

Presentation by Alan Oxley, Director of AUSTA, the Australian Business Group for Free Trade Agreement with the United States to a meeting of ABE (Australian Business Economists, Sheraton on the Park, Sydney 27 February 2003.

While the dot com boom in the United States has passed, what started it has not.

We have just entered the Information Age.

In economic time, it is like the end of the nineteenth century when England showed the world what the Industrial Age might look like.

The last decade the United States showed us what the Information Age might begin to look like. The US is leading us into it.

The United States will remain the world's biggest economy for a long time yet and will remain the world's most competitive economy for even longer.

If Australia is to succeed in the global economy in the future, it needs to adopt the reference points for global competitiveness and these will continue to be set by the United States.

A free trade agreement with the US will give Australian business those reference points.

Because modern free trade agreements are not just about trade.

Most world trade today is virtually free. In the new open economy free of trade barriers, competitive business now needs other barriers removed.

To do business in the new era, businesses need the freedom to invest, the freedom to move personnel easily, business law and regulation that promote and do not impede business.

Removing tariffs is now no longer enough. For some of the new industries in the Information era, especially in the services sector, removal of these other impediments are more important than removing tariffs.

A modern FTA is only successful and effective if it does all those things.

Take investment. The US is the biggest investor in Australia. Over the last decade, the US emerged as the largest destination for Australian investment offshore.

We talk a lot about the importance of trade in agriculture today. We do that because it is the most difficult area in our bilateral economic relationship with the US.

But in the long run, other aspects of the economic relationship will become more important. In the last five years, the fastest growing parts of the relationship were in exports of Australian manufactures to the US –

If we treat wine as a manufactured product, half of our exports to the US are now manufactures.

And investment. In terms of annual flows, even when you discount for the fall in the value of the Australian dollar over the period, Australian investment into the US was more important than trade.

This is the natural consequence of the US and Australia being open economies and both securing the productivity gains from applying IT.

This will continue. This is the future.

To say this is not to neglect the future.

Australia can secure significant additional access to the US market for agriculture, particularly beef.

This will create extra jobs and higher growth in Queensland.

I visited Washington two weeks ago. The mood among those focused on this is expectation of a complete and effective agreement.

Australia can also secure greater protection for its exports in the US market.

Steel exports were threatened last year.

Protecting the capacity of Australian manufacturers to trade into the US will mean extra exports, extra growth and extra jobs in New South Wales, Victoria and South Australia – our manufacturing states.

Will an FTA damage our trading relations in Asia or other parts of the world?

Not at all. It will enhance them. It will improve the capacity of Australian business to compete more effectively in those markets.

And it will improve the overall environment. Most of Asia has lost the taste for economic reform. A good agreement between Australia and the US will encourage others to refocus on economic reform.

An FTA will do no damage to our relations with our trading partners in Asia.

Nor will they regard it adversely. A number of them are seeking FTAs with the US themselves.

And frankly, East Asia has become a less prospective and even hospitable economic region for Australia in recent years.

A number of countries seem more intent on playing regional politics than making their economies more competitive.

The medium outlook for growth in East Asia rests on increasingly risky foundations.

This does not mean we turn our back on Asia. That is not in political interest.

But we must remain clear eyed about where the reference points are for global competitiveness in the global economy in the future.

Only when we do that can we build our capacity to compete in the global economy on the basis of enlightened self interest.

Australia is one of the handful of nations who are following the lead of the US and is adjusting its economy to secure the benefits of Information Technology.

It is fundamentally in our interest to lock ourselves into that vanguard of change and innovation. I cannot think of a more effective vehicle with which to do that than a free trade agreement.

Comment by Alan Oxley after the event.

“The claim that Australia will discriminate its Asian trading partners through a US agreement is meaningless. If any trade preference is given to US importers, the economic impact will be so small Asian competitors will not notice.”

Note: a detailed analysis of the “discrimination” claims is set out in the attached article which will be published in the next issue of the Journal of the Australian Institute of International Affairs.