**Opening Statement to the Parliamentary Inquiry into the Business Utilisation of Free Trade Agreements**

**Brendan Pearson**

**Chief Executive, Minerals Council of Australia**

Thank you for the opportunity to participate in today's hearing.

As you know, the Minerals Council of Australia represents small, medium and large firms engaged in the exploration, extraction and processing of minerals and energy resources.

The minerals industry is Australia's largest exporter, with exports of $175 billion in the year to June 30.

Or think of it this way. If Australia did not export minerals and energy commodities, our merchandise export income would be lower than Kuwait, Nigeria, Hungary, Ireland and Denmark.

Mr Chairman, the minerals sector strongly supports the pursuit, by successive governments, of bilateral and regional free trade agreements.

Since 1983 Australia has completed 9 bilateral agreements and one multi-party agreement and is currently negotiating 7 new more agreements.

To varying degrees, all of these agreements have delivered real and practical benefits to Australia's minerals exporting sector. I will briefly review some of those gains shortly.

Before I do that, I would like to address some of the points made by critics of free trade agreements.

First, some critics argue that FTAs distract attention from multilateral trade deals. This is wrong. FTAs are the *symptom* not the cause of the failure of multilateral trade negotiations.

Second, some critics argue that the FTAs have failed to deliver promised gains, pointing to shifts in bilateral trade flows. This approach is crude and simplistic. It assumes no other substantial influences on a nation's trading profile. Two factors are worth highlighting in this regard.

The emergence of China over the past 15 years has driven a profound re-orientation of trade both in Asia and beyond. China's imports from Australia have grown from around one per cent of Australia's GDP in 2000 to almost six per cent in 2013.

And Australia's real exchange rate appreciated by almost 80 per cent from late 2000 to early 2013, driven mainly by a massive increase in Australia's terms of trade and tighter monetary policy settings than in other major economies following the Global Financial Crisis.

Given the scale of this trade 'disruption', judging FTAs on the simple metric of bilateral trade flows is simply misleading.

Mr Chairman, you can be assured that, in the case of the minerals sector, Australia's free trade agreements have delivered meaningful and practical gains. Some examples include:

- The deal with **China** will eliminate tariffs which add nearly $600 million to bilateral minerals and energy trade, including about $380 million for exporters of thermal and metallurgical coal.
- Our agreement with **Japan** has, or will, eliminate tariffs on a number of commodities which generated $310 million in export income in 2013.
- The agreement with **Korea** abolished tariffs ranging between 1.5 and 8 per cent on a range of minerals commodities.
- Our deal with **Thailand** resulted in a number of gains for metals exporters, with the elimination of tariffs on unwrought lead and zinc of 10 per cent.
- The FTAs with **ASEAN and Malaysia** led to useful gains in market access in Malaysia for iron and steel, with tariffs on over 96 per cent of these products imported from Australia to be eliminated by 2016 and 100 per cent by 2020.
- In the case of investment, higher thresholds for FIRB scrutiny in Australia for the **United States, China, Japan and Korea as well as New Zealand** provide easier opportunities for investment from these economies in the Australian mining industry.

We also need to remember that these FTAs have improved the operating environment for Australian companies operating abroad. The minerals sector alone has invested more than $160 billion in overseas operations.

We are happy to take your questions.

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