

# Australia's Trade Policies

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## Abstract

With an aim to maintain its global economic integration, the Australian government prefers a trade liberalisation approach when dispensing trade policy. The government has established several FTAs with other countries to boost efficiency (namely technical efficiency and thus, productivity), economic growth, and to improve living standards. However, despite free trade's various benefits for the Australian economy and people, it still has a negative impact in the short-term with a loss in profits and jobs, and in the long-term where trading has a negative environmental impact. Offering a qualitative analysis, this paper evaluates who Australia’s major trading partners are and the relative advantages and disadvantages of such trade frameworks.

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## Overview

Australia is a major trading nation, which consists of an opened economy that endorses trade liberalisation. Indeed, Australia's trade policies operate under free trade agreements (FTAs). FTA are treaties which remove or reduce the trade barriers between countries and or nations. Australia operates with little to no trade barriers, as this trade liberalisation approach acts to enhance Australia's economy through and increase GDP ( $AD = C + I + G + X - M$ ). Given the nation's plethora of natural resources, the Australian Government dismantles the trade barriers for agricultural goods<sup>1</sup> - and thus has a competitive advantage in trading agricultural products. Beyond Australia's large exportation in iron, coal, gold, wool, and other agricultural and mineral goods, Australia also has a large exportation in education and tourism. On the contrary, Australia imports lots of technology such as computers, it also imports vehicles such as trucks and cars, and refined petroleum.<sup>2</sup>

### ***Australia's Free Trade Agreements (FTAs):***

As identified by the Australian Government Department of Foreign Affairs and Trade, Australia has six FTAs with other nations which are currently in force. The six FTAs currently in force are as follows:

1. Australia-New Zealand (ANZCERTA or CER): Signed on 1 January 1983.
2. Singapore-Australia (SAFTA): Signed on 28 July 2003.
3. Australia-United States (AUSFTA): Signed on 1 January 2005.
4. Thailand-Australia (TAFTA): Signed on 1 January 2005.
5. Australia-Chile (ACI-FTA): Signed on 6 March 2009.
6. ASEAN-Australia-New Zealand (AANZFTA): Signed on 27 February 2009.<sup>3</sup>

The Australian Government is also negotiating another nine FTAs, some of which are bilateral trade agreements which three of the world's largest trading

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<sup>1</sup> OOSGA. (2023). Import & Export in Australia (2023): Trade Policies & Regulation. Retrieved January 4, 2024, from <https://oosga.com/briefings/aus-trade-policies/>.

<sup>2</sup> Australian Government Department of Foreign Affairs and Trade. (2022). Trade Policy at a Glance. Retrieved January 4, 2024, from <https://www.dfat.gov.au/about-us/publications/Pages/trade-policy-at-a-glance>.

<sup>3</sup> Australian Government Department of Foreign Affairs and Trade. (2022). Trade Agreements. Retrieved January 4, 2024, from <https://www.dfat.gov.au/trade/agreements/trade-agreements>.

partners: China, Japan, and South Korea. The nine FTAs which are currently under negotiation are as follows:

1. Australia-European Union Free Trade Agreement
2. Australia-Gulf Cooperation Council (GCC) FTA
3. Australia-India Comprehensive Economic Cooperation Agreement
4. Environmental Goods Negotiations
5. Pacific Alliance Free Trade Agreement
6. Regional Comprehensive Economic Partnership
7. Trade in Services Agreement
8. Australia-United Kingdom Free Trade Agreement
9. Australia-Indonesia Comprehensive Economic Partnership Agreement.<sup>4</sup>

Through FTAs, the Australian Government can strengthen the nation's wealth, stipulate economic growth, and thus improve living standards. However, this last point is commonly debated, as GDP is not always a strong indicator nor measurement of living standards. The next segment will discuss the benefits and disbenefits of free trade in Australia and how such has both positive and negative impacts on the nation's standard of living.

### **The Benefits and Disbenefits of Free Trade in Australia:**

Trade liberalisation and the globalisation movement has significant benefits for all parties involved withing the trading transaction. Indeed, Australia's FTAs brings forth many advantages as it provides Australian companies, businesses, and consumers greater access to international markets. Increasing access to international markets is beneficial, as it reduces import costs, creates greater prospects for increased two-way investment, and exposes Australian markets to a greater degree of competition which fosters greater efficiency, lower prices, and job creation. Additionally, free trade can strengthen "people-to-people and business-to-business links that enhance Australia's overall bilateral relationships

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<sup>4</sup> Ibid.

with FTA partners”, “promote regional economic integration and build shared approaches to trade and investment between Australia and our trading partners”,<sup>5</sup> and strengthen the nation’s bond to its trading partners. By decreasing tariffs and abolishing import quotas, FTAs facilitate greater efficiency, growth and thus improve living standards, both materially and non-materially. Both material and non-material improve, as this growth grants greater access to goods and services, and consists of various intangible benefits i.e., greater happiness, lower crime rates, etc.

Furthermore, Australia’s numerous FTAs consists of other benefits. For instance, the Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) – With the CER being “one of the most comprehensive bilateral free trade agreements in existence”<sup>6</sup> – is beneficial as it increases consumer choice, decreases investment and compliance costs, and minimises market distortions in the trade of goods. Additionally, the Australia-United States FTA brings forth lots of growth, as “the United States is the largest and most significant investor in Australia, with investment in Australia standing at \$929 billion in 2020”.<sup>7</sup> Ultimately, Australia’s numerous FTAs are beneficial for the nation, as it stipulates growth and improves living standards.

However, FTAs also have various disbenefits which can negatively impact living standards. Certainly, in the short term, an introduction of an FTA can result in domestic job losses as some industries may not be prepared for an increase in competition; driving them out of the market as they are not efficient enough to compete. Further to this, an increase in competition forces domestic markets to be more competitive to avoid becoming obsolete. To maintain competitive, domestic markets may need to reduce their prices; negatively impacting their profits in the short-term. In addition, an increase in national imports and exports has a significant impact on the environment. Increasing trade comes at the expense of environmental degradation, as conventional methods of trading

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<sup>5</sup> Australian Government Department of Foreign Affairs and Trade. (2022). The benefits of free trade agreements. Retrieved January 4, 2024, from <https://www.dfat.gov.au/trade/about-ftas/Pages/thebenefits-of-free-trade-agreements>.

<sup>6</sup> Australian Government Department of Foreign Affairs and Trade. (2022). Australia-New Zealand Closer Economic Relations Trade Agreement. Retrieved January 4, 2024, from <https://www.dfat.gov.au/trade/agreements/in-force/anzcerta/Pages/australia-new-zealand-closer-economic-relations-trade-agreement>.

<sup>7</sup> Australian Government Department of Foreign Affairs and Trade. (2022). Australia-United States Free Trade Agreement. Retrieved January 4, 2024, from <https://www.dfat.gov.au/trade/agreements/inforce/ausfta/australia-united-states-fta>.

results in pollution. Australia's profound focus on exporting agricultural resources has unfortunately resulted in the destruction of Australia's heritage – specifically the Indigenous heritage – and has caused a massive decline in the country's biodiversity; negatively impacting “ecosystem services that provide social, ecological and economic benefits to people.”<sup>8</sup> Henceforth, Australia's free trade policies consists of negative effects such as job loss and a reduction in profits in the short-term, as well as the adverse effects on the environment. All of which can result in negative externalities and poorer living standards, both material and non-material.

## **Conclusion:**

The Australian government undertakes a trade liberalisation approach when it comes to trading. The government has established several FTAs with other countries to boost efficiency (namely technical efficiency and thus, productivity), economic growth, and to improve living standards. However, despite free trade's various benefits for the Australian economy and people, it still has a negative impact in the short-term with a loss in profits and jobs, and in the long-term where trading has a negative environmental impact.

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<sup>8</sup> Australia State of Government. (2021). Industry, Transportation. Retrieved January 4, 2024, from <https://soe.dcccew.gov.au/overview/pressures/industry>

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