This is a feature, for example, of the Asia Pacific Economic Cooperation (APEC). Business travellers are able to obtain an APEC Business Traveller Card, which functions as a pre-approved three year multiple entry visa to APEC member countries.[9]

Implementation of the second and third types of arrangements is relatively straightforward, and is usually little more than a simplification of bureaucratic procedures.

However, the first type of arrangement can have far reaching consequences, and is rarely implemented. One barrier to implementation is that human beings are much more complex than goods or services, a point frequently raised in discussion of the fourth freedom:

> Men and women come with cultures and skills and grow up in dense familial and social networks. They have spouses and children. They need education, health care, political engagement, and all the other fruits of society. They bear responsibilities to society as well, including taxes and perhaps military service.[10]

The best-known example of full labour mobility across borders is the European Union (EU), which has all four freedoms as its core membership principles.[11] Additionally, the European Free Trade Association[12] (EFTA) has a European Economic Area (EEA) agreement with the EU that incorporates free movement of nationals as a basic principle.[13] The Nordic Council has allowed free movement of nationals between the five member countries[14] since 1954 (1955 in the case of Iceland), an arrangement somewhat superseded by the EEA and the Schengen Agreement.[15]

> "The best-known example of full labour mobility across borders is the European Union (EU), which has all four freedoms as its core membership principles."

Benefits and pitfalls of the fourth freedom

The primary benefits of migration are intuitively easy to understand: migration allows labour resources to flow to their most productive use, and fills gaps in labour markets. However, the overall picture of benefits and costs is much more complex, and has been the subject of extensive study.

An OECD synthesis of migration studies shows that migration generally brings net economic benefits to the receiving country.[16] Reasons include that migrants boost the working proportion of the population, increase labour market flexibility, and frequently bring new skills.

Studies published by the European Commission (EC) in 2013 show that free labour movement within the EU brings net benefits to destination countries, as mobile EU citizens are more likely to be in active employment than nationals of the host country. The EC acknowledged that some mobile EU citizens (perhaps one per cent) were not working in their host countries, but emphasised that "workers from other Member States are net contributors to the public finances of the host country".[17]

The EC's figures are no doubt accurate. However, they were released in an atmosphere of increased hostility toward the idea of EU-wide free movement, arising from rapid (possibly too rapid) expansion of EU membership. Statistics alone were not sufficient in addressing the concerns of EU citizens.

Starting with the Treaty of Rome in 1957, the European Economic Community (EEC) was a smaller and looser grouping of countries where people generally moved for work but not for welfare. Workers in the poorer south had an incentive to move to the wealthier north, where they found plentiful work. Eventually the southern states acquired a standard of living that weakened the incentives for northward migration.

This balance within the EU changed in 2004 with the accession of eight formerly Communist countries (including Poland), and further in 2007 with the accession of Bulgaria and Romania. The EU now included countries with starkly lower wages and weaker welfare systems. In 2004 there was disquiet about a possible flood of workers moving westward (nicknamed "the Polish plumber"), but it turned out that these workers filled gaps in the western labour market. A more serious backlash began in response to the 2007 expansion.[18] Here the concern was more noticeably about "benefits tourism", as the EU was now a more closely integrated group, with each country required to give equal access to welfare benefits to all EU citizens.[19]

Proponents of the EU fourth freedom used statistics (as with the EC studies above) or plain disparagement when faced with concerns about welfare tourism. In a February 2014 interview with the *Guardian*, European Commissioner László Andor stated that, "Benefits tourism as such is a myth".[20] British tabloids treated this as a personal challenge to prove him wrong.

Within days, *The Daily Mail* found and interviewed a benefits tourist from central casting. Rudi Ion, who drove a Mercedes, had gone from collecting the equivalent of £17 a month in Romanian child benefits, to £300 a week in a bundle of British benefits. About 100 of his relatives had joined him in Britain, and he had seen scores of Romanians arriving every week. "Of course Romanians will settle in Britain if they get this kind of money", he said. "It is like walking down the road and seeing a sack full of cash that someone has dropped, picking it up and no one saying anything."[21]

"It is like walking down the road and seeing a sack full of cash that someone has dropped, picking it up and no one saying anything."

In response to the Rudi Ion story, the Romanian ambassador in London, Ion Jinga, published an opinion piece in the *Guardian* stating that the problem had been exaggerated, as only 1740 Romanians in the UK (representing 1.45 per cent of the Romanian community) were claiming benefits. All the Romanians who wanted to be in the UK had already arrived, so the problem wouldn't get any bigger. Wages in Romania had risen, and other reasons why Romanians would be content with life at home included that "houses are more affordable, the food is organic and the sun shines for longer than in other parts of Europe".[22]

Dr Jinga's statistics were no doubt accurate[23], and for every Rudi Ion there were probably 50 Romanians in the UK working and paying taxes. However, the statistical approach did not win the battle. In May 2015, the UK government announced that it would seek to renegotiate its relationship with the EU (especially the welfare provisions), after which it would hold a referendum on continued EU membership.[24]

The UK was not the only country going through this process. A backlash in Switzerland resulted in a 2014 referendum whose outcome forced the Swiss government to draft quotas for EU nationals moving to Switzerland.[25]

The Trans-Tasman Travel Arrangement

Under the TTTA, around 650,000 New Zealanders (more than 10 per cent of New Zealand's citizens) live in Australia. This clearly has an impact in both Australia and New Zealand, which has been the subject of some study.

The Australian Productivity Commission (PC) and the New Zealand Productivity Commission (NZPC) have published a report entitled *Strengthening trans-Tasman economic relations*, which includes extensive examination of the impact of the TTTA. Modelling by the PC suggested that increased movement of New Zealand workers to Australia increases Australia's GNP, but decreases the GNP per worker. However, the latter conclusion relies on an assumption that capital stock is fixed, rather than increasing in response to an increase in population and labour supply.[26]

In addition to modelling, the report also summarised empirical studies of the impact of the TTTA, which found that New Zealanders in Australia:

- Have relatively high labour force participation rates;
- Have relatively high employment rates;
- Help to alleviate labour market shortages;
- Appear to be a complement rather than a substitute for local labour.[27]

Recent developments confirm the responsiveness of the TTTA to changing labour market conditions. Net immigration from New Zealand has recently shown a large decline in response to an increase in spare capacity in the Australian labour market.[28]

Overall, then, it appears that the TTTA is a successful policy that benefits Australia.

Commentators have noted one important point where the TTTA differs from EU free movement arrangements: it is not an agreement between governments, but a set of procedures independently implemented by two governments working together towards a broadly agreed common aim.[29] This absence of a prescriptive and detailed agreement leaves each government the flexibility to respond quickly to any change in circumstances or perceptions.

As previously mentioned, New Zealanders who arrived after 26 February 2001 have only restricted access to Australian welfare benefits. These restrictions were introduced in response to a public perception in Australia of welfare tourism by New Zealanders, so-called "Bondi bludgers". At the time, there were around 20,000 New Zealanders receiving Australian unemployment benefits. There were also concerns at 'back door' migration by Pacific Islanders who had acquired New Zealand citizenship.[30]

> "...the TTTA differs from EU free movement arrangements: it is not an agreement between governments, but a set of procedures independently implemented by two governments..."

When the Australian government moved to restrict access to welfare, then New Zealand Prime Minister Helen Clark commented that New Zealanders in Australia had roughly the same unemployment rate as Australians, so the problem was more imagined than real. At the same time, she expressed hope that the changes would neutralise the unjustified Australian perception of welfare tourism.[31]

The statistics cited by Prime Minister Clark were no doubt accurate, and the problem was no doubt minimal. However, the Australian government chose to act in a way that seriously addressed the public perception of a problem (whether real or not). The end result was that the expression "Bondi bludger" was consigned to history, and the fourth freedom was maintained.

Extending Australia's fourth freedom

During his June 2015 visit to Singapore, former Australian Prime Minister Tony Abbott said that "Soon, I hope that employment and residency rights for Australians and Singaporeans in each other's countries will resemble those of New Zealanders and Australians".[32] In considering this, it is worth examining how an extension of the fourth freedom might work in general, before focussing briefly on Singapore.

As seen with the example of Bulgaria and Romania, inclusion of less wealthy countries in free movement arrangements can have unintended consequences – over-extension risks a backlash.

Another risk is that unregulated flows can be larger than anticipated. When the UK opened its labour market to newly-acceded EU members in 2004, the government estimated that around 13,000 Poles would move to the UK; by 2011 the actual number was 579,000.[33]

The policy implication is that, to avoid unintended consequences, free movement of labour is best established with small and wealthy countries, at least initially.

Table 1 shows key characteristics of a range of relatively wealthy countries. All of these countries are apparently considered low-risk by Australian immigration authorities, judging from their eligibility for eVisitor visas (European countries) or Electronic Travel Authorities (non-European countries).[34] A more differentiated indicator of risk is the non-return (overstay) ratio for each country's nationals in Australia. This ranges from a low of 0.17 per cent for Luxembourg to a high of 3.87 per cent for Estonia.

Apart from Cyprus and Hong Kong, all of the countries/territories in Table 1 are eligible for the US Visa Waiver Program (VWP). This is another useful indicator of risk, as the US currently extends this privilege to 38 countries/territories, based on extensive analysis of risk factors. The equivalent list for visa-free entry to the Schengen area is less useful as a risk indicator, since it errs on the side of inclusiveness, and includes low-income countries usually considered to be high-risk, such as Albania and Paraguay.[37]

Many of the countries in Table 1 have working holiday arrangements allowing their nationals to work in Australia for up to 12 months, and longer in regional locations such as Adelaide and Hobart. There is no cap on the number of people taking up working holiday visas, and their activities in Australia are only lightly regulated.[38] As such, flows under working holiday arrangements are a useful indicator of potential flows under free movement arrangements.[39]

Another indicator of potential flows is the total number of Australian residents originating from each country.[40]

As an example, we can contrast Canada and the UK. The UK has not quite double the population of Canada, but it has six times the number of working holidaymakers in Australia, and more than 20 times the total number of residents in Australia. This suggests that a free-movement arrangement with Canada is likely to result in smaller flows than a similar arrangement with the UK.

TABLE 1
WEALTH, POPULATION AND VISA PROFILE OF SELECTED COUNTRIES/TERRITORIES[35]

	Population (million)	GDP per capita (nominal $US)	GDP per capita (PPP)	Working holiday agreement with Australia	Working holiday visa holders in Australia	Australian residents' place of birth	General non-return rate (%)	Reciprocal healthcare agreement with Australia	US Visa Waiver Program
Australia	23.6	61,219	46,433	–	–	16,890,250	–	–	Y
New Zealand	4.5	43,837	35,152	–	–	616,960	0.44	Y	Y
Brunei	0.4	36,607	73,233	N	NA	3180	0.62	N	Y
Canada	35.5	50,398	44,843	Y	4620	50,940	0.66	N	–
Cyprus	0.9	26,115	30,769	Y	63	20,780	2.28	N	N
Denmark	5.6	60,564	44,343	Y	910	11,180	0.26	N	Y
Estonia	1.3	19,671	26,999	Y	1486	3910	3.87	N	Y
Finland	5.5	49,497	40,347	Y	1073	9820	0.36	Y	Y
Germany	81.1	47,590	45,888	Y	18,286	129,040	0.36	N	Y
Hong Kong	7.3	39,871	54,722	Y	10,905	94,420	0.65	N	N
Iceland	0.3	51,262	43,637	N	NA	730	1.61	N	Y
Ireland	4.6	53,462	49,195	Y	6121	93,180	1.27	Y	Y
Latvia	2.0	15,729	23,707	N	NA	5150	3.61	N	Y
Lithuania	2.9	16,386	27,051	N	NA	3250	2.99	N	Y
Luxembourg	0.6	111,716	92,049	N	NA	280	0.17	N	Y
Malta	0.4	24,876	33,216	Y	75	45,920	1.61	Y	Y
Norway	5.2	97,013	66,937	Y	271	4770	0.36	Y	Y
Singapore	5.5	56,319	82,762	N	NA	70,100	0.26	N	Y
Slovakia	5.4	18,454	28,175	N	NA	6430	0.87	N	Y
Slovenia	2.1	24,019	29,658	N	NA	8060	0.82	Y	Y
Sweden	9.7	58,491	45,987	Y	3385	12,510	0.60	Y	Y
Switzerland	8.1	87,475	58,087	N	NA	15,720	0.24	N	Y
Taiwan	23.4	22,598	45,854	Y	23,270	55,960	0.73	N	Y
UK	64.5	45,653	39,511	Y	30,315	1,221,260	0.58	Y	Y
USA	319.0	54,597	54,597	N	NA	104,080	0.51	N	–

Another example of interest is Malta. As with New Zealand, around 10 per cent of Malta's citizens (46,000 people) live in Australia. At the same time, only 75 Maltese citizens (at last count) have taken up the opportunity of a working holiday visa. This suggests that the large flow of past decades is less likely to be replicated today.

The approximately 10 per cent of New Zealand's citizens residing in Australia gives some indication of the potential size of unregulated flows over an extended period. Ten per cent of the UK population would be more than six million people. Just one per cent of the US population would be more than three million people. This potential risk factor has been recognised by UK proponents of free movement between the UK, Australia and New Zealand. The Commonwealth Exchange has noted that "one of the biggest concerns for Australia and New Zealand would be the populations involved".[41] Mayor of London Boris Johnson has commented, "Whether they would be actually delirious with joy in Australia about the idea of loads more Poms coming out to Australia, I don't know …"[42]

In addition to New Zealand, seven of the countries in Table 1 have reciprocal healthcare arrangements with Australia, providing access to necessary medical care (but not optional or private care).[43] Basic healthcare is an exception to the general principle of restricting access to welfare. Visitors do not plan to fall ill or have accidents, but it is inevitable that some of them do. In that situation, it is best to know who will cover the expense. One alternative is to make private health cover mandatory, as is the case with most student visas in Australia. However, that creates an enforcement task, and does not guarantee that all visitors will be covered. Student visas have a start date and end date, so verification of insurance cover is relatively simple. A free-movement visa would have no end date, so compliance with insurance requirements would be more difficult to enforce.

"Given the potential pitfalls of free movement arrangements, a sensible approach is to establish such programs on a pilot basis with a small number of the lowest-risk countries."

There are numerous other questions associated with free movement. For example, would people arriving under a free movement arrangement have a defined pathway to permanent residency and citizenship? The PC and NZPC report considered that some of these questions had not been satisfactorily resolved in the case of New Zealanders residing in Australia.[44] It is possible that the Australian government over-reached in moving to end the perception of welfare tourism. A 10-year waiting period for unemployment benefits is understandable; complete removal of the path to permanent residency seems excessive. A more consistent approach might be to have the same waiting period for both permanent residency and for the welfare benefits attached to it.

Given the potential pitfalls of free movement arrangements, a sensible approach is to establish such programs on a pilot basis with a small number of the lowest-risk countries. Selection of these countries requires extensive analysis and consultation, as well as an indication of interest from the other party.

A number of factors may come into play when considering countries for a pilot program:

- Historical affinity. New Zealand's long history of people exchange with Australia, pre-dating the TTTA agreement, has probably assisted in the smooth running of the TTTA arrangement. Australia has similar long-standing engagement with both Ireland and the UK, and to differing degrees with many Commonwealth countries.
- Administrative simplicity. It is easier to establish freedom of movement where Australia already has an extensive framework of administrative cooperation. For example, the existence of a reciprocal healthcare agreement removes one potential complication in establishing free movement. An agreement on data sharing between governments simplifies verification of citizenship, health and character requirements.
- Strategic value. Singapore is a natural candidate on a number of criteria, including the expressed intention of the two countries to strengthen their comprehensive strategic partnership (CSP). However, the Singapore government has not publicly responded to former Prime Minister Tony Abbott's suggestion of New Zealand style free movement.

A successful pilot program could eventually serve to expand free movement to more countries, and potentially to larger countries. It is possible that Canada is the upper bound of expansion, as larger countries present a greater risk of unacceptably large flows. Alternatively, a pilot program could demonstrate that free movement is self-regulating when welfare benefits are severely restricted for non-citizens, so that countries larger than Canada are viable options. However, a move to larger countries would be some way into the future, when the dynamics of free movement to and from Australia are better understood. Our current understanding is based on a sample of one, which is rarely a good basis for extrapolation.

Singapore and Australia

Singapore and Australia are both wealthy developed countries with a long-standing relationship – Australia was the first country to recognise Singapore's independence in 1965.[45] Broadly speaking, an arrangement for free movement between the two countries seems feasible.

However, with fourth freedom arrangements, details are important. One such example is healthcare.

Singapore and Australia do not have a reciprocal healthcare agreement, and the two healthcare systems have different approaches. In Australia, Medicare covers 100 per cent of treatment and accommodation costs in public hospitals.[46] By contrast, the Singapore government website jokes that, "Some say that in Singapore, it is better to die than to get sick, because of the cost of healthcare".

The government pays for 20 to 80 per cent of hospitalisation expenses in subsidised wards. There are safety nets beyond that, but apparently nothing comparable to Medicare.[47]

Some details might be more easily resolved. For example, more than 80 per cent of Singaporeans live in government subsidised (HDB) housing.[48] Would Australians be eligible for this benefit? The arguments against are probably overwhelming.

There are differences in social values. For example, Singapore carries out around 2000 canings each year.[49] In March 2015 two German nationals (aged 21 and 22) were sentenced to be jailed and caned for spraying graffiti on commuter trains.[50] What might be the reaction in Australia to a similar sentence passed by a Singapore court on Australian nationals?

Singapore has universal male conscription, requiring citizens and permanent residents to serve for two years upon turning 18. Families moving abroad are required to obtain exit permits (and often pay a bond) for sons aged over 13.[51] Would free movement reduce the pool of conscripts? Would Australians resident in Singapore under free movement provisions be subject to conscription?

None of the above is an insurmountable obstacle to achieving a free movement arrangement. In some cases, a first-best solution may be replaced by a second-best solution. For example, if the healthcare systems are ultimately incompatible, mandatory private health insurance may replace the option of a reciprocal health-care agreement.

The Singapore case is interesting, and this superficial examination of details is a glimpse of the amount of work necessary to establish just one free movement arrangement.

Conclusion

The TTTA between Australia and New Zealand is a good arrangement that has worked to Australia's benefit. Australia should consider extending a similar arrangement to additional countries, particularly some of the countries listed in Table 1.

An important feature of the TTTA is that it is not a prescriptive and detailed agreement between governments. Rather, it is a set of procedures independently implemented by two governments working together towards a broadly agreed common aim.

Former Prime Minister Tony Abbott suggested that TTTA style free movement could be implemented between Australia and Singapore. This appears to be feasible, but would require significant administrative work and consideration of potential pitfalls.

The TTTA has some apparent shortcomings, particularly regarding a defined pathway to permanent residency for New Zealanders resident in Australia. The government may wish to consider these apparent shortcomings, and how they might be addressed both in the New Zealand context and in the context of expanding free movement to additional countries.

Endnotes

1 This paper draws partially on a submission made by the author in June 2015 to the Productivity Commission inquiry into migrant intake in Australia. Available at: http://www.pc.gov.au/__data/assets/pdf_file/0018/190404/sub019-migrant-intake.pdf

The author wishes to thank the Irish Embassy Canberra, the Royal Norwegian Embassy Canberra, and the Royal Norwegian Ministry of Justice and Public Safety for information provided. Thanks also to AN, CB, DK, LD, NT, WC and WFL for comments.

2 Professor Friedman was inaccurate in saying that *anyone* could get on a ship and come to America before 1914. Close to a quarter of the world's population was excluded by the *Chinese Exclusion Act* of 1882. Available at: http://www.ourdocuments.gov/doc.php?flash=true&doc=47&page=transcript Accessed on: 19 August 2015

3 The 'What is America?' lecture exists in slightly different versions. The text here is quoted from Friedman, M 1978, 'What is America?', *Saturday Evening Post*, 1 October, Vol 250 Issue 7 p. 18. Available at: http://www.search.ebscohost.com/login.aspx?direct=true&db=anh&AN=17948823&site=ehost-live Accessed on: 4 June 2015

The lecture is also on YouTube. Available at: https://www.youtube.com/watch?v=fwDhx1XkXX0 Accessed on: 19 August 2015. (The quoted passage starts at around 9:07)

4 A "keyhole" solution is described by Tim Harford as follows: "Keyhole surgery allows surgeons to operate without making large incisions, minimising the risks of complications and side effects. Economists often advocate a similar strategy when trying to fix a policy problem: target the problem as closely as possible rather than attempting something a little more drastic." From Harford, T 2012, *The Undercover Economist*, Oxford University Press, New York, p. 138.

5 Caplan, B 2008, 'Milton Friedman opposed a Pareto improvement'. Available at: http://econlog.econlib.org/archives/2008/06/milton_friedman_10.html Accessed on: 2 June 2015

6 Department of Human Services (DHS) 2015a, 'New Zealand citizens claiming payments in Australia'. Available at: http://www.humanservices.gov.au/customer/enablers/nz-citizens-claiming-payments-in-australia Accessed on: 31 May 2015

7 World Trade Organisation (WTO) 2015, Regional Trade Agreements Information System (RTA-IS). Available at http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx Accessed on: 27 September 2015.

8 International Organisation for Migration (IOM) 2010, *Free movement of persons in regional integration processes*, IOM Geneva, pp. 19-20. Available at: http://publications.iom.int/bookstore/free/RB13.pdf Accessed on: 14 August 2015

9 Asia Pacific Economic Cooperation (APEC) 2015, 'Business resources'. Available at: http://www.apec.org/About-Us/About-APEC/Business-Resources.aspx Accessed on: 15 August 2015

10 Trachtman, JP 2009, *The International Law of Economic Migration: Toward the Fourth Freedom*, W. E. Upjohn Institute for Employment Research, Kalamazoo, p. 2. Available at: http://research.upjohn.org/cgi/viewcontent.cgi?filename=0&article=1030&context=up_press&type=additional Accessed on: 30 May 2015

11 European Commission 2015, 'The EU single market – General policy framework'. Available at: http://ec.europa.eu/internal_market/top_layer/index_en.htm Accessed on: 30 May 2015

12 EFTA's current members are Iceland, Liechtenstein, Norway and Switzerland. Six previous members (Austria, Denmark, Finland, Portugal, Sweden and the UK) joined the EU.

13 European Free Trade Association (EFTA) 2015, 'The Basic Features of the EEA Agreement'. Available at: http://www.efta.int/eea/eea-agreement/eea-basic-features Accessed on: 2 June 2015

14 Nordic Council members are Denmark, Finland, Iceland, Norway and Sweden.

15 Nordic Council 2015, 'Passport Issues, Citizenship and National Registration'. Available at: http://www.norden.org/en/om-samarbejdet-1/nordic-agreements/treaties-and-agreements/passport-issues-citizenship-and-national-registration Accessed on: 2 June 2015

16 Organisation for Economic Cooperation and Development (OECD) 2014, 'Is migration good for the economy?' Available at: http://www.oecd.org/migration/mig/OECD%20Migration%20Policy%20Debates%20Numero%202.pdf Accessed on: 15 August 2015

17 European Commission 2013, 'Impact of mobile EU citizens on national social security systems', media release, 14 October. Available at: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1980 Accessed on: 6 June 2015

18 Rachman, G 2006, 'Hysteria, hypocrisy and the world's immigrant hordes', *Financial Times*, 12 September. Available at: http://www.ft.com/cms/f782cf00-41fb-11db-b4ab-0000779e2340.html Accessed on: 2 June 2015

19 Parker, G 2013, 'David Cameron launches attack on EU migration', *Financial Times*, 27 November. Available at: http://www.ft.com/cms/s/0/b2b10574-56c3-11e3-ab12-00144feabdc0.html Accessed on: 17 August 2015

20 Traynor, I 2014, 'Cameron posturing on migration and benefits tourism, says EU jobs official', *Guardian*, 10 February. Available at: http://www.theguardian.com/politics/2014/feb/09/david-cameron-posturing-migration-job-seeking-benefits-tourism-laszlo-andor Accessed on: 16 August 2015

21 Reid, S 2014, '"Your benefits system is crazy. It's like finding a sackful of cash left on the road": How shocking admission by Rudi and his huge Romanian family debunks Eurocrat's claims that "benefit tourism is a myth"', *Daily Mail*, 15 February. Available at: http://www.dailymail.co.uk/news/article-2559776/This-week-Eurocrat-told-Britain-benefit-tourism-myth-read-Rudi-huge-Romanian-family-say-new-home-Your-benefits-crazy-Its-like-finding-sackful-cash-left-road.html Accessed on: 5 June 2015

22 Jinga, I 2014, 'Romanians do not recognise this thief stereotype – and neither do the British', *Guardian*, 18 February. Available at: http://www.theguardian.com/commentisfree/2014/feb/18/romanians-thief-stereotype-british-people-daily-mail-rudi-roma-romanian Accessed on: 17 August 2015

23 Dr Jinga's prediction of minimal further migration from Romania turned out to be completely wrong. In the following 12 months the UK issued more than 150,000 national insurance numbers (NINos) to Romanians. A NINo is necessary for work or welfare in the UK, and Romanians were the single largest group obtaining them. Bulgarians obtained more than 40,000, so that over a 12 month period the UK had an uncontrolled inflow of almost 200,000 people from the two countries that joined the EU in 2007, and that gained unrestricted access to the UK labour market in 2014. Department for Work and Pensions [UK] 2015, 'NINo Registrations To Adult Overseas Nationals Entering The UK', 21 May. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/428522/tables-nino-allocations-to_Mar-2015.xls Accessed on: 29 August 2015

24 Watt, N 2015, 'UK will quit EU unless PM's reforms go through, says Phillip Hammond', *Guardian*, 28 May. Available at: http://www.theguardian.com/politics/2015/may/28/uk-quit-european-union-eu-reforms-philip-hammond Accessed on: 2 June 2015

25 Marriage, M 2015, 'Swiss outline plans to curb immigration from EU', *Financial Times*, 11 February. Available at: http://www.ft.com/intl/cms/s/0/d2330148b22211e480af00144feab7de.html Accessed on: 31 May 2015.

26 Productivity Commission & New Zealand Productivity Commission (PC & NZPC) 2012a, *Strengthening trans-Tasman economic relations*, p. 150. Available at: http://www.pc.gov.au/inquiries/completed/australia-new-zealand/report/trans-tasman.pdf Accessed on: 28 May 2015

27 PC & NZPC 2012b, *Strengthening trans-Tasman economic relations supplementary paper D: People movement*, p. 9. Available at: http://www.pc.gov.au/inquiries/completed/australia-new-zealand/report/13-trans-tasman-supplementaryd.pdf Accessed on: 7 June 2015

28 Kent, C 2015, 'Adjustments in the Labour Market', Address to the Economic Society of Australia (Qld) Luncheon, Brisbane, 14 August. Available at: http://www.rba.gov.au/speeches/2015/sp-ag-2015-08-14.html Accessed on: 17 August 2015

29 Commonwealth Exchange 2014, *How to Solve a Problem like a Visa*, pp. 29-30. Available at: http://www.commonwealth-exchange.org/s/How-to-Solve-a-Problem-like-a-Visa.PDF Accessed on: 2 June 2015

30 PC & NZPC 2012b, *Strengthening trans-Tasman economic relations supplementary paper D: People movement*, p. 22. Available at: http://www.pc.gov.au/inquiries/completed/australia-new-zealand/report/13-trans-tasman-supplementaryd.pdf Accessed on: 7 June 2015

31 Television New Zealand (TVNZ) 2001, 'Welfare deal to smash bludger myth', 25 February. Available at: http://www.tvnz.co.nz/content/30862/2556418/article.html Accessed on: 19 August 2015

32 Abbott, T 2015, 'Address to the 35th Singapore lecture', Singapore, 29 June. Available at: https://www.pm.gov.au/media/2015-06-29/address-35th-singapore-lecture-singapore Accessed on: 30 June 2015

33 Sherwood, H 2014, 'Ten years on and Poles are glad to call Britain home', *Guardian*, 27 April. Available at: http://www.theguardian.com/uk-news/2014/apr/26/polish-immigration-britain-cities-elections Accessed on: 2 June 2015

34 • Eligibility for the eVisitor visa is at DIBP 2015c, 'eVisitor (subclass 651)'. Available at: https://www.border.gov.au/Trav/Visa-1/651-

• Eligibility for the Electronic Travel Authority is at DIBP 2015d, 'Electronic Travel Authority Information'. Available at: https://www.border.gov.au/Trav/Visa-1/601-

35 Sources for Table 1 are as follows:

• Population and per capita GDP numbers are from International Monetary Fund (IMF) 2015, IMF World Economic Outlook Database. GDP numbers are IMF estimates for 2014. Available at: http://www.imf.org/external/pubs/ft/weo/2015/01/weodata/index.aspx

• Working holiday visa eligibility is from Department of Immigration and Border Protection (DIBP) 2015a, 'Working Holiday visa (subclass 417)'. Available at: https://www.border.gov.au/Trav/Visa-1/417-

• Number of working holiday visa holders in Australia represents numbers as at 31 December 2014, and is from DIBP 2014, 'Working Holiday Maker visa programme report 31 December 2014'. Available at: http://www.border.gov.au/ReportsandPublications/Documents/statistics/working-holiday-report-dec14.pdf

• Number of residents in Australia is the estimate as at 2014, and is from Australian Bureau of Statistics (ABS) 2014, 'Estimated Resident Population by Country of Birth – 1992 to 2014'. Available at: http://stat.abs.gov.au/Index.aspx?QueryId=743

• General non-return rate represents numbers as at 30 June 2013, and is from DIBP 2015b, 'Modified Non-Return Rate Quarterly Report Ending at 30 June 2013'. Available at: https://www.border.gov.au/about/reports-publications/research-statistics/statistics/visit-australia/quarterly-report-june-2013

• Reciprocal healthcare agreement information is from DHS 2015b, 'Health care for visitors to Australia'. Available at: http://www.humanservices.gov.au/customer/enablers/medicare/reciprocal-health-care-agreements/health-care-for-visitors-to-australia

• US Visa Waiver Program information is from US Customs & Border Protection (CBP) 2015, 'Frequently Asked Questions about the Visa Waiver Program (VWP) and the Electronic System for Travel Authorisation (ESTA)'. Available at: http://www.cbp.gov/travel/international-visitors/frequently-asked-questions-about-visa-waiver-program-vwp-and-electronic-system-travel

36 US Customs & Border Protection (CBP) 2015, 'Frequently Asked Questions about the Visa Waiver Program (VWP) and the Electronic System for Travel Authorisation (ESTA)'. Available at: http://www.cbp.gov/travel/international-visitors/frequently-asked-questions-about-visa-waiver-program-vwp-and-electronic-system-travel Accessed on: 1 June 2015. Canada is not included in the US Visa Waiver Program, as Canadian nationals have more favourable entry conditions to the US than those offered to VWP country nationals.

37 European Council 2011, *Council Regulation No 539/2001 listing third countries whose nationals must be in possession of visas when crossing the external borders and those whose nationals are exempt from that requirement*, revision published 11 January 2011. Available at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2001R0539:20110111:EN:PDF Accessed on: 28 May 2015

38 DIBP 2015a, 'Working Holiday visa (subclass 417)'. Available at: https://www.border.gov.au/Trav/Visa-1/417-

39 There is a difference between a *working holiday visa* (subclass 417), and a *work and holiday* visa (subclass 462). The latter has significantly stricter educational and other selection requirements, and usually has a country-specific cap on numbers. US citizens are eligible for a subclass 462 visa, but not a subclass 417 visa. DIBP 2015e, 'Work and Holiday visa (subclass 462)'. Available at: https://www.border.gov.au/Trav/Visa-1/462-

40 The statistics on origin capture country of birth, but not necessarily citizenship or family background. The differences are unlikely to be significant when using place of birth as a very rough indicator of propensity to live and work in Australia.

41 Commonwealth Exchange 2014, *How to Solve a Problem like a Visa*, p.30. Available at: http://www.commonwealth-exchange.org/s/How-to-Solve-a-Problem-like-a-Visa.PDF Accessed on: 2 June 2015.

42 Australian Broadcasting Corporation (ABC) 2015, 'Boris Johnson: on the UK campaign trail with the man who would be PM', Foreign Correspondent program 28 April. Available at: http://www.abc.net.au/news/2015-04-28/boris-johnson-on-the-campaign-trail-with-man-who-would-be-pm/6421042 Accessed on: 27 May 2015

43 Department of Human Services (DHS) 2015b, 'Health care for visitors to Australia'. Available at: http://www.humanservices.gov.au/customer/enablers/medicare/reciprocal-health-care-agreements/health-care-for-visitors-to-australia Accessed on: 28 May 2015

44 PC & NZPC 2012a, *Strengthening trans-Tasman economic relations*, pp. 152-155. Available at: http://www.pc.gov.au/inquiries/completed/australia-new-zealand/report/trans-tasman.pdf Accessed on: 28 May 2015

45 Abbott, T 2015, 'Address to the 35th Singapore lecture', Singapore, 29 June. Available at: https://www.pm.gov.au/media/2015-06-29/address-35th-singapore-lecture-singapore Accessed on: 30 June 2015

46 Department of Human Services (DHS) 2015c, 'Medicare services'. Available at: http://www.humanservices.gov.au/customer/subjects/medicare-services Accessed on: 22 August 2015

47 Singapore government 2015, 'What help will I receive when I am sick?', 4 August. Available at: http://www.gov.sg/factually/content/what-help-will-i-receive-when-i-am-sick Accessed on: 22 August 2015

48 Singapore Department of Statistics 2011, *Census of Population 2010 Statistical Release 2: Households and Housing*, p. xi. Available at: http://www.singstat.gov.sg/docs/default-source/default-document-library/publications/publications_and_papers/cop2010/census_2010_release2/cop2010sr2.pdf Accessed on: 22 August 2015

49 US State Department 2013, 'Singapore Human Rights Report 2013'. Available at: http://www.state.gov/documents/organization/220439.pdf Accessed on: 21 August 2015. This report notes 2,203 canings carried out in 2012, which appears to be the most recent year for which the State Department has complete figures.

50 British Broadcasting Corporation (BBC) 2015, 'Singapore to cane and jail two German nationals for vandalism', 5 March. Available at: http://www.bbc.com/news/world-asia-31744029 Accessed on: 21 August 2015

51 Singapore government Overseas Singaporean Unit 2015, 'National Service'. Available at: https://www.overseassingaporean.sg/resources/students/staying-abroad/national-service Accessed on: 23 August 2015

Acknowledgements

CEDA would like to acknowledge the following members and individuals who contributed to CEDA's general research fund between 1 October 2014 and 1 October 2015.

CEDA undertakes research with the objective of delivering independent, evidence-based policy to address critical economic issues, and to drive public debate and discussion. CEDA could not complete its research without the support of these contributors.

National

ABB Australia

ACIL Allen Consulting

Advisian

AECOM

AEMO

Allens

ANZ Banking Group

APA Group

Arup

Asciano

Ashurst

Australian Institute of Professional Education

Australia Post

AustralianSuper

Australian Catholic University

Australian Rail Track Corporation

Bankwest

Beca

BHP Billiton

Cardno

Chartered Accountants Australia and New Zealand

Clayton Utz

Commonwealth Bank of Australia

CSC

Deloitte

Empired

EY

G4S Australia and New Zealand

HASSELL

Herbert Smith Freehills

IBM

John Holland

Keolis Downer

KinCare

KPMG

Leighton Contractors

McConnell Dowell

McKinsey & Company

Microsoft

Milwaukee Tools Australia

Minerals Council of Australia

Mitsubishi Australia

Navitas

Nous Group

Philips Electronics

PwC Australia

Reserve Bank of Australia

Rio Tinto

RSM Bird Cameron

Santos

SEEK

Serco Australia

Shell Australia

Stellar Asia Pacific

Stockland

Telstra

The University of Queensland

Transdev

Transfield Services

Transurban

TRILITY

Uber

URS

Westpac

WSP | Parsons Brinckerhoff

ACT

Aged and Community Services Australia

Australian Bureau of Statistics

Australian National University

Federal Department of Employment

Federal Department of Industry, Innovation and Science

Group of Eight Australia

NSW

AGL

Australian Computer Society

Australian Payments Clearing Association

Barangaroo Delivery Authority

Bloomberg

BOC

Business Events Sydney

BRI Ferrier

Cement Concrete and Aggregates Australia

Clean Energy Finance Corporation

Coal Services

Community Services and Health Industry Skills Council

David Adams

Defence Housing Australia

Diabetes NSW

EIG

Export Finance and Insurance Corporation

Four Seasons Hotel Sydney

Fragomen

Gadens

Gilbert + Tobin

Greg Fackender

Guy Dixon

Hay Group

Healthdirect Australia

Healthways Australia

Holcim (Australia)

Hunter Valley Coal Chain Coordinator

Insurance Australia Group

International SOS Australia

JBA

J.P. Morgan

Phillip Isaacs, OAM

Macquarie University

ManpowerGroup Australia

Marsh

McCullough Robertson Lawyers

National Insurance Brokers Association of Australia

New South Wales Treasury Corporation

NSW Department of Family and Community Services

NSW Department of Premier and Cabinet

NSW Ports

Plenary Group

Regional Development Australia Hunter

Snowy Hydro

Sydney Airport

Sydney Business School, University of Wollongong

Sydney City Council

Sydney Water

TAFE NSW Western Sydney Institute

TBH

The Benevolent Society

The BPAY Group

The Future Fund

The GPT Group

Thorn Group

Transport for NSW

UGL

United Overseas Bank

University of Newcastle

University of Technology Sydney

UNSW Australia

VISA

Western Sydney University

Wollongong City Council

WorkCover NSW

NT

Darwin Convention Centre

QLD

Accenture Australia

Advance Cairns

Arrow Energy

AGL

Aurizon

BDO

Bond University

Brisbane Convention and Exhibition Centre

Brisbane Marketing

City of Gold Coast

Clanwilliam Aged Care

Construction Skills Queensland

Community Services Industry Alliance

Echo Entertainment Group

Emergency Medicine Foundation

Energex

Ergon Energy

Gadens

GHD

Griffith University

Hastings Deering

Ian Davies

Ipswich City Council

James Cook University

K&L Gates

Local Government Association of Queensland

Logan City Council

Lutheran Community Care

MacroPlan Dimasi

National Australia Bank

New Hope Group

NICTA

NOJA Power

Port of Brisbane Pty Ltd

QIC

QSuper

Queensland Airports

Queensland Department of Agriculture and Fisheries

Queensland Department of Environment and Heritage Protection

Queensland Department of the Premier and Cabinet

Queensland Department of State Development

Queensland Department of Transport and Main Roads

Queensland Law Society

Queensland Resources Council

Queensland Treasury Corporation

Queensland Treasury

Queensland Urban Utilities

QUT

Robert Walters

Robyn Stokes

Seqwater

South Burnett Regional Council

Stanwell Corporation Limited

St Vincent de Paul Society

Sue Boyce

Suncorp Group

SunWater

Super Retail Group

Toowoomba and Surat Basin Enterprise

Toowoomba Regional Council

UniQuest

University of Southern Queensland

Wiggins Island Coal Export Terminal

SA

Adelaide Airport

Adelaide Casino

Adelaide Convention Centre

BankSA

BDO

Business SA

City of Playford

Coopers Brewery

Data Action

ElectraNet

Flinders Ports

Flinders University

Funds SA

Health Partners

Hughes Public Relations

Hoshizaki Lancer

Life Without Barriers

Master Builders Association of South Australia

NCVER

Philmac

RAA of SA

SA Department of Environment, Water and Natural Resources

SA Department of Health

SA Department of Primary Industries and Regions

SA Department of the Premier and Cabinet

SA Power Networks

Scotch College Adelaide

South Australian Water Corporation

Southern Cross Care (SA)

Statewide Super

TAFE SA

Thomson Geer

University of South Australia

TAS

Aurora Energy

Tasmanian Department of Premier and Cabinet

TasNetworks

University of Tasmania

VIC

AusNet Services

Australian Unity

Barwon Water

BASF Australia

Benetas

Bombardier Transportation Australia

Bravo Consulting

Bupa

Cabrini Health

Care Connect

CBP Lawyers

Citipower and Powercor Australia

City of Ballarat

City of Greater Geelong

CSL

Data#3

Deakin University

Epworth HealthCare

Essential Services Commission

ExxonMobil

Housing Choices Australia

IFM Investors

Independent Schools Victoria

Industry Super Australia

JANA Investment Advisers

Janice Van Reyk

Jo Fisher Executive

La Trobe University

MAI Capital

Medibank

Melbourne Water Corporation

META

Metro Trains Melbourne

Mitchell Institute

Monash University

National Australia Bank

NICTA

Open Universities Australia

Oracle

PGA Group

Pinnacle Group

Pitt&Sherry

Programmed Group

Public Transport Victoria

Royal Women's Hospital

RPS

Sue Zablud

Sustainability Victoria

Swinburne University of Technology

The Future Fund

The Smith Family

Toyota

Treasury Corporation of Victoria

United Energy and Multinet Gas

University of Melbourne

Victoria University

Victorian Department of Education and Training

Victorian Department of Environment, Land, Water and Planning

Victorian Department of Premier and Cabinet

VicTrack

VISA

Western Water

Wilson Transformer Company

Workskil

WA

Australian Bureau of Statistics

ATCO

Bendigo Bank

Brookfield Rail

CBH Group

Chamber of Commerce and Industry of Western Australia

Chevron Australia

City of Perth

ConocoPhillips

Curtin University

DORIC Group

Dynamiq

Edith Cowan University

ExxonMobil

Georgiou Group

HopgoodGanim Lawyers

Independent Market Operator

INPEX

Jackson McDonald

Lanco Resources

LandCorp

Landgate

Lavan Legal

Leighton Contractors

Main Roads, Western Australia

Murdoch University

OptaMAX

Perth Airport

RAC of WA

Public Sector Commission

SAP Australia

Silver Chain

South West Institute of Technology

Terry Grose

The University of Western Australia

The Chamber of Minerals and Energy of Western Australia

WA Department of Agriculture and Food

WA Department of Commerce

WA Department of Lands

WA Department of Mines and Petroleum

WA Department of Planning

WA Department of Transport

WA Department of Treasury

WA Super

Western Australian Treasury Corporation

Wellard Group Holdings

CEDA Board of Governors

CEDA Board of Directors

National
Level 13, 440 Collins Street
Melbourne VIC 3000
GPO Box 2117
Melbourne VIC 3001
Telephone 03 9662 3544
Email info@ceda.com.au

New South Wales and the ACT
Level 14
The John Hunter Building
9 Hunter Street
Sydney NSW 2000
GPO Box 2100
Sydney NSW 2001
Telephone 02 9299 7022
Email info@ceda.com.au

Queensland
Level 17, 300 Adelaide Street
Brisbane QLD 4000
GPO Box 2900
Brisbane QLD 4001
Telephone 07 3229 9955
Email info@ceda.com.au

South Australia and the Northern Territory
Level 7
144 North Terrace
Adelaide SA 5000
PO Box 8248, Station Arcade
Adelaide SA 5000
Telephone 08 8211 7222
Email info@ceda.com.au

Victoria and Tasmania
Level 13, 440 Collins Street
Melbourne VIC 3000
GPO Box 2117
Melbourne VIC 3001
Telephone 03 9662 3544
Email info@ceda.com.au

Western Australia
Level 5
105 St Georges Terrace
Perth WA 6000
PO Box 5631, St Georges Tce
Perth WA 6831
Telephone 08 9228 2155
Email info@ceda.com.au

committee for economic development of australia