
SUMMARY

1. Australia maintained an open and diverse economy over the review period, 2020-24, despite being severely impacted by the COVID-19 pandemic, with GDP recovering and averaging 2.2% over the period. The post-pandemic recovery was quicker than many other economies in part due to prompt policy responses and high international commodity prices. Like similar economies, services remained the prominent contributor to GDP but growth of the mining sector, particularly during 2022 and 2023, was significant. Trade emerged to be of growing importance as the ratio of total merchandise and services trade to GDP increased from 39.8% in FY2020/21 to 46.6% in FY2023/24.

2. Australia's merchandise export growth remained strong and increased substantially over the period largely on account of higher prices and increased output, thus outpacing import growth and leading to a larger merchandise trade surplus every year until 2023. Services' trade remained significantly smaller than merchandise trade and exhibited a small trade deficit over most of the period. Merchandise exports continued to be dominated by iron ore, coal, and LNG, with mineral products overall increasing from 62.2% of total merchandise exports in 2020 to 69% in 2022 and settling at 66.4% in 2023. Imports, on the other hand, were more diverse with machinery and equipment and transport equipment having the largest shares at 24.6% and 17.2% respectively in 2023. Thus, Australia remained a major exporter of raw materials and an importer of finished products. Australia's merchandise trade is also highly concentrated in terms of markets, with the Asia-Pacific region accounting for 86% of exports and 64.3% of imports in 2023. China was Australia's main trading partner for imports and exports of goods, followed by Japan and the Republic of Korea.

3. While the increase in commodity prices had an important impact on export earnings and growth of certain sectors, it also contributed to high inflation which reached a 30-year peak of 7.8% in 2022 (Q4). Rising prices also resulted in a tightening of monetary policy, the imposition of price controls for gas and coal, and tax cuts/deferrals during the period. Inflation has since declined from the peak but remains above the Reserve Bank of Australia's target range (2-3%) and still has an impact on real disposable income.

4. With the significant contribution trade has on its economy, Australia was quick to adapt its trade and related policies over the period to alleviate the impact of the COVID-19 pandemic and adjust to other trade realities around the world. Initial concerns about supply chains resulted in policy actions to make these more resilient with a number of international initiatives concluded with trading partners. Temporary measures to remove tariffs on goods used in response to the pandemic were made permanent in 2022, and several fiscal support measures and temporary tax incentives were also initiated by the Government.

5. Despite the impact of the pandemic and other externalities, Australia's key trade priorities remained relatively constant, such as supporting a rules-based approach, improving access to global markets, and promoting strong labour and environmental standards. In addition to its unwavering support for the WTO, Australia was also engaged in APEC, OECD and the G20 on trade-related matters. The Government made progress on its internal trade initiative, the Simplified Trade System (STS), to simplify trade processes and improve the experience for businesses during the review period. Estimates based on ESCAP-World Bank's Trade Cost Database calculations indicate that during 2017-22 trade costs were about 1.2 times (or around 20%) higher in Australia compared to the world's largest economies.

6. Opening new markets through RTAs remained a key trade policy objective for Australia over the period. Thus, there was a significant increase in the number and scope of Australia's regional trade agreements (RTAs) from 12 in 2020 to 19 in 2024, covering 31 trading partners. The new agreements that entered into force were bilateral agreements with Hong Kong, China; India; Indonesia; Peru; and the United Kingdom; and the multiparty agreements – PACER Plus and the RCEP. As a result, trade entering under RTA preferences increased to 27.5% of the total value of imports in 2023¹ and is expected to further increase as these agreements reach full implementation.

7. Australia's inclusive trade agenda has increasingly been emphasized during the review period. On gender, Australia became a participant to the Global Trade and Gender Arrangement in 2024 and Standards Australia has joined the UNECE Declaration on Gender Responsive Standards and

¹ Excludes MFN duty-free lines.

Standards Development in 2023. Australia's First Nations agenda includes new policies and infrastructure to address inclusion, such as the establishment of the Office for First Nations International Engagement and new stakeholder trade advisory groups. The First Nations Expert Working Group on Indigenous Cultural and Intellectual Property was also in the process of being established. Australia has joined the Indigenous Peoples Economic and Trade Cooperation Arrangement and was exploring possibilities regarding the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization.

8. Australia's trade policy developments were often driven or influenced by other government policies during the period, in particular the commitment to address climate change. The Climate Change Act 2022 legislation has set Australia on its path to net zero emissions by 2050, with an interim national emissions reduction target of 43% below 2005 levels by 2030. At least two new arrangements or agreements have been signed to promote a green economy or unlock green trade, and other government initiatives include the greening of export finance and implementation of the Environmentally Sustainable Procurement Policy. To reach net-zero by 2050, the transportation and energy sectors are particularly impacted as together they account for 56% of Australia's emissions.

9. In the transport sector, the Transport and Infrastructure Net Zero Roadmap and Action Plan set out net zero targets including a policy move towards uptake of battery electric vehicles and hydrogen fuel cell vehicles. Australia has put in place its first fuel efficiency standards on vehicles with carbon dioxide limits that will enter into force on 1 January 2025. Other developments include, in 2022, an announcement on the establishment of the Australian shipping fleet, in part to strengthen resilience of supply chains as well as enhance sovereignty in maritime transport. Australia's rail sector was also being further developed to support greater freight capabilities and policy direction is provided through the National Rail Manufacturing Plan and its related Strategy.

10. The Australian energy sector remains a significant producer of fossil fuels, i.e. petroleum, gas, and coal, including for export, but there were several commitments towards increasing renewables during the review period, in particular through the Renewable Energy Target. New oil and gas projects continued but the promotion of renewable hydrogen and offshore electricity generation, in particular wind, through new laws or policies were an important development. The establishment of a certification scheme for hydrogen and renewable energy was also underway. As a result of movements in energy prices and the impact on the domestic energy market, Australia introduced a number of measures during the review period including the Energy Price Relief Plan, the Gas Market Code, the Australian Domestic Gas Security Mechanism, and price caps on coal and gas.

11. In response to perceived increases in risks to its national interest, Australia made changes to its foreign direct investment regime that resulted in the most significant reforms in over 50 years. The policy measures shift towards a more restrictive environment and consequently resulted in a decline in FDI inflows during the period. The reform measures were instituted including a zero-dollar threshold for the screening of foreign investment, enhanced compliance measures, registration of foreign ownership and a rise in fees. Additional amendments were undertaken in 2024 to enhance the risk-based approach with extra scrutiny in sensitive sectors such as critical minerals, infrastructure, and technologies but less examination of low-risk investments.

12. A declining productivity growth rate has been an issue across several sectors of the Australian economy, notably in respect of the agriculture, wild-catch fishing, critical minerals, financial services, freight, maritime logistics, and the national railways sectors. Key elements identified to address this decline include competition, technology, and a skilled workforce, among others. As part of these efforts, the Government launched the Competition Review to modernise competition laws which was advanced, but still on-going in 2024. Work continued on merger reform, non-compete clauses and other restraints, competition in the aviation sector, and the National Competition Policy with possible new legislation forthcoming. Separately, discussions were on-going on revising Part X of the Competition and Consumer Act 2010 as it pertains to certain maritime transport competition exemptions. To address the labour skills issue, initiatives were undertaken to improve vocational training and expand university capacity.

13. State enterprises in Australia, known as government business enterprises (GBEs) have not changed significantly over the review period and there are nine in place mainly involved in infrastructure development. They are expected to abide by the Government's competitive neutrality principle in their operations. During the review period, there was a rise in formal complaints regarding Australia's competitive neutrality rules as they apply to GBEs when competing with private

sector enterprises, thus possible breaches are being addressed through investigations and recommended outcomes. Australia's only notified state trading enterprise, the Rice Marketing Board (RMB) for the State of New South Wales, remained in operation during the review period but is expected to be phased out by July 2026.

14. On imports, a significant development was the autonomous elimination in tariffs across several product categories, but most notably on white goods (i.e. refrigerator/freezers, washing machines, vacuum cleaners), which was expected to liberalize about 2% of Australia's total imports. As of 1 July 2024, customs duties on 457 tariff lines were eliminated as so-called 'nuisance tariffs' to reduce compliance costs to traders. New measures were introduced on rules of origin to reduce paperwork burdens for claiming preferential treatment under certain RTAs. Australia ratified the Minamata Convention on Mercury in 2021 and now prohibits the importation of these products pursuant to the convention. On trade remedies, there have been no major changes in policy although as a historically significant user, Australia had a decline in new initiations through most of the review period.

15. The Export Control Act 2020, the Recycling and Waste Reduction Charges (Customs) Act 2020, and amendments to the Defence and Strategic Goods List and related legislation were all important developments that impacted exports during the period. The Recycling and Waste Reduction Charges (Customs) Act 2020 gradually introduced new restrictions, licensing requirements and fees on the export of wastes; this now applies to plastics, glass, waste tyres, and paper and cardboard. In 2024, amendments to the Defence and Strategic Goods List resulted in 278 changes of the list, and amendments to the Defence Trade Controls (DTC) Act 2012 expanded export permit requirements to certain goods or technologies. At the same time certain licensing and permit requirements for trade with the United Kingdom and the United States through the partnership known as AUKUS were removed.

16. Australia's IP sector remained important and had a high correlation with economic growth and international trade. Australia's IP policy continues to support innovation, facilitate diffusion, and foster efficient trade. There have been fluctuations in most IP filings over the review period, in part due to the impact of the COVID-19 pandemic. Main legislative developments over the period were in respect of compulsory licensing, Design Act amendments, Therapeutic Goods Act 1989 amendments, extension of certain copyright protections, and on resale royalty rights.

17. The mining sector grew in prominence over the review period accounting for 11.4% of GDP in FY2023/24, up from 10.7% in FY2020/21. Australia benefited from higher world prices for many of its main mineral commodities, mainly coal and iron ore. Lithium also increased significantly in terms of production and export earnings, albeit from a small base, up until 2023 whereafter a reversal occurred. Australia's Critical Minerals Strategy 2023–2030 was launched in 2023 to further develop the sector and has elements to strengthen R&D, develop downstream processing, promote resilient supply chains, and provide financial incentives. In addition to the Strategy's incentives, a number of other incentives were introduced or remained in place to support the sector during the review period.

18. Australia's agricultural sector was the second largest export sector after mining during the review period with significant exports across a range of agricultural products, e.g. grains, meat, oilseeds, cotton, wool, and wine. Its contribution to GDP remained relatively constant over the review period and was 2.2% in FY2023/24. The value of production increased 33% since FY2019/20 and exports by 52%, largely due to record crop output and high world prices, particularly for wheat. Despite this growth, there are longer-term concerns about productivity of the sector and insufficient competition in certain sub-sectors due to concentration of supply chains. Australia's biosecurity measures continued to be important for the trade of agricultural products as a number of border procedures, approvals, and/or inspections remain in place. A new biosecurity funding model was under consideration as of 2024.

19. Australia remained heavily reliant on imported manufacturing goods over the period as there were further declines in the manufactured goods' trade balance over the period. "Manufactures elaborately transformed" accounted for 70% of imports in 2023 and the manufactured goods' trade balance reached AUD -250 billion. The shutdown of full-scale motor vehicle production as well as the decline of other long-standing manufacturing sectors such as wool/textiles and newsprint contributed to this trend. To address this growing imbalance, the Government launched the Future Made in Australia agenda as well as the National Reconstruction Fund. The two programmes have a combined funding of AUD 37.7 billion over several years to support industry transformation and other

priorities. As part of this, the National Interest Framework sets out the Net Zero Transformation Stream and the Economic Resilience and Security Stream to support public investment in certain industries such as critical minerals processing, green metals, and battery and solar panel supply chains.

20. A number of initiatives have advanced digital trade over the period including the policy direction provided by the Digital Trade Strategy which has identified digital trade liberalisation, negotiation of digital trade rules, and support for implementation as priority areas; and the Digital Economy Strategy which sets Australia on a path towards digital growth. New policy initiatives include a tax offset for the digital gaming sector; test pilots on digital supply chain compliance for conformity assessment and accreditation processes; and the News Media Bargaining Code. Work was under way to address domestic content requirements in broadcasting as they apply to online streaming platforms. The Indo-Pacific Digital Trade Standardization Initiative and the ASEAN-Australian Digital Trade Standards Initiative were also initiatives Australia supported during the review period.

21. In sum, Australia's trade remained strong and its economic recovery from the COVID-19 pandemic was aided by strong commodity prices for some of its key exports. Australia remained a key supporter of the multilateral trading system with engagement in all major areas of WTO work. Progress was made on opening new markets through several new free trade agreements, eliminating MFN tariffs on a range of goods, and promoting resilient supply chains. Key challenges remain in respect of productivity, promoting foreign investment while implementing reforms, and encouraging industrial production through various policy measures. Many of Australia's trade and related developments over the review period were driven by its commitment to addressing climate change through its emissions reduction commitments.