Introduction

Thank you for the opportunity to hear the excellent presentations at the workshop today.

I am pleased to present at the Workshop on behalf of the Department of Foreign Affairs and Trade.

Due to unavoidable commitments

- including an imminent Australia-India Comprehensive Economic Cooperation Agreement, or “CECA” negotiating round
- Alison Burrows, the lead services negotiator for Australia, was forced to withdraw her participation in the conference at late notice.

But I welcome the opportunity to be here.

My name is Paul Murphy

- I am an officer in the North Asia Investment and Services Branch of Free Trade Agreement (FTA) Division of DFAT
- And I will also be participating in the services negotiations with India next week.

My core responsibilities relate to the development and negotiation of services aspects of FTAs under negotiation

- specifically, those currently under negotiation with Japan, China, Republic of Korea, and India.

I note the rather broad title given to my presentation.

In essence I hope to convey something of the Government’s approach to services in the development of bilateral, regional and multilateral trade architecture

- with reference to India
- and show how the Government is meeting the challenges discussed in presentations earlier today.

The Government’s approach to trade policy

The Gillard Government’s approach to trade policy is set out in its Trade Statement of April 2011.
Amongst other things, it describes a set of disciplines governing the negotiation of trade agreements and their content. These include ideas such as:

- Multilateral agreements offer the largest benefits;
- Regional and bilateral agreements must not weaken the multilateral system — they must be genuinely liberalising, eliminating or substantially reducing barriers to trade;
- Australia will not seek to entrench preferential access to markets in trade negotiations, but simply an opportunity to compete on terms as favourable as anyone else; and
- The public will be well informed about negotiations and have an opportunity for input.

These ideas guide many of the activities we undertake in DFAT to promote liberalisation of services and improve opportunities for our services exporters.

**Australia’s Multilateral/WTO policy**

- It is widely acknowledged that multilateral approaches to trade liberalisation offer the greatest benefits
  - by their application to all WTO Members
  - and avoid the potential pitfalls of other approaches, such as trade diversion or overlapping rules.

- Australia has pushed for an ambitious, comprehensive outcome of the WTO Doha Round that liberalises trade in agriculture, manufacturing and services.
- But we cannot afford to wait for progress to be made in the Doha Round before advancing on services.
- We can’t wait for a number of reasons:
  - the benefits of trade liberalisation are too great, and
  - while we wait, liberalisation of trade is occurring, primarily through the proliferation of FTAs
    - according to Asian Development Bank, the number of FTAs globally has risen from 70 in 1990 to 300 in 2010.

- In addition to bilateral FTAs, liberalisation is also being achieved through plurilateral or regional initiatives
  - That is, coalitions of ambitious liberalisers.

- The Government’s goal is that these bilateral, plurilateral and regional agreements should be building blocks towards multilateral liberalisation, minimising the spaghetti bowl effect of agreements, or ‘noodle bowl’ as described in relation to Asia.
- Australia has been working with other reform-minded WTO Members to find new pathways to services negotiations, which would support multilateral reform.
In direct response to a call by Ministers at the WTO Ministerial Conference in Geneva on December 2011, Australia is leading discussions on a plurilateral services agreement.

- We have been encouraged by the positive and constructive engagement on our vision.
- Current participating economies, of which there are 20, collectively account for over 70 per cent of world trade in commercial services and, a similar proportion of world GDP.
- We are committed to achieving a high-ambition outcome that will support the multilateral trading system and which is consistent with the objectives of the Doha Round negotiating agenda.
- Formal negotiations are proposed for 2013.

Reflecting the goal of supporting the multilateral trading system, multilateralisation of the agreement is a strong focus for all participants.

Participants have identified elements of a tool kit for multilateralising an agreement, which includes:

- Using GATS as a basis for work.
- Creating an agreement which would be open to new participants.
- Creating a pathway to multilateralisation on the basis of a critical mass.
- Bringing discussions into relevant WTO committees; and
- Subject to agreement by all WTO Members, incorporating the agreement as a WTO plurilateral agreement.

I should also note, DFAT is committed to a comprehensive engagement strategy with the public on the development of this and other trade initiatives.

I would encourage those with strong interests to engage in relevant submissions process.

FTAs

Over the past 20 years as the multilateral system has moved slowly, countries have been signing Free trade Agreements.

Across the globe, there is an expanding network of FTAs, involving developing and developed countries alike.

Good FTAs: high-quality, comprehensive free trade agreements, can play an important role in supporting global trade liberalisation and are explicitly allowed for under the World Trade Organization (WTO) rules.

Under these agreements, parties enter into legally binding commitments to liberalise access to each other’s markets.

- FTAs don’t just eliminate tariffs, they also address behind-the-border barriers.
- They help to encourage investment and enhance cooperation.
- They can address factors specific to services, such as standards and professional qualifications, and barriers buried deep in legislation or that exist because of the way to is applied.
- FTAs also typically address a range of other issues such as intellectual property rights, government procurement and competition policy.
They offer an opportunity to bind existing liberalisation, while the multilateral system catches up.

They can contain provisions and review mechanisms to enable ongoing liberalisation long after agreements are signed.

The proliferation of FTAs makes it more important for Australia to remain engaged in this process.

FTAs by other countries can create trade diversionary effects, until Australia concludes an agreement that again levels the playing field.

Decisions on whether to enter into and conclude negotiations will be based solely on the quality of the deal on offer, not on geo-political considerations.

The Government reserves the right not to sign up to a trade deal that is not truly liberalising. Australia has six FTAs currently in force: with New Zealand, Singapore, Thailand, the US, Chile and with ASEAN countries and New Zealand.

These FTA partners account for 28 per cent of Australia's total trade.

Australia is currently engaged in nine FTA negotiations

five bilateral FTA negotiations: China, Japan, Korea, India and Indonesia;

and four plurilateral or regional FTA negotiations:
: the Trans-Pacific Partnership Agreement (TPP);
: the Gulf Cooperation Council (GCC);
: a Pacific trade and economic agreement (called PACER Plus);
: and we are now participating in the launch of the Regional Comprehensive Economic Partnership Agreement (or RCEP).

Australia recently concluded negotiations with Malaysia and that agreement is undergoing domestic approval processes.

As can be seen, our current FTA partners are our major trading partners.

The announcement to participate in the November 2012 launch of RCEP was made in conjunction with the release of the Asian Century White Paper.

This will include ASEAN countries plus their FTA partners including India, but also China, Japan and Korea

The Government also staked its interest in trade talks involving Latin American countries in the White Paper.

These initiatives, along with the TPP, are seen as pathways to achieving APEC’s objective of a Free Trade Area of the Asia-Pacific (FTAAP).

The agenda is designed to lead us towards the goal of broader regional and multilateral liberalisation.

India Bilateral

Turning now to India, this conference has already discussed the Asian Century White Paper announcement that India will be a focus for expanding our bilateral engagement.

As you know, this announcement followed on the Prime Minister’s visit to India on 15 to 17 October.

During the visit, the two countries’ Prime Ministers acknowledged that bilateral ties were already strengthening
But they agreed that there was great potential for further growth in the relationship and highlighted the role of trade and investment and people-to-people links in this.

Australia’s High Commissioner to India, and the next Secretary for Foreign Affairs, Mr Peter Varghese, has neatly summed up Australia’s views of the relationship, saying:

“Australia very consciously recognises India as one of a very small number of countries that will matter most to Australia into the future.”

**Australia’s services trade, including services trade with India**

India is the world’s third-largest economy, and Australia’s trade and investment ties with it are expanding rapidly.

Trade between both countries has more than doubled in the past six years to over $20 billion.

Resources exports dominate the aggregate figures, but the part that is two-way trade in services is substantial and growing.

Sustained growth has seen India move into the top tier of Australia’s services trade partners.

- India ranks about sixth among Australia’s services export destinations and about twentieth as a source of services imports.
- Services trade with India is growing faster than with other countries.
- Australia’s services exports to India have a 10-year trend growth of 23 per cent, and reached $2.1 billion in 2011.

Key services exports to India in 2011 were:

- travel services worth $2 billion in 2011, of which education accounted for $1.6 billion, and
- business services ($160 million), transport services ($24 million) and ITC services (41 million).

The Prime Minister highlighted the role of education in the trade relationship.

- this has displayed some volatility in recent years for a variety of reasons.
- but the long term prospects for growth in education services exports are widely acknowledged.
- I note a tweet from Ravi Bhatia out of this conference saying that India has 400 universities but needs 1000.

And new prospects continue to emerge in sectors such as ICT, biotechnology, tourism, health, film, finance and insurance.

Deregulation of services sectors has been one of the highlights of India’s reforms

- reform continues, although many barriers remain.

Australian services suppliers are entering the Indian market:

- each of Australia’s ‘big four’ banks currently has an Indian presence
- Australian companies are involved in insurance, investment and wealth management.
- Accounting bodies have signed mutual recognition arrangements
- India’s considerable ICT success and rising teledensity has attracted the interest of companies such as Telstra.
Underpinning trade is a strengthening investment relationship.

- the total stock of Indian investment in Australia has risen from $609 million in 2006 to $11 billion in December 2011
  - of course, the resources boom is relevant here.
- Australian investment in India has reached $4.4 billion.

**Australia-India Comprehensive Economic Cooperation Agreement**

- Turning now to CECA negotiations.
- The Australian Government sees the CECA as fundamental to the expanding bilateral relationship with India.
- During Prime Minister Gillard’s visit, the two countries’ Prime Ministers welcomed progress on an agreement and renewed their commitment to achieving one which was equitable, comprehensive and high-quality.
- In September, remarking on the convergence of our economic interests, Minister for Trade and Competitiveness and the Minister for Assisting the Prime Minister on Asian Century Policy, Dr Craig Emerson, expressed his keen interest in seeing the CECA progress, particularly in the area of services.
- We are, however, under no illusions. Achieving a high quality deal will not be easy.
- Negotiations were launched on 12 May 2011
  - so far, we have held three rounds
  - the fourth one is scheduled for next week.
- The decision to move forward on the CECA was based on the results of independent economic modeling, submissions from the public, and the conclusions of a Joint Study Group.
- The Joint Study Group concluded that there was further potential in bilateral services trade, including in most of our already traded services and some where we are yet to trade.
- Negotiations on the Australian side are being led by DFAT, and we have called for public submissions
  - To date, 31 of these submissions have been published on the DFAT website and are available for all to see.
  - DFAT has also held consultation sessions in all state capitals with business, trade unions, NGOs as well as with State and Territory governments.
- The submissions give us a glimpse of what the Australian side hopes from CECA.
- Australia’s peak industry bodies have been very positive:
  - they say the CECA should address standards and certification, regulatory and approvals systems and behind-the-border restrictions.
- Industry groups hope the CECA will provide access in new service areas as they emerge.
Education providers and associations, and State and Territory governments hope the CECA will assist with:
- improving recognition in India of Australian-earned qualifications;
- streamlining of visa processing systems for students and academics;
- easing regulations to enable degree-twinning arrangements between universities; and
- easing of rules for establishing a commercial presence in India.

Many submissions express the hope that the CECA will address intellectual property protection.

Legal professionals hoped Australian lawyers would be permitted to practise foreign and international law in India.

Accountants hope the CECA could facilitate Australian FDI into accounting practices in India.

Respondents say they hope the CECA will make India’s bureaucratic processes more transparent and simpler for Australian companies to follow.

Others hope the CECA will address Government Procurement

The wish list is long, but it is useful for the Department of Foreign Affairs and Trade to receive this information as it will help us to form our market access requests to make of India in the course of CECA negotiations.

And I should point out that negotiating the agreement provides an opportunity to bind reforms India is making unilaterally over the course of the negotiations.
- For this reason we are paying particular attention to its recent reform announcements.

Conclusion

To conclude, India is important to the world, and especially important to Australia.
- This is especially so in terms of the future of our services trade.

We are negotiating an FTA with India at a time when India’s economy is growing and its Prime Minister has a legacy of reforming the economy.

The FTA provides the chance to lock in opportunities for our exports, while the multilateral system takes its own time.
- We see it as a building block towards wider liberalisation.

We will be ambitious in our approach to CECA negotiations
- With the goal of achieving a high-quality comprehensive economic cooperation agreement that will bring our countries closer together.
- But we are cognisant of the challenges ahead.