

TTG Submission to Australia 2020 Summit – The Future of the Australian Economy (Topic 1)

In announcing Australia's trade policy in February, Trade Minister Crean confirmed that the highest priority is to support the WTO system.

A review to find ways of increasing Australia's export performance while promoting internationally competitive domestic economic development, improving national productivity and enhancing national wealth is underway.

Meeting those goals will involve increasing export opportunities for our world competitive industries.

In new areas covered by international trade negotiations, particularly services where small businesses predominate, the obstacles to entry are in 'behind-the-border' forms. Our services sector accounts for over three-quarters of national output and 80% of Australian jobs. But it currently contributes only 23% of total exports, because access to international markets for services is severely limited by these opaque 'behind-the-border' barriers.

These often apply at a regional or provincial level, and are therefore unlikely to reach the negotiating table unless the national 'offers' prepared for negotiations in Geneva are consciously structured to secure the gains available from opening domestic markets to international competition.

It is only in that context, when focus is on the gains available from opening domestic markets to international competition, that governments are likely to recognise that dismantling these non-transparent barriers will also increase their gains from trade liberalisation.

The WTO has no authority to deal with these non-transparent barriers. Its charter recognises that the sovereignty of individual member countries is absolute and inviolate.

Given these limitations to the authority of the WTO, a major challenge for our government is to find a way of encouraging other governments to include these 'behind-the-border' barriers in the market opening offers they take to the negotiating table.

If they continue to meet their WTO commitments to reduce protection without bringing them into account, there will be little scope for Australia to develop export opportunities, especially for our services industries.

To be effective in opening external markets for our world competitive industries, including those in our services sector, any response to the problems facing the WTO system must satisfy three conditions:

- it must help individual governments participating in multilateral trade negotiations to develop negotiating offers that will deliver the economy-wide (national) gains available from liberalising their domestic markets;
- it must encourage and enable them to identify, and bring to the negotiating table, their own behind-the-border barriers to trade;
- it must leave them in full control of domestic policy.

An initiative that meets these conditions has been proposed by Australian and New Zealand business and industry organisations. The relevance of their initiative, however, is not limited to tackling 'behind-the-border' barriers. It recognises that all the national gains available from liberalising in a multilateral context depend on what each country takes to the negotiating table, not what they hope to take away from it. This issue has major implications for our future prosperity, and deserves the government's attention.

The group's proposal for restoring the WTO system, and our export performance, is on www.tasmantransparencygroup.com