



Monday, 31 July 2017

Mr. Edward Gresser
Chair of the Trade Policy Staff Committee
Office of the United States Trade Representative

Comments in Response to Executive Order Regarding Trade Agreements Violations and Abuses (Docket Number USTR-2017-0010)

Dear Mr. Gresser,

The American Chamber of Commerce in Australia is writing in response to the request for comments by the Office of the United States Trade Representative and the Department of Commerce, in response to comprehensive reviews of all bilateral, plurilateral and multilateral trade agreements and investment agreements to which the United States is a party.

The American Chamber of Commerce in Australia - better known as AmCham Australia - was founded in 1961 by Australian and American businesses to encourage the two-way flow of trade and investment between Australia and the United States, and to assist its members in furthering business contacts with other nations. In pursuing this goal, AmCham Australia has grown and diversified. It finds itself not only representing the United States' business view, but also speaking increasingly for a broad range of members involved in the Australian business community.

AmCham Australia represents the interests of American companies undertaking business activities in Australia. American investment accounts for some 27 percent of all foreign investment in Australia which makes it, by far, the single largest foreign investor in Australia. We also have significant membership by Australian companies and endeavour to represent their interests whenever appropriate.

For more than half a century, the close partnership between Australia and the United States has yielded much fruit in the form of shared technology, knowledge and skills. In AmCham Australia's assessment, this 'special relationship' would be best served by cultivating an environment in which business and industry partnerships - the unwavering cornerstone of the Australia-US relationship - are incentivised and can thrive.

Trade

AmCham supports the free movement of goods, services, people, capital and ideas across borders. According to data showing Australia's composition of trade for 2015-16, the US remained Australia's number one two-way trading partner in services, and its number three partner in goods. For over ten years, this has been underpinned by the Australia-US

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Free Trade Agreement (AUSFTA), which has increased two-way goods trade by 65 percent and increased services trade by 72 percent since coming into effect in 2005 (and had an explosive impact on investment - see below). Under this agreement, the US enjoys - as it does overall with its twenty bilateral FTA partners - a strong trade surplus trending approximately 2:1 in our favor. In AmCham's view, AUSFTA should remain the cornerstone the bilateral trade and investment relationship. AmCham will continue to urge both parties to the agreement to build on and improve implementation of the agreement wherever that would be beneficial. One such example would be in "the cloud" - modernizing AUSFTA to reflect advances in best practice around digital and e-commerce, such as developed in the Trans-Pacific Partnership (TPP) negotiations. As Australia increasingly focuses on becoming a service-driven economy, it is vital that deepening the economic relationship with the US is a prominent foreign policy priority over the next decade, and that enhanced avenues to even greater bilateral cooperation on innovation be built into the relationship.

Here in Australia, following U.S. withdrawal from the TPP, it is clear that neither the country nor the region will wait for the US to find its way back to free trade. Like Japan, Singapore, and other TPP members, Australia strongly regrets America's withdrawal from the TPP, but they consider it in their vital national economic interest to move ahead on both bilateral and plurilateral free trade agreements with other willing partners. The Australians already have recent bilateral FTAs with China, Japan, and Korea, which give them significant competitive advantages over American competition in wine, beef, and other key exports. Furthermore, Australia has made its intention clear to move forward with India, Indonesia, and an American block including countries like Mexico, Chile, Peru, and Colombia. America is likely always to be welcomed back into any such agreements, but these ongoing processes and negotiations will not stop while the U.S. ponders its options. There is a real danger to American exporters of being left outside such agreements that further advantage our trading competitors, including Australia, vis-à-vis American exporters. These competitive disadvantages will particularly fall on American SMEs that lack the multinationals' wherewithal to use their overseas operations in nations that are parties to these new agreements as a means to benefit from them despite being American.

While it is clear that the TPP will not proceed in its current form, AmCham Australia is strongly in favor of the comprehensive nature and principles behind this agreement. Indeed, we intend to join other influential business interest groups in continuing to advocate in Washington for a return to an ambitious free trade agenda of some form. Whereas alternative regional trade deals such as the Regional Comprehensive Economic Partnership (RCEP) are already being pushed forward by aspiring regional leaders like China, we would stress that RCEP would be a far less ambitious and comprehensive trade deal and is likely to include few of the landmark provisions negotiated by the TPP parties. The TPP Chapters on electronic commerce, competition, government procurement, competition with state-owned enterprises, labor, the environment, and intellectual property are crucial to helping US and Australian companies maintain their competitiveness and world leadership in myriad sectors. Over the past thirty years, the United States has been a leading free-trading nation, as proven by the ambitious agenda of bilateral, regional, and global trade agreements it has pursued and concluded over that time. We are convinced that the best pathway for US trade and foreign policy in the next decade is to revert to upholding these ambitious standards for regional trade (including, we would agree, a much stronger emphasis on enforcement and fairness of that trade), and thereby to demonstrate continuing American leadership and relevance to building

economic relationships in the Asia-Pacific region. The current American pathway on regional trade policy, in AmCham's view, demonstrates neither leadership nor relevance, and will sorely disadvantage American exporters until and unless it is corrected.

Foreign Investment

Direct US investment in Australia is worth nearly \$1.5 trillion, dwarfing any comparable relationship in the region for either country. And as AmCham Australia's growing membership base attests, the US market continues to be a highly sought-after destination for Australian businesses seeking to expand overseas. Furthermore, the US benefits from being the single largest destination of Australian investment. As our recent study of the Australia-US relationship found, Australians have invested \$594 billion in the US, over eight times the \$70 billion that Australia invests in China.

Based on this overwhelming evidence, we agree with Foreign Minister Julie Bishop's characterisation of the US as "Australia's most important economic partner", taking into account both the trade and investment elements of the relationship. In particular, American companies have been significant contributors to R&D, innovation and job creation in Australia, and we continue to advocate for policies that enable the free flow of ideas, talent and goods and services between Australia and the US.

Conclusion

In AmCham's assessment, Australia's future prosperity is best supported by a robust free trade regime that accommodates rapidly growing economies in Asia, but also gives due recognition to the immense contribution of the US - both the public and private sector - to the Australian economy. The United States undoubtedly remains Australia's most indispensable trading partner, but in light of the shifting dynamics and intensifying competition for influence in the Asia-Pacific region, it is vital for the US to 'lean in' and re-emphasise the importance and durability of its commitment to free trade with Australia and the region.

Thank you for your consideration, and for this opportunity to submit AmCham Australia's comments as part of the review process.

Yours sincerely,



Niels Marquardt
U.S Ambassador (ret.),
Chief Executive Officer