

Australian trade push under fire

■ Emerson takes lead on services

Geoff Kitney

An Australian plan to revive global free trade talks has been backed by a meeting of influential trade ministers despite strong objections by several developing countries.

Australia has been given the all-clear at a meeting in Davos, Switzerland, to lead moves to get key countries to agree to reduce barriers in the global services markets, even though some countries claim this would be in breach of World Trade Organisation rules.

India, Brazil and South Africa – three of the countries blamed for the statement in the Doha trade round which resulted in negotiations being shelved late last year – issued a joint statement strongly objecting to the Australian-initiated move.

But Trade Minister Craig Emerson told *The Australian Financial Review* that Australia would urgently seek to convene a meeting of countries which backed the move.

He said he was optimistic that this would lead to early breakthroughs on

the opening up of services markets and to similar groups being established to consider other areas where trade barriers distorted markets, such as agriculture and the manufacturing industry.

Dr Emerson said that he told the Davos meeting: “While I do not believe Doha is dead, it is obviously not alive and it is only likely to be resuscitated by a radical new approach to the negotiations.”

The services negotiations will cover all aspects of the global services trade, covering markets as diverse as finance, legal and professional services, telecommunications and transport, and the global health and education services industries.

Although the WTO estimates that global services trade was worth more than \$3.76 trillion, many barriers to foreign investment in services remain high in much of the developing world.

The move to have separate WTO

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negotiations on services barriers prompted the Cairns Group of agricultural producing countries to immediately call for a similar group to the Australian-chaired services negotiating group to be established as soon as possible.

The move on services followed an Australian and US-led push late last year to attempt to "unblock" the impasse in the Doha trade round by breaking the negotiations into separate parts.

World trade negotiating rules have previously required agreement on all issues before new trade rules could be adopted. The so-called "nothing is agreed until everything is agreed" approach to the Doha round is widely seen as having made reaching an agreement impossible.

The new approach aims to achieve

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Trade Minister Craig Emerson

separate, "plurilateral" agreements on different aspects of the world trading system. One analyst described this as attempting to establish "coalitions of the willing" on trade liberalisation.

The director-general of the WTO, Pascal Lamy, who backs the new approach, told the Davos meeting that "the big deal will not be there". Without a new approach, he saw little prospect of a Doha agreement ever being reached.

US trade chief Ron Kirk admitted it was impossible to sell free trade to Americans in the current economic climate without being able to show American voters where they would benefit from trade agreements.

"Frankly, more and more Americans of all persuasions believe that we have swapped jobs for cheaper T-shirts and iPads," Mr Kirk is reported to have said in Davos.

The meeting of trade ministers was held on the sidelines of the World Economic Forum in Davos.

Similar meetings have been held in the past year to coincide with the WEF but, despite repeated calls to conclude the now decade-long Doha negotiations, have never achieved a breakthrough of the kind Dr Emerson insists the new approach offers the prospect of.

Dr Emerson told the *Financial Review* that the move to a "plurilateral" approach to trade liberalisation was a major victory for Australian trade diplomacy and for the proposals first put to world leaders by Prime Minister Julia Gillard last year at meetings of the G20, the East Asia Summit and APEC.

He said that despite the formal objections of India, Brazil and South Africa, there was no doubt that the new approach was legal under GATT rules. He said he had advice that they were permitted under Article 5 of the rules. There were also precedents for the "plurilateral" approach. Agreements on trade liberalisation in the information technology and government purchasing areas had been "plurilateral".

Dr Emerson said the advantage of such agreement was that they were not held up until the last country's demands and objections had been dealt with. Countries which accepted the new rules could sign up to them and others could join subsequently.

He said that this was not the same as free trade agreements outside the WTO because the agreements would be reached with the Geneva-based negotiating system and become part of the WTO rules.

Dr Emerson said some aspects of the Doha agenda would continue to be conducted on a multilateral basis.

For example, trade facilitation negotiations on matters such as customs procedures had been close to an agreement by all WTO members at the time the Doha round was shelved. He believed these negotiations could go ahead and be completed with all WTO members signing the agreement.

Dr Emerson said he told the meeting that "there are many paths to the mountain top of trade liberalisation but the pathway we have been following for the past 10 years is blocked.

Opening up

Top five services exporter and importer countries

EXPORTS			IMPORTS		
Rank	Country	2009 (\$USm)	Rank	Country	2009 (\$USm)
1	US	497,869	1	US	369,200
2	UK	239,564	2	Germany	257,123
3	Germany	232,588	3	UK	165,926
4	France	143,474	4	China	158,947
5	China	129,549	5	Japan	148,718
22	Australia	41,683	22	Australia	42,113
Total world		3,423,630	Total world		3,305,780

Australian exports by broad services type (\$m)

	2010	2009-10 (% growth)
• Manufacturing services on physical inputs owned by others	230	-30.1
• Maintenance & repair services	54	-21.7
• Transport	6,339	-1.8
> Passenger	2,713	-6.8
> Freight	425	-17.6
> Other transport	2,251	+8.0
> Postal & courier	950	+0.4
• Travel	32,817	+0.8
> Business	2,966	+9.5
> Personal	29,851	+0.0
> Education-related	17,685	-0.2
> Other personal	12,166	+0.4
• Other services	12,951	-2.2
• Total services exports	52,391	-0.5

Australian imports by broad services type (\$m)

	2010	2009-10 (% growth)
• Manufacturing services on physical inputs owned by others	6	+50.0
• Maintenance & repair services	283	+23.6
• Transport	14,670	+9.8
Passenger	5,708	+14.6
Freight	8,542	+9.2
Other transport	291	-22.8
Postal & courier	129	-27.5
• Travel	24,398	+8.3
> Business	3,150	+7.4
> Personal	21,248	+8.4
> Education-related	906	+10.1
> Other personal	20,342	+8.3
• Other services	16,565	-2.9
• Total services imports	53,499	-4.8

SOURCE: DEPARTMENT OF FOREIGN AFFAIRS AND TRADE

"So it is high time we found another," he said. "A pathway which includes plurilateral agreements under the auspices of the WTO is well worth pursuing.

"Some negotiating groups will be fully multilateral. Others will be plurilateral," Dr Emerson said.

"But Australia will be at every negotiation, pushing for further trade liberalisation. Negotiators have now been empowered to get on with it.

"Early results may be modest, but

we are looking to build confidence that the WTO is capable of achieving results. That is important when the political pressures in most countries are in the opposite direction of rising protectionism.

"If these new pathways can generate modest, early successes, that of itself could build momentum for more ambitious results."

He said that he came away from the Davos meeting feeling more positive about the prospects of making progress on trade liberalisation.