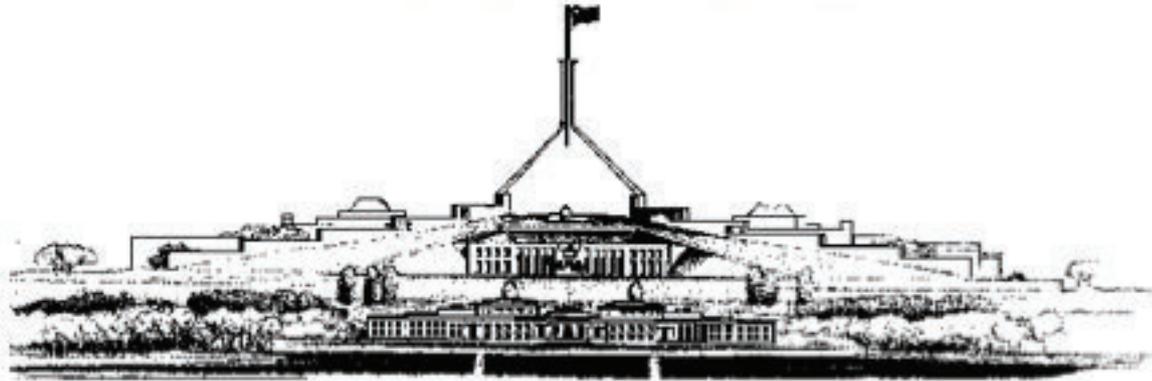




COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



THE SENATE

PROOF

BILLS

**Customs Amendment (Growing Australian
Export Opportunities Across the Asia-
Pacific) Bill 2019, Customs Tariff
Amendment (Growing Australian Export
Opportunities Across the Asia-Pacific) Bill 2019**

Second Reading

SPEECH

Monday, 25 November 2019

BY AUTHORITY OF THE SENATE

SPEECH

<p>Date Monday, 25 November 2019 Page 96 Questioner Speaker Kitching, Sen Kimberley</p>	<p>Source Senate Proof Yes Responder Question No.</p>
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Senator KITCHING (Victoria) (20:39): I rise to speak on the Customs Amendment (Growing Australian Export Opportunities Across the Asia-Pacific) Bill 2019 and the Customs Tariff Amendment (Growing Australian Export Opportunities Across the Asia-Pacific) Bill 2019. I begin by noting why the Labor Party has given our support to the recently negotiated free trade agreements with Indonesia, Hong Kong and Peru. While many sensitivities and valid concerns were raised throughout the process of negotiating these trade agreements, we have decided on the whole to support them because more than 2.5 million Australian workers depend on trade for employment, and Labor will always be the party of protecting jobs and representing the worker. While we would not have done these deals in this way if we were in government, it is nevertheless incumbent upon us to do whatever we can to create and protect Australian jobs. Reducing barriers to trade, both tariff and non-tariff, results in more competitive industries whereby the benefits are felt by Australian consumers through lower prices and greater choice. It is important to stress here that it is for these reasons we fought hard to secure various concessions from the government on these agreements. The trade union movement provided invaluable consultation in order for us to push for and win significant concessions that ensure the fairness of these agreements, most notably the protection of Australian jobs and measures to stop the exploitation of workers.

Today I want to speak more to the Peru-Australia free trade agreement, as I was on the treaties committee that looked at this and also travelled to Peru as part of a parliamentary delegation. However, I first want to acknowledge the importance of the Australia-Indonesia free trade agreement. The economic partnership between our two countries is one that, historically, has been undervalued—'boats, beef and barley' is the adage often repeated when this relationship is brought up. This trade agreement goes some of the way to helping address this imbalance. From an economic imperative alone, we should be engaging more with our northern neighbour, a country of a quarter of a billion people and a fast-growing middle class and consumer base. Anyone who has been to the capital, Jakarta, in recent times will know just how quickly that country is growing. Currently Indonesia only accounts for about two per cent of Australian exports. There are also the diplomatic imperatives of developing closer links with Indonesia. But, because of the potential size of this future economic relationship, it is important that we get this deal correct now.

I'd also like to add that when I went as part of a delegation to visit Indonesia, the ASEAN delegation, we went to a number of cities within Indonesia. What was striking was the number of Indonesians who'd had some tertiary education in Australia—and yet we do so little trade with Indonesia. It really does not make sense that that relationship is so undervalued.

Going back to our potential future economic relationship with Indonesia, to this end, the shadow minister for trade, Madeleine King, wrote to trade minister Simon Birmingham seeking firm commitments from the government in relation to the agreements. The minister then made a number of commitments. These included: seeking to terminate the existing bilateral investment treaty with Indonesia; a review of older-style investment treaties to replace them with modern safeguards; an assessment of the operation of investor-state dispute settlement mechanisms in a review of the Indonesia agreement that is mandated five years after entry into force; not to use the provisions of the Indonesia agreement to extend any labour market testing waivers for Indonesian contractual service suppliers; to ensure working holiday-makers are not exploited, by implementing the government's response to the recommendations of the Migrant Workers' Taskforce, including new criminal penalties; to ensure that working holiday-makers are qualified for work undertaken in Australia; and the confirmation that the agreements do not create an obligation to privatise any government services or to restrict any future decision to acquire public assets.

Moving on from Indonesia, another of the trade agreements that I was involved in during my time as a member of the Joint Standing Committee on Treaties in the last parliament is with Peru. This comprehensive agreement will create new trade and investment opportunities for Australia and Peru. It will act as an expansion on our existing agreement with Peru, whereby our trading relationship is currently governed under the World Trade Organization's most-favoured-nation arrangements.

While the committee had previously agreed in August 2018 that the Peru-Australia Free Trade Agreement, or PAFTA, as it is commonly known, be ratified, there were key areas in which the Australian Labor Party sought further information for examination. These areas related, firstly, to the complexity created by the number of trade agreements—particularly multiple agreements with the same partner. This is often referred to as the noodle bowl effect. Secondly, we were also concerned with the specific inclusion and operation of the investor-state dispute settlement provisions.

However, before I outline the specifics of the agreement that have led to its bipartisan backing, I again acknowledge for the record the Labor Party's long history of supporting trade. In this place, we have led in both advocating for and action on the removal of barriers, both tariff and non-tariff, in order to allow Australian products to compete and thrive in overseas markets. In fact, it was the Hawke-Keating economic reforms that paved the way for the now 26 years of uninterrupted economic growth we have seen in this country. It was their leadership during that period of Labor government that expanded our vision of ourselves as part of a greater region and allowed us to begin to do away with the cultural cringe that had been a persistent drag on our aspiration and on our achievement. The Australian Labor Party recognises that lower tariff rates promote jobs and investment and that open markets have helped to lift millions—if not billions—of people out of abject poverty around the world. It is with this progressive history in mind that we supported the Peru-Australia Free Trade Agreement.

Peru is our 54th largest trading partner, but this metric alone does not encompass the importance of this relationship nor what 'open access' means for our respective industries. Over the last decade, Peru has been one of the fastest growing economies in Latin America. Two-way trade between our countries was worth A\$590 million in 2016, and this is only expected to grow under PAFTA as opportunities for business and investment expand.

Australia's exports of beef, sheep meat, sugar, wine, canola, horticulture, rice, barley and wheat are effectively shut out of the Peruvian market due to high tariff barriers. Additionally, Peru's price ban system had resulted in tariffs of up to 29 per cent on Australian dairy, rice and corn. Australia is the fourth largest investor in Peru's mining and energy sector. On the parliamentary delegation to Peru, we met many in the mining and energy sector. If they could have had more Australian engineers there yesterday, they would have done so.

During the course of the committee, the Minerals Council of Australia noted that specialised mining equipment, technology and materials are some of Australia's leading expert exports to Peru. On the parliamentary delegation to Peru, I was able to try Andean quinoa, which the producers told me they were keen to start exporting to Australia. This quinoa is grown in a specific region of the Andes mountains where there is very high soil quality and very pure water. I remember that the Greens had quinoa at their Christmas party or their end-of-year party a few years ago, so maybe one day they will be able to have Andean quinoa as well!

Many of our trade competitors already have agreements with Peru—the European Union, the United States, Canada and Singapore have all signed bilateral FTAs. This is why it was so important for us to also secure favourable conditions—so as not to be effectively barred from entry due to tariffs, bureaucratic red tape and other barriers.

One issue that was repeatedly raised during the committee hearings into PAFTA and, in fact, was one of the main reasons the ALP called for the second committee was the noodle bowl effect. This refers to the complexity that exists where multiple agreements overlap. PAFTA is the fourth trade agreement that Australia either has or currently has under negotiation with Peru. Prior to PAFTA, our trade relationship was administered under the rules set out by the World Trade Organization. Both our countries are also signatories to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, commonly known as the CPTPP, and the Pacific Alliance Free Trade Agreement.

Firstly, it is important to understand that PAFTA was being negotiated while the future of the original TPP was very unclear. So, in the potential absence of that, it was very much desired to preserve many of the benefits available in PAFTA. Secondly, we need to look at PAFTA as separate from the CPTPP. Despite both Australia and Peru being signatories to each agreement, PAFTA is a better reflection of the singular views of our nation. The CPTPP was negotiated by 11 nations, giving equal access to each. However, PAFTA offers broader but less specific and technical benefits. We will also start to see the results of PAFTA almost immediately, as its ratification by Peru is only subject to an executive process.

The next issue that the committee looked into was the investor-state dispute settlement mechanisms, commonly known as ISDS. Here an international arbitration procedure allows for conflict resolution between countries and

foreign investors. While the committee acknowledged and was sympathetic to the ongoing concerns raised by many stakeholders, it is necessary to set straight some of the more outlandish scaremongering that has been present throughout the negotiation of recent trade agreements.

Firstly, ISDS provisions in the agreement equally benefit Australian companies. They give our companies an important assurance when operating in an environment that differs from the legal and ethical standards they may be privy to at home. Unfortunately the term 'ISDS' has also become synonymous with the plain-packaging lawsuit levelled against the Australian government by Philip Morris. Let me assure you that no-one is more aware of this than the Australian Labor Party. It was us, led by former Minister for Health and Ageing Nicola Roxon, who fought tooth and nail so that government policy to protect the health of citizens could not be undermined by corporations in this way. Additionally, compared to older ISDS mechanisms, modern provisions in agreements like the CPTPP, PAFTA and the updated Singapore-Australia Free Trade Agreement include extensive safeguards and protections for public policies.

The leading negotiators on PAFTA from the Department of Foreign Affairs and Trade explained to the committee that it includes some of the more thorough safeguards and standards ever negotiated in a trade deal. This includes in the areas of labour market testing and public health, both of which were front-and-centre concerns for the Labor Party. As in all negotiations, we had to weigh the positives against the negatives. After a long and thorough process, the bipartisan committee acknowledged the gains in opportunities that PAFTA will provide for Australian businesses and exporters and noted the importance of early ratification.

As I have said, I was lucky enough to be part of a parliamentary delegation to Mexico and Peru. On the second leg of this trip, we went to the Peruvian capital of Lima and also to some nearby towns and manufacturing businesses. As explained in detail just now, this visit was especially important given the various mutual trade agreements we either had or had under negotiation.

From 2016 to 2017, Australia and Peru's total two-way merchandise trade was \$435 million. In the same period, total trade in services was \$211 million. This included the export of education related travel, valued at \$45 million. In 2016, Australia's investment in Peru totalled \$563 million, primarily in the mining sector. While two-way trade is relatively modest, under the recently signed free trade agreement with Peru, these figures are expected to grow, and there is a real appetite there for Australia's know-how, particularly in the mining sector. On 12 February 2018, our respective ministers signed the Peru-Australia Free Trade Agreement. This will eliminate tariffs on 99 per cent of Australian goods within five years of the agreement's entry into force. It is important to note that this was negotiated when it wasn't clear whether the original Trans-Pacific Partnership Agreement would go ahead, given the United States' U-turn.

Finally, I would like to add that, as both a Victorian senator and the deputy leader of the delegation, I encourage us to look at ways to promote more students from Latin-America to come to study in Australia. Victorian government statistics show that international education has been the state's largest export for more than a decade. From 2016 to 2017, it generated \$9.1 billion in export revenue and supported almost 58,000 jobs. I will say that again: from 2016 to 2017, it generated \$9.1 billion in export revenue and supported almost 58,000 jobs. That is a major industry, by any description. Further growth in this area could serve as a major economic boost to the state. One area that we can immediately look at in order to facilitate this is in the Peru-Australia Air Services Agreement. While this was signed in 2017, it is yet to come into force.

These are areas that will not only provide for economic growth but also strengthen our bilateral friendships. As a middle power in the Asia-Pacific, we should be looking at all of the ways in which we can improve our ties and grow our engagement in our region.