

# **Barriers to Australian Trade and Investment in Regional Comprehensive Economic Partnership (RCEP) Participating Countries**

The RCEP will deepen Australia's economic integration with the region and address impediments to Australian goods and services exports and investment. The current economic relationship between Australia and our major RCEP trading partners is strong. However, the lack of a uniform trade and investment policy across the region creates substantial barriers to trade and investment for Australia's goods exporters, service suppliers and investors. While certain sectors are liberalised in some RCEP countries, other sectors are governed by interventionist and restrictive policies.

## **Trade in Goods**

Barriers to the Australian export of goods remain significant in areas such as processed foods and agricultural products, and manufactured goods, including steel and automotive products. Sudden changes in duty rates and the use of specific or mixed tariffs increase unpredictability and the cost of importing goods into some regional markets, negatively impact on the competitiveness of efficient, low-cost producers such as Australia. Additionally, some countries impose tariff rate quotas on agricultural products, which severely limit opportunities for Australian farmers and exporters.

High tariffs in the automotive, steel, chemical and plastics sectors can effectively lock Australian exports out of a market. Non-automatic import licensing, including for steel, can restrict trade or create uncertainty. Australian industry has identified local content requirements in a number of RCEP countries as an impediment to trade. Inconsistent customs administration, including delays and lack of transparency, can also negatively impact trade.

Significant non-tariff barriers also exist in some RCEP countries. These include import quotas on agricultural products and discretionary import licensing for a large number of products. In some countries, quota allocations for certain products are largely reserved for state-owned enterprises, and state trading is applied to agricultural commodities such as dairy, wheat, barley and sugar. Additionally, some RCEP countries impose pre-export quarantine periods, adding extra cost to Australian exports.

## **Potential Impact of RCEP**

A comprehensive trade liberalising RCEP would create opportunities for increased Australian exports of meat and dairy products, processed foods and beverages, and other transport equipment, ferrous metals, metal products, chemical, rubber and plastic products, textiles and paper products. Exporters of a wide range of agricultural

products could also benefit from greater certainty resulting from the binding of current duty free entry, more effective disciplines on import licensing requirements, elimination of quotas, and enhanced cooperation on food standards. RCEP could also enhance the potential for greater industry specialisation in the region (e.g. automotive component industries), promoting more investment.

## **Trade in Services**

The services sector in most RCEP countries is highly regulated. Restrictions on commercial presence in many sectors, and foreign equity limitations, are a major disincentive to Australian investment, particularly in the financial services sector. In some cases, licensing and residency requirements limit the ability of Australian services providers to conduct business, such as in the professional services sector (e.g. legal, engineering, architectural and accountancy services). In other cases, business scope limitations often mean that Australian companies cannot undertake an equivalent scope of business compared with a domestic competitor. The lack of transparency associated with government regulations and decision-making processes in many RCEP countries negatively affect the market for services.

### **Potential Impact of RCEP**

Addressing issues such as the recognition of Australian educational qualifications and facilitating the regulatory processes for Australian education services would enhance Australia's position as a provider of quality education in the region. More liberal regulation of the financial services sector and liberalisation of the telecommunications sector would also provide new opportunities for Australian firms in RCEP markets. Additionally, Australian services exporters would benefit from more liberal access for professional services, especially through enhanced mutual recognition, commercial presence and freer movement for service providers.

## **Investment**

Many RCEP countries maintain significant barriers to investment. The main barriers to investment identified by Australian industry relate to uncertainty surrounding investment rules and slow and opaque bureaucratic processes. Foreign equity limits apply in many sectors.

### **Potential Impact of RCEP**

Through a comprehensive and liberalising RCEP, Australia will seek greater market access for Australian investors, more liberalised investment regulatory regimes, and enhanced legal safeguards for covered investments. Expanded direct investment and broader Australian investment across all RCEP countries will help create an investment profile for Australia that matches the strength of our existing trade relationships in the region.