

Australia's FTA Policy: From Defensive Response to Competitive Liberalization?

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Since the economic reforms of the 1980s, Australia has been a strong supporter of multilateral trade liberalization. At the same time, Australia sought to engage itself with East Asia politically and economically. The new Coalition government in 1997 shifted foreign and trade policy emphasis towards an integrated approach of bilateralism, regionalism and multilateralism, urging for the need for policy "rebalancing." In terms of trade policy, the shift meant getting ready for bilateral FTAs but the concrete move towards bilateral FTAs did not come until 2000. The reason for the three-year "time lag" was decent export growth during the period, a legacy of the success of the Uruguay Round and the prospect of establishing a regional FTA, the AFTA-CER FTA. When the latter two petered out, the Australian government seriously started to seek FTA partners.

The initial goal of Australia's FTA policy was to prevent disadvantages that domestic firms would face in major trade and investment partners' markets. Thus, the potential FTA partners for Australia basically are major economic partners such as Singapore, the United States, Japan, China and Korea that have, or intend to have, FTAs with other countries. The government also set as its guidelines in pursuing FTAs: the achievement of significant and particular benefits, and gaining quicker results than multilateral liberalization and comprehensiveness. The FTA with Singapore seems to have fulfilled these self-constituted requirements. The pre-negotiation debate on an FTA with United States has been intense because it is an FTA with the world's strongest country both politically and economically. Whether the government can satisfy its FTA principles remains to be seen. In addition, through the argument for an FTA with the United States, the government has raised the concept of "competitive liberalization." It can be seen as a departure from Australia's original attitude towards its own FTAs, but it is uncertain whether its FTAs will induce other countries' liberalization.

In any case, the uniqueness of Australia's stance towards FTAs seems to lie in the government's and private sector's readiness to compete with others in foreign markets, if equal conditions are assured. If this still holds, Australia has a potential to initiate the "multilateralization" of its FTAs. In addition, external factors are likely to drive Australia's FTA multilateralization. Australia cannot afford to be left out of recent initiatives in East Asia that might lead to the creation of an East Asian FTA, and community, in the future. To be involved in it, Australia needs to establish formal and closer economic ties with East Asia. Australia can use SAFTA, the currently negotiated FTA with Thailand and the AFTA-CER CEP as a springboard to realize an AFTA-CER FTA, for the purpose of gradually multilateralizing its FTAs and engaging with the East Asian community.