SUMMARY

1. The resilience of the Australian economy has facilitated nearly 30 years of uninterrupted growth. During the last decade, the economy adjusted to the global financial crisis, a large terms-of-trade shock, and the end of a mining investment boom. The economy is diversified, with flexible labour and product markets, and is supported by strong institutional arrangements, robust regulatory frameworks, prudent macroeconomic policies, a flexible exchange rate regime, and a liberalized capital account. Real GDP grew by 1.9% in 2018/19, below the average annual increase of 2.6% between 2012/13 and 2017/18.

2. Private consumption has recently been slowing due to subdued wage growth, reflecting ongoing spare labour capacity, and the reversal of a property boom setting in since mid-2017. The authorities have been resorting to economic stimuli in the form of lower tax rates, higher public consumption, and increased outlays on research and development. In an improved fiscal environment where the federal budget swung from deficits to a slight surplus, the Government increased infrastructure spending to the tune of 0.5% of GDP per year. The Reserve Bank of Australia lowered its cash rate to a record low of 0.75% to boost growth. The economy was also aided by a depreciation of the Australian dollar relative to most major world currencies.

3. Although the current account has been in deficit for many years, the deficit has narrowed as the goods balance has been in surplus since 2016/17. In 2018, Asian markets absorbed more than 84% of Australia's exports. Mineral products account for nearly 60% of merchandise exports. The deficit in trade in services also declined due to a sustained increase in travel receipts, tourism and education-related exports. About 62% of Australia's imports are sourced in Asian countries.

4. Net flows of foreign direct investment (FDI) into Australia averaged AUD 60 billion per year in the period under review. About one third of the current FDI stock, estimated at AUD 968 billion in 2018, is in mining and quarrying. Investors from the EU-28, the United States and Japan account for more than 56% of the FDI stock. Proposed investments (above certain thresholds) are screened on a case-by-case basis by the Foreign Investments Review Board to ensure that the investments are consistent with domestic requirements and in the national interest. Applications are rarely turned down, as most national interest concerns are addressed through appropriate mitigation measures. Foreign investors currently own more than 13% of Australia's agricultural land. Pre-approval is required for foreign ownership in residential real estate and vacant commercial land. Australia's states introduced land taxes and stamp duty surcharges, to reduce the demand for Australian dwellings and residential land among non-resident investors. Foreign investment in airports, civil aviation, marine transport and telecommunications is subject to equity caps.

5. Australia was an original contracting party to the GATT, and is a founding Member of the WTO. Its trade policy is anchored in a broad understanding that international trade and investment are critical to the economy, providing jobs and prosperity. The Government assigns importance to an open international economy to guard against protectionism, and international rules to counter unfair trade actions and resolve disputes. Australia seeks trade agreements that improve market access and investment opportunities, and stimulate the competitiveness of Australian firms. During the period under review, important new RTAs entered into force, namely the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and free trade agreements (FTAs) with Japan and China. In addition, agreements with Hong Kong, China; Peru; and Indonesia, as well as the Pacific Agreement on Closer Economic Relations Plus (Pacer Plus), were signed but are not yet in force. Further FTAs are under negotiation with the European Union, the Gulf Cooperation Council, and India. Australia is participating in the efforts to form the Pacific Alliance Free Trade Agreement and the Regional Comprehensive Economic Partnership. In the WTO, Australia participates actively in initiatives and negotiations across the board.

6. Since its last review, Australia has ratified the WTO Trade Facilitation Agreement with full implementation of commitments across all categories. It is also implementing the expansion of the Information Technology Agreement which covers 201 additional products, and it joined the plurilateral Agreement on Government Procurement in 2019. It maintained a strong record regarding notifications, providing about 200 notifications to the WTO since early 2015. Australia was a respondent in one new dispute settlement case, and a complainant in two new cases, in the period under review.

7. Nearly all trade transactions are processed through the single window Integrated Cargo System. Since 2016, an Australian Trusted Trader (ATT) programme has been implemented, with an increasing number of participants. The Government concluded mutual recognition arrangements allowing ATT businesses access to trade facilitation benefits in eight trading partners. The authorities estimate the ATT programme to generate benefits totalling AUD 3.5 billion in nominal terms over the period 2015-25.

8. About 5% of the tariff lines in Australia's schedule of concessions and commitments on non-agricultural goods are unbound for import tariffs and "other duties and charges". The simple average bound tariff is 10.7% for non-agricultural products, with high bound rates for textiles and clothing, and significantly lower bound tariffs on agricultural products, where the simple average is 3.4%. Australia's average applied MFN tariff declined by 0.5 percentage points from 2014 to 2019, reflecting its participation in the ITA expansion as well as unilateral tariff cuts on textiles, clothing and footwear articles in 2015. The current average applied tariff (2.5%) is lower for agricultural products (1.4%) than for other goods (3.7%). The MFN tariff structure is very simple, as almost all goods face a tariff rate of either zero or 5% *ad valorem*. Australia's bilateral FTAs with Chile, China, Malaysia, New Zealand, Singapore, Thailand and the United States provide for duty-free and quota-free access for all their goods into the Australian market, on par with the access granted to LDCs and South Pacific Forum island countries under Australia's unilateral preference schemes. Extensive tariff reductions are also accorded to other preferential partners. In addition, the Customs Tariff Act, 1995 outlines a general system of tariff concessions, which is complemented by individual Tariff Concession Orders. Australia's MFN tariff rate quota system for cheese and curd remains in place.

9. Australia's system of indirect taxation includes a general Goods and Services Tax (GST) of 10%, a luxury car tax, a wine equalization tax, and excise duties on alcoholic beverages, tobacco and tobacco products, and fuel and petroleum products. A number of changes to the GST regime took place in the period under review, including its extension to digital products and services supplied cross-border to consumers in Australia. The application of GST to cross-border transactions between businesses was also modified to ensure that non-resident suppliers are not drawn unnecessarily into the GST system. Excise duty rates are indexed, and adjustments are normally carried out twice a year. The tobacco tax was raised an additional 12.5% in September 2019, and a further 12.5% increase should come into force on 1 September 2020. Australia's states and territories also collect a number of duties and taxes, but, except for motor vehicles, insurance and gambling, most of these have little or no bearing on trade.

10. Australia is an active user of anti-dumping and countervailing measures by international comparison. It has imposed 37 new anti-dumping measures since 2014, while 21 measures were terminated. At the end of 2018, 83 anti-dumping measures were in force, up from 23 in June 2010. Steel products account for more than 50% of the measures in force. Six new countervailing measures came into force in the period under review, with 15 in total in place at the end of 2018. No safeguard measures are in force, and no investigations were conducted in the period under review.

11. Australia prohibits or restricts the importation and/or exportation of certain goods, or establishes conditional measures that reflect measures applicable to the domestic production of identical, similar or like goods, public health or safety concerns, community protection, or Australia's participation in international agreements or arrangements to regulate trade in particular products. Australia also applies economic sanctions, whether mandated by the United Nations Security Council as a matter of international law or Australia-specific sanctions, that affect transactions with certain countries or entities. Efforts to consolidate and streamline export-related requirements for agricultural commodities and food products are ongoing, with the aim of having a new legal regime in place by 1 April 2020.

12. The entry into force of the Biosecurity Act (in 2015), two basic implementing regulations and a host of related legal instruments constitute a major recent development in the area of sanitary and phytosanitary measures in Australia. The legislation provides for risk analysis to be conducted through a regulated process (Biosecurity Import Risk Analysis) for goods in the review of existing trade, and in response to requests regarding products that have never been imported into Australia, or have not previously been imported from a particular country or region. As before, imports are not permitted unless the estimated biosecurity risks are "very low" (or lower).

13. The Imported Food Control Act was amended in 2018 to strengthen the safety system for imported food, including improved monitoring and management of new and emerging food safety

risks, and incident response. The revised Act increases importers' accountability for food safety and the sourcing of safe food. Food standards applicable are embodied in the Australia New Zealand Food Standards Code. A revised version of the Code was introduced on 1 March 2016, principally to clarify the requirements applicable to the labelling of food. A new country of origin labelling system, introduced on 1 July 2016, has been mandatory for "priority food" since 1 July 2018.

14. A specific trade concern (STC) raised by many members in the WTO Committee on Technical Barriers to Trade regarding Australia's tobacco plain packaging regime was last discussed there in November 2014. In the WTO Committee on Sanitary and Phytosanitary Measures, a member raised two new STCs in October 2015, but these have not been on the agenda since then.

15. In addition to broad efforts to simplify and streamline the regulatory regime, especially for small businesses, the corporate tax rate was reduced from 30.0% to 27.5% for certain businesses. Initially applicable to businesses with an aggregated annual turnover of below AUD 2 million, the lower tax rate now applies to businesses with an annual turnover of below AUD 50 million, and additional tax concessions came into force for smaller businesses. In addition, production assistance is provided through grants, concessional loans and tariff concessions. According to the Productivity Commission, about 70% of the measured budgetary assistance was directed towards support to research and development and small businesses in 2017/18.

16. The Government has been moving towards the provision of project finance as a form of industry assistance, notably the Northern Australia Infrastructure Facility (AUD 5 billion), the Defence Export Strategy (USD 3 billion), the National Infrastructure Loan Facility (AUD 2 billion) and, most recently, the Australian Infrastructure Financing Facility for the Pacific (AIFFP) (AUD 2 billion) and the Australian Business Securitisation Fund. Export Finance Australia has a central role in administering the Defence Export Strategy, which is financed under the National Interest Account if it is unable to use its Commercial Account, and the AIFFP, which is delivered through the National Interest Account. In telecommunications, the Government is undertaking major investments in infrastructure through the AUD 49 billion rollout of a broadband access network (NBN Co.), and is leading efforts to improve mobile coverage and competition through the Mobile Black Spot Program.

17. The Harper Review, a comprehensive review of Australia's competition laws and policy initiated in 2014, resulted in 56 recommendations regarding policy, law and institutions. In response, the Government introduced a package of legislation to simplify and strengthen the regime, allowing better targeting of anti-competitive behaviour, while also supporting pro-competitive behaviour. The Commonwealth Government, as an operational entity, includes a certain number of statutory corporations, companies, and trusts. The state and territory governments also maintain a number of enterprises that provide a range of services. No privatizations were carried out at the Commonwealth level in the period under review. At the state and territory level, a number of significant transactions (e.g. long-term leases of infrastructure) were finalized.

18. Following ratification of Australia's accession to the WTO Agreement on Government Procurement, the Agreement entered into force for Australia on 5 May 2019. Australia's FTAs also provide non-discrimination clauses, and set goals to eliminate preferential treatment and ensure transparency in tendering processes. The combined value of the contracts published through the Government's procurement information system, AusTender, amounted to AUD 71.1 billion in 2017/18. Overall, 95% of the contracts (by volume) were awarded to businesses with an Australian address, including overseas suppliers operating within Australia.

19. Australia considers intellectual property (IP) integral to its international trade policy and of increasing importance to the economy, as it seeks to transform from a reliance on mining and other natural resources to an economy based on innovation and entrepreneurship. Legislation implementing the Protocol amending the WTO TRIPS Agreement entered into force in January 2017. Australia participates in 18 IP treaties administered by the World Intellectual Property Organization, and IP chapters are included in new RTAs/FTAs. A public inquiry into Australia's IP system, completed in 2016, produced a number of recommendations addressing, *inter alia,* the needs of SMEs within the system. The Government formulated its legislative response in a staged manner, presenting its proposed changes to Parliament in two parts. The first package was enacted in July 2018, and the second was introduced into Parliament in July 2019.

20. Agriculture makes a significant contribution to the economy, and represents around 14% of total merchandise exports. Support to the sector is limited, as Australia does not provide market price support. Current programmes target risk management, environmental conservation, and the provision of general services. Resource constraints, in particular access to water, remain a major challenge. Among many assistance measures taken recently in response to severe drought conditions, the Future Drought Fund (an initial credit of AUD 3.9 billion) is intended to provide a secure and continuous revenue stream for drought-related measures. The Government signed a new agreement with state and territory governments in December 2018 to form a joint approach on drought preparedness, response and recovery, with measures across all jurisdictions, to strengthen risk management practices and enhance long-term preparedness and resilience.

21. In the energy sector, the Government released a white paper in 2015 focusing on measures to enhance competition, thereby improving consumer choice and exerting downward pressure on prices, more effective use of energy, and encouraging investment in innovation and energy resource development. The National Energy Productivity Plan 2015-30 targets a 40% improvement in energy productivity by the end of the period. Natural gas represents more than 25% of the present total primary energy supply. Noting a potential supply shortage by 2022, the Government introduced a gas security mechanism that may involve export restrictions on LNG.

22. Manufacturing, which accounts for nearly 6% of GDP and 7.4% of employment, experienced declining competitiveness due to high costs for energy and other inputs, and tighter credit conditions. However, certain indicators show a manufacturing expansion since 2016. Various government programmes provide support at different stages of a firm's lifecycle. Among the stated objectives are the transition of businesses to high-value, high-growth activities; the promotion of innovation and advanced manufacturing; and the development of collaborative business networks (hubs) for SMEs.

23. Services account for more than 72% of GDP. Among the key services sectors are real estate; construction; finance and insurance; health care and social assistance; wholesale and retail trade; and professional, scientific and technical services. Australia's banking system is highly concentrated, as the four largest banks represent nearly 80% of the sector's assets. Profitability was good in recent years, and the banks are well-capitalized. Profitability in general (non-life) insurance is more volatile, and that in life insurance has been declining. During the period under review, nearly all Australian banks sold, or announced plans to sell, their life insurance businesses to large global insurance specialists. The Government established a Royal Commission to investigate alleged misconduct in banks and other financial services entities in 2017. The Commission's final report, issued in February 2019, included 24 recommendations relating to institutions and individuals, and charged regulators with the responsibility for not having done enough to prevent dishonest conduct.

24. Policies regarding the audiovisual sector include a regulatory regime that applies Australian content quotas, including sub-quotas for children's content, documentaries and drama. Tax incentives are provided for the production of films and television programmes, in the form of producer, location and post, digital and visual effects offsets. The tax offsets accorded to the screen industry totalled AUD 313 million in 2016/17.

25. Recent strategies regarding the transportation sector include the National Transport Technology Action Plan (2016-19), the National Road Safety Action Plan (2018-20), and the National Freight and Supply Chain. The Government also requested the Productivity Commission to assess the economic impact of reforms on transport regulation, and to recommend further reforms to achieve a more integrated national market for transport services. The Government plans to invest AUD 100 billion over ten years in new and upgraded transportation infrastructure.

26. Tourism is a sector of growing economic importance, and source of employment, particularly in regional Australia. Tourism 2020, a national strategy partnership between the Government and the industry, aims at doubling overnight expenditures to between AUD 115 billion and AUD 140 billion by 2020. It is supported by several supply-side targets, to enable the industry to achieve this goal. Efforts to attract more foreign visitors include investment in new technologies to upgrade Australia's visa system. An industry-led Beyond Tourism 2020 Steering Committee prepared a report to be the basis for the next strategy (Tourism 2030).