

SE OPINION
HD **HISTORY suggests Australia's Free Trade Agreement (FTA)**
BY Dr Mark McGovern Economist QUT **Business** School, Brisbane
WC 560 words
PD 20 November 2014
SN Queensland Country Life
SC FQLCOL
PG 15
LA English
CY Copyright 2014 Fairfax Media Publications Pty Limited. . Not available for re-distribution.
LP

HISTORY suggests Australia's Free Trade Agreement (FTA) with **China** will not bring in the money claimed.

If you look at the history of previous trade agreements, including Australia's with the US and with Thailand, the reality is that Australian trade balances have deteriorated.

TD

The really important question is, what is different this time that is going to make us winners?

The honest answer is we can't be sure, because details of the FTA were not released publicly before the deal was signed, which is reprehensible.

Given our sad 40-year history of net external trade losses and greater indebtedness under this sort of thinking, it really isn't good enough when you are getting details about agreements constructed

by select advisers and some politicians after everything is signed.

The government really should have been talking to industry figures while negotiating this deal because they are on the front line and they are the ones who will be most affected positively and negatively.

Everyone would love to see real gains for both Australia and **China**.

However, this requires much stronger mutual understanding of real impacts and realisable possibilities.

You can almost see the glint in the eye of some of our political leaders as they think about the money that could be flowing into Australia, but foreign investment is a mixed bag.

The deal raises the prospect of more foreign investment in Australian agri-

culture, which could be a blessing or

a curse.

Foreign investment can erode sovereignty and this agreement has not addressed the issue of foreign investment intentions and how these will be monitored.

The deal also includes an Investor State Dispute arrangement, which is a mistake and explicit recognition of limited mutual trust at the corporate level.

Some in the agricultural industry I'm sure would be concerned the FTA makes it easier for overseas investors to control and consolidate supply chains.

For example, you could have **Chinese**, Korean or other farmers buying land in Australia and supplying **milk** to north Asia through their own processors.

Yes, they will be able to also **buy milk** from Australian farmers, but farm gate returns are miserable as it is, without allowing further supply chain integration and extended corporate dominance.

The government seems to think

the job's done when we get the deal signed. However, it needs to also establish proper institutions to ensure Australia is getting decent returns from our national resources and sustainable gains on all sides.

The FTA has potential to bring welcome investment to some struggling Australian industries.

However, **China**, like others before, will work hard to ensure it has the best end of the deal.

Other nations have proved very good at understanding how to gain from this sort of preferential agreement, but we haven't. The government is selling this deal very hard but the people in the industries that will be affected should

be asking serious questions.

We've got to be careful to distinguish the politics of this agreement from the economics.

As one farmer told me recently, when he was travelling in **China** one of his hosts noted: "In Australia you're very good marketers, but you're not good traders."

NS e512 : Physical Trade | nedc : Commentaries/Opinions | e51 : Trade/External Payments | ecat : Economic News | ncat : Content Types | nfact : Factiva Filters | nfcpx : C&E Executive News Filter
RE austr : Australia | nswals : New South Wales | apacz : Asia Pacific | ausnz : Australia/Oceania
PUB Fairfax Media Management Pty Limited
AN Document FQLCOL0020141119eabk0001i