

Global Politics and the Implications for Trade

International trade is as critical today as it has ever been, with trade accounting for 40% of Australia's GDP. Recent events; the election of Donald Trump, his withdrawal from the Trans-Pacific Partnership agreement, and talk about protecting American jobs, and Brexit in the United Kingdom (UK) may have both positive or negative implications for Australian trade, particularly agricultural trade.

What are the implications of Brexit for Australia?

As a member of the European Union (EU), the UK although a member of the World Trade Organisation (WTO) in its own right, utilises the tariff and service obligations of the EU. As the UK moves to be independent from the EU they will need to establish their own WTO schedules.

Exports of Australian goods and services to the UK are currently valued at around \$AUD12,069m (Austrade) so it is important that the Australian Government work proactively with the UK to maximise market access. A free trade agreement with the UK is an objective of the Australian Government and the pending establishment of a Joint Trade Working Group will scope the parameters for such an agreement.

Critical too is the negotiation for a free-trade agreement between Australia and the European Union.

The Trans-Pacific Partnership and the Possibility of Increased US Trade Protection

The Trans-Pacific Partnership (TPP) initially included; Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam. These twelve countries represent around 40 percent of the global economy and a quarter of the world's trade. The agreement is of significant importance to Australia as in 2015-16 exports of goods and services to these countries was worth an estimated \$99 billion, including \$16 billion worth of agricultural goods.

Of the countries involved in the TPP Australia has existing Free Trade Agreements with all but three, Canada, Mexico and Peru.

The Trans-Pacific Partnership has opened new trade and investment opportunities for Australia and has had a positive impact on promoting job creating growth. The agreement helps to integrate the Australian economy into the Asia Pacific region which is a key driver of global economic growth. The Asia-Pacific region accounts for almost half global trade and an estimated 72 percent of Australian trade.

There is an existing free trade agreement between Australia and the United States of America (US), an agreement which has been in place since January 2005. This agreement has reduced tariffs, increased quotas, granted greater intellectual property protection, opened two-way investment and eased some market restrictions in the Buy American Act. Austrade indicates that exports to the US are valued at AUD\$21,917m.

Under the TPP agreement there will be the reduction or elimination of tariffs and some preferential access through quotas. The US's withdrawal from the TPP may have implications for some of these reductions, but many will remain. Elimination of Canadian, Peruvian and Mexican tariffs on beef or offal, and the elimination of Mexican tariffs on wheat and barley present additional opportunities for Australia. This may be quite significant if the US increase trade protection. Existing US trading partners may retaliate, providing benefits, at least in the short term for countries such as Australia.

Why are Free Trade Agreements Actively Sought by the Australian Government?

With 40% of Australian GDP derived from trade, we, as a country need to work tirelessly for unimpeded global access. The intention for Australia must be to provide every possible opportunity to market our product to as many countries as possible. The future economic growth of Australia is tightly linked to expanding and strengthening Australia's trade and investment relationships with countries in the Asia-Pacific, Europe and the Americas.

The reduction of trade barriers, the negotiation of multilateral and bilateral trade agreements are all critical activities required to secure our position in the global economy. Critical too is working to produce products to meet the needs of the target market. The pulse market is a classic example. The size and shape of pulses is important, and breeding programs have been actively working to produce varieties with both the production traits (for example disease resistance) and the end product traits that are needed.

The negotiation of free-trade agreements with as many countries as possible is increasingly important at a time when we are seeing increasing trade protection from countries like the US. Export industries with a diverse market-spread will be more easily able to adjust to changing trade conditions. This would be strengthened where products are supported by an efficient value chain, and effective industry based promotion and technical support.

Regardless of how many free-trade agreements Australia has in place, the sustainable production of agricultural product will become increasingly important. Farm planning incorporating best practice management, integration of new technology, implementation of biosecurity plans and quality assurance systems, will become necessary if Australian agricultural products are to create the competitive advantage needed to secure market access and market volume.

References

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