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August 2026

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The PC is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long-term interest of the Australian community.

The PC's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

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Disclosure of interests

The *Productivity Commission Act 1998* (Cth) specifies that where the Commissioners have or acquire interests, pecuniary or otherwise, that could conflict with the proper performance of the functions they must disclose those interests. The Commissioners working on this report have no interests requiring disclosure.

AI transparency statement

This report was prepared using the assistance of AI tools for purposes of general research, note taking, coding and editing. PC staff reviewed all AI-generated outputs for accuracy and quality.

Foreword

This Trade and Assistance Review (TAR) is released at a time when 2 significant disruptions are framing trade and industry policy in Australia and abroad: the conflict in the Middle East, and artificial intelligence (AI).

The first has been an abrupt shock to a series of physical supply chains; the other is a technological transformation that continues to unfold. Both are evolving rapidly, prompting governments to intervene; and both will shape the assistance estimates in future editions of the TAR.

While there may be a role for government intervention in response to global oil shocks, the appropriate level of public insurance involves careful judgement. Different instruments – stockpiling, domestic production, trading relationships – carry very different costs. The objective should be one of sensible risk management: to mitigate vulnerabilities at the lowest cost.

The second disruption is examined in chapter 3 of this year's TAR, which looks at industry and trade policy across the AI technology stack – critical minerals, advanced chips, data and data centres, and the models and applications built on them.

AI could underpin a new wave of productivity growth in Australia, and we benefit significantly from trade in AI-related goods and services. But governments around the world are intervening at every layer of this stack, whether to improve their domestic industries' competitiveness, for security and resilience reasons, or to align AI services with domestic objectives and values.

The impacts on Australia will likely be mixed. Subsidies lower the cost of AI services here, and we may benefit from greater supply chain diversification. But trade barriers make it harder for domestic companies to reach overseas markets, and measures that restrict competition raise the prices that Australians pay. If these barriers propagate and compound across the stack, they will be particularly harmful to Australia's software industry – and to the productivity gains that wider adoption of AI could otherwise deliver.

Meanwhile, both disruptions are evolving against a background that the TAR has tracked for many years: the resurgence of 'behind the border' industry assistance, strategic competition between major economies, and the re-emergence of tariffs following actions by the United States, whose termination and subsequent replacement of tariffs has added further to global trade policy uncertainty.

Over more than 50 years, the key lesson of the TAR is that the risk of protectionism is not confined to the direct cost of the measures themselves. As barriers undermine economic outcomes, governments come under pressure to respond with further protection, creating a negative spiral of intervention and retaliation that hampers living standards and growth. Australia's interest lies in avoiding this cycle rather than joining it.

On the one hand, assistance targeted at particular industries and sectors in Australia is now growing faster than broad-based programs, led by the Future Made in Australia (FMIA) agenda. The costs of these programs will become visible long after the decisions that create them have been taken.

On the other hand, Australia has signed a free trade agreement with the European Union, brought the Australia–United Arab Emirates Comprehensive Economic Partnership Agreement into force, and

upgraded the ASEAN–Australia–New Zealand Free Trade Area. Australia is also continuing to negotiate a new free trade agreement with India.

The Government has also committed to abolishing a further 497 nuisance tariffs from 2026–27, building on the 457 removed from 1 July 2024. The case for taking the remaining statutory rates to zero remains strong.

TAR continues to uncover some unexpected facts about assistance. This year’s surprises include:

- Assistance remains concentrated in agriculture, forestry and fishing and in manufacturing, which received assistance 5.4 and 3.0 times their respective shares of the economy
- Assistance is dominated by long-standing programs rather than new ones. The 10 largest programs account for 70% of the \$16.8 billion, and the most recently introduced among them dates from 2016–17
- Australia’s tariff system may well cost more than it raises. Compliance costs for businesses accessing preferences and concessions are estimated at \$1.4 to \$4.1 billion in 2024–25, against \$1.9 billion in tariff revenue. Those costs rose despite the abolition of 457 nuisance tariffs
- Growth in industry-specific assistance in 2024–25 owed more to film policy than to broader industrial policy. The Film Industry Offsets rose by \$453 million (76%), driven by a 163% increase in spending by international productions. Excluding the offsets, industry-specific measures grew by 10% rather than 38%.

The value of transparency lies in what it uncovers. Year after year, the TAR produces findings exactly like this, that are not apparent from program announcements or headline totals.

Transparency, as is delivered through the TAR, also supports the case for continued monitoring, evaluation and clear exit strategies to be built into the design of new assistance measures.

We would like to take this opportunity to thank the many government agencies that provided advice and data to assist us in developing this year’s TAR.

Alex Robson
Deputy Chair

Catherine de Fontenay
Commissioner

August 2026

Executive summary

The Trade and Assistance Review (TAR) takes stock of Australia's industry assistance and the trade and investment environment

The TAR is the Productivity Commission's annual report on developments in Australian trade and industry assistance policies. The TAR has a broad remit, based on our obligation to report on assistance from section 10 of the *Productivity Commission Act 1998* (Cth), which defines government assistance to industry as:

... any act that, directly or indirectly: assists a person to carry on a business or activity; or confers a pecuniary benefit on, or results in a pecuniary benefit accruing to, a person in respect of carrying on a business or activity.

Reflecting recent policy developments globally and in Australia, this year's TAR focuses on:

- estimates of budgetary assistance in 2024–25 (chapter 1)
- the impact on Australia of international and domestic trade policy developments (chapter 2)
- recent developments in AI-related industry and trade policy (chapter 3)
- trends in foreign investment into Australia (chapter 4).

Assistance remained steady as a share of GDP but targeted assistance is growing

In 2024–25, industry budgetary assistance provided by the Australian Government increased by 6.4% to \$16.8 billion but remained at the long-term median percentage of GDP. Tax concessions made up 51.6% of all assistance and budgetary outlays made up the remaining 48.4%. Australian Government entities also provided between \$69 million and \$173 million in assistance to industry through concessional interest rate loans in 2024–25.

Led by the Future Made in Australia (FMIA) agenda, assistance targeting specific industries has grown faster than broad-based programs. Nearly \$570 million of the increase in budgetary assistance is estimated to be attributable to programs associated with the FMIA agenda, with most programs related to the clean energy sector.

Assistance aimed at improving domestic fuel security is likely to increase in response to the Middle East conflict and will contribute to the TAR's estimates of industry assistance from 2026–27.

Australia continues to build economic relationships, but internationally, protectionism continues to grow

Australia continues to build economic relationships by forging new free trade agreements.

There have also been further commitments to abolish more nuisance tariffs from 2026–27, which will reduce compliance costs for businesses, with flow-on benefits for consumers.

Globally, protectionism has continued to grow through 2024 and 2025, consistent with previous trends. The termination and subsequent replacement of some US tariffs has contributed to global trade uncertainty, which Australia has some exposure to.

The negative impacts of protectionism can contribute to a cycle of retaliation and escalating trade restrictions. As the imposition of tariffs and retaliatory actions undermine economic outcomes, there is risk that governments double down on protectionism, creating a negative spiral or 'boomerang effect' which further hampers living standards and economic growth.

Similar trends are visible in artificial intelligence (AI) as countries try to secure a position within emerging AI markets

In recent years there has been a significant increase in trade distortions for AI inputs and services, with governments seeking to shape AI markets either to improve their own domestic industry competitiveness, for security and resilience reasons, or to ensure AI services align with domestic objectives and values.

Such trade restrictions will have mixed impacts on Australia. Subsidies across the AI supply chain will lower costs to AI services for Australian consumers, and Australia may also benefit from increased supply chain diversification. However, trade barriers will make it more difficult for Australian companies to access overseas markets and measures that restrict competition will raise the cost of AI services for Australians. If these trade barriers propagate and compound across the AI technology stack, for example to cloud services, data, models and applications, it will be particularly harmful for Australia's software industry.

Australia's foreign investment position has fallen since 2024

Australia's net foreign investment position fell between December 2024 and March 2026. The decrease in position was due to liabilities increasing in value more than assets. The change in net liabilities was driven by growth in the value of foreign direct investment.

In line with longer-term trends, Australia's net equity position continued to rise over the year to December 2025, followed by a drop off in the March 2026 quarter. The main contributor to the longer-term rise in Australia's net equity position has been overseas investments from Australian superannuation funds.

The value of foreign investment approvals increased despite a fall in the number of applications. This decrease is almost entirely attributable to a fall in the number of residential real estate approvals associated with the temporary ban on foreign investment for existing residential real estate, although approvals were already trending downwards prior to the ban coming into effect.

1. Industry assistance – estimates and recent developments

Key points

- ✳ **Budgetary assistance for industry increased by 6.4% to \$16.8 billion in 2024–25 but remained at the long-term median percentage of GDP.**
 - Tax concessions made up 51.6% of all assistance and budgetary outlays made up the remaining 48.4%.
 - Expenditure on existing measures increased by \$699 million, while new measures contributed an additional \$589 million. Around \$284 million of funding was discontinued.
- ✳ **Led by the Future Made in Australia (FMIA) agenda, assistance targeting specific industries has grown faster than broad-based programs.**
 - Nearly \$570 million of the increase in budgetary assistance is estimated to be attributable to the FMIA agenda. Most of these programs were related to the clean energy sector, such as renewable energy generation, decarbonisation and battery manufacturing.
- ✳ **The Australian Government provided between \$69 million and \$173 million in assistance to industry through concessional finance in 2024–25.**
 - The total amount of government-provided loans increased by over \$2 billion in the year to 2024–25.
 - However, the level of concessional finance declined over the year, possibly due to interest rate rises.
- ✳ **Industry assistance directed at improving fuel security will contribute to estimates of assistance from 2026–27. New measures should prioritise monitoring and evaluation to ensure they address supply chain risks effectively and efficiently.**
 - The Australian Government's National Fuel Security Plan contains a suite of new and expanded fuel security measures. Commencing from 2026–27 these will be monitored and reported in future TARs.

The Australian Government assists industries and businesses through a broad range of programs, regulations and policies. Under section 10 of the *Productivity Commission Act 1998* (Cth), the PC has an obligation to report annually on the effect of assistance on industry and on the economy as a whole and fulfills this obligation through the TAR. The Act defines government assistance to industry as:

... any act that, directly or indirectly: assists a person to carry on a business or activity; or confers a pecuniary benefit on, or results in a pecuniary benefit accruing to, a person in respect of carrying on a business or activity.

The effects of measures that might confer assistance to industry on the wellbeing of the community and the economy overall depends on their type and design. Many measures are intended to stimulate activities that markets may under-provide (such as research and development (R&D)) or which support environmental, social or national security objectives. Others provide targeted assistance but may impose negative net impacts on the wider community. Whatever their net impacts, it is useful to transparently monitor the magnitude and nature of measures that benefit industries – a task that the TAR fulfils annually. As a document intended to provide transparency, the TAR reports on the form and magnitude of industry assistance. It does not assess the cost-effectiveness of individual policies. However, publishing the industry assistance value of policies contributes to the transparency required to undertake such an assessment.

This chapter presents an overview of the 2024–25 assistance estimates provided by tax concessions and budgetary outlays (predominantly subsidies, grants and concessional loans). This chapter should be read in conjunction with the TAR Methodological Annex and appendix B. The annex includes further detail on how the assistance estimates are produced and what types of assistance are typically within scope. Appendix B contains detailed tables of estimates covering budgetary assistance, by program and by industry, and concessional finance estimates.

A look at budgetary assistance in 2024–25

Budgetary assistance is included in the PC's estimates when an Australian Government budget measure confers a selective advantage to some businesses but not to others. This differential treatment can be based on various factors, including business size, industry or location. For instance, a grant program for regional manufacturers would be an example of a budgetary assistance measure included in the TAR

Programs or measures are included in the estimates to provide transparency on the composition of budgetary assistance, not to judge their individual merit. In doing so the TAR reveals how assistance is provided, how much is provided, and who benefits.

Like all estimates, the TAR budgetary assistance estimates have limitations and involve careful judgement. Some forms of assistance cannot be adequately quantified. For example, the Capacity Investment Scheme acts as budgetary assistance, but is not included in the TAR estimates because spending on the scheme is not published due to commercial sensitivities (DCCEEW 2025c, pp. 34–35).

The PC divides budgetary assistance by different types of spending to examine changes in the composition and nature of assistance (box 1.1). These include 2 forms of budgetary assistance (budgetary outlays and tax concessions), the type of spending, and estimates of the industries benefitting from each program or measure. Each breakdown gives insight into the policy objectives associated with budgetary assistance and how they evolve over time.

Box 1.1 – How the PC categorises budgetary assistance

Two forms of budgetary assistance

- Budgetary outlays – funding provided by the Australian Government that selectively assists businesses. This is typically through grants, subsidies, or funding for organisations to perform commercially beneficial services. Outlays may provide financial assistance directly to businesses or deliver assistance indirectly through organisations such as the CSIRO (Commonwealth Scientific and Industrial Research Organisation).
- Tax concessions – differential tax treatment that benefits some businesses but not others.

Types of budgetary assistance measures

- Industry specific – measures which encourage production in particular industries.
- Sector specific – measures which encourage production across a specific sector.
- Small business – a measure which restricts eligibility to small businesses (variously defined).
- Research and development – a measure which supports business research.
- Export – a measure which supports or facilitates exports.
- Regional/structural adjustment – a measure which encourages production in particular locations.
- Other – schemes that do not fall within any of the above categories.

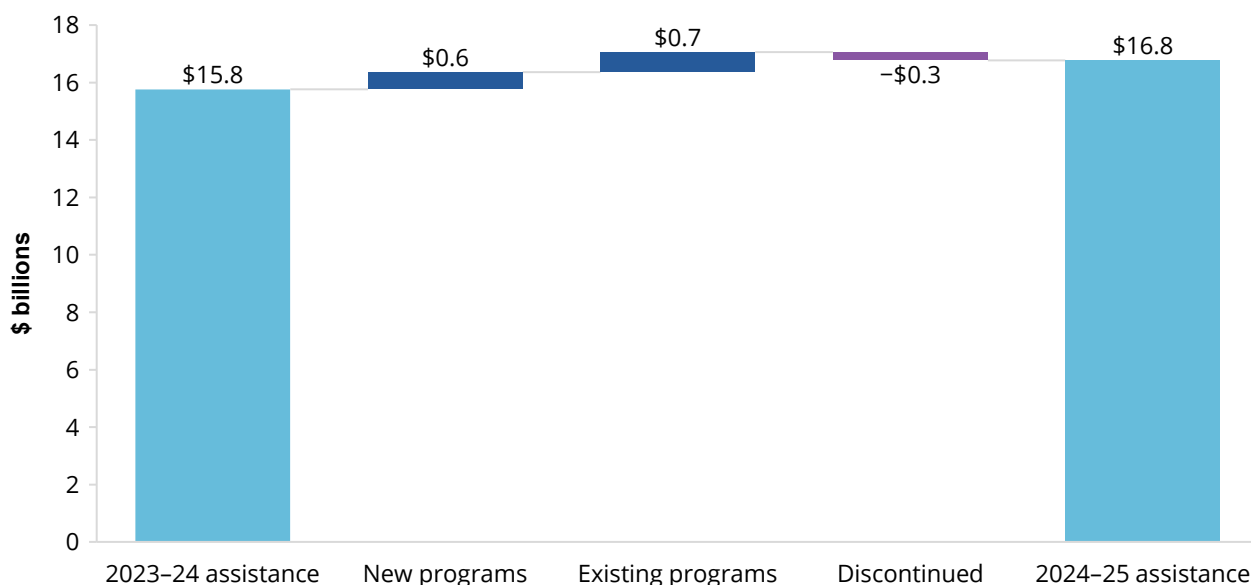
Initial benefiting industry

Assistance from each measure is allocated to an Australian and New Zealand Standard Industrial Classification (ANZSIC) 2-digit industry code for agriculture, forestry and fishing and manufacturing and then at the ANZSIC division level for services and mining. Spending from one program or measure can be allocated across multiple industries. Where possible, the PC allocates budgetary assistance to the industry or sector that benefits from it. This is undertaken on an 'initial benefiting industry' basis – that is, assistance is allocated to the industry that 'hosts' the business or businesses that initially benefits from a program or measure. The accompanying TAR Methodological Annex provides more detailed information.

Budgetary assistance has grown in nominal terms

In 2024–25, the Australian Government provided approximately \$16.8 billion in budgetary assistance, representing a \$1 billion increase since 2023–24. Tax concessions made up 51.6% of all budgetary assistance, while assistance from government outlays made up the remaining 48.4%.

Budgetary assistance grew nominally in 2024–25 as spending from new and existing measures exceeded declines in spending from discontinued measures. There were 24 new measures accounting for \$589 million in new budgetary assistance, and a \$699 million increase in year-on-year expenditure from 109 continuing programs. The increase in assistance was partially offset by the discontinuation of 16 programs which had provided \$284 million in 2023–24 (figure 1.1).

Figure 1.1 – New and existing programs contributed to industry assistance growth

Source: PC estimates.

The lion's share of the discontinued assistance was due to the cessation of the Offshore Banking Unit Tax Concession which accounted \$180 million or 63% of discontinued funding. The remaining discontinued programs were grant measures which have now been completed (appendix B).

Of the 109 continuing measures, 52 programs saw an increase in expenditure while 57 had a decrease. However, the expenditure increase resulting from continuing programs far outweighed the expenditure decrease for continuing programs.

Assistance remains within long-term trends in relation to GDP

While budgetary assistance grew year-on-year by \$1 billion (6.4%) (figure 1.2), when represented as a share of GDP, it lifted from 0.59% in 2023–24 to 0.60% in 2024–25. This is below its recent high of 0.65% of GDP during the COVID-19 pandemic, but equal to its median level of 0.60% since 1996–97.¹

The stability of budgetary assistance as a share of GDP reflects the concentration of funding within a few long-standing programs. Of the 133 programs in 2024–25, in terms of funding amounts, the top 10 programs accounted for 70% of the \$16.8 billion. Within the top 10 programs, the newest is the Unincorporated Small Business Tax Discount which was introduced in 2016–17. Most other top programs have been in place for over 2 decades.

The top spending programs featured in the TAR are mostly tax concessions and offsets.² These programs contribute to the relative stability of spending as a share of GDP over time as they are tied to the economic cycle. In periods of higher economic growth, there is more investment and higher utilisation of tax-related programs. The opposite occurs when the economy slows down and

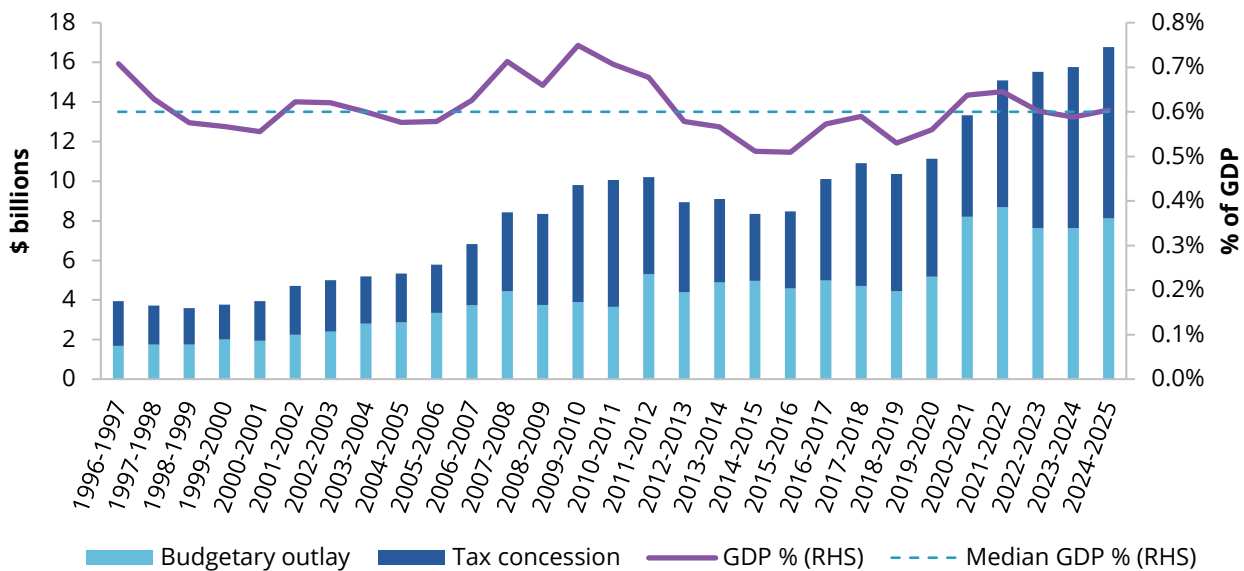
¹ Budgetary assistance estimates from the TAR prior to 1996–97 are not directly comparable.

² This includes the refundable component of the R&D Tax Incentive which is the largest contributor to industry assistance and is considered budgetary outlay for the purposes of figure 1.2.

investment falls. As a result, budgetary assistance remains closely tethered to GDP with most variation typically the result of short-term changes in discretionary funding, such as targeted grants.

Figure 1.2 – Budgetary assistance sits at its median share of GDP since 1996–97

Outlays and tax concessions, current dollars and % of GDP, 1996–97 to 2024–25



Source: PC estimates.

In 2024–25, the largest increases in expenditure on existing measures came from tax concessions. These include the Film Industry Offsets (increasing by \$453 million or 76%) and the refundable portion of the R&D Tax Incentive (up \$210 million or 6%). In total, 10 tax concessions accounted for 48% of the increase in budgetary assistance from existing programs.

The R&D Tax Incentive has consistently been the largest contributor to budgetary assistance since its inception in 2012–13. Typically, expenditure on the refundable portion increases each year by around \$100 million to \$200 million. Notably, the Australian Government announced changes to the R&D tax incentive program from 2025–26 onwards to exclude gambling and tobacco-related expenditure (Mulino 2025). It is possible that affected firms may have pushed to complete their activities while still being eligible, contributing to this year's increase being higher than usual.

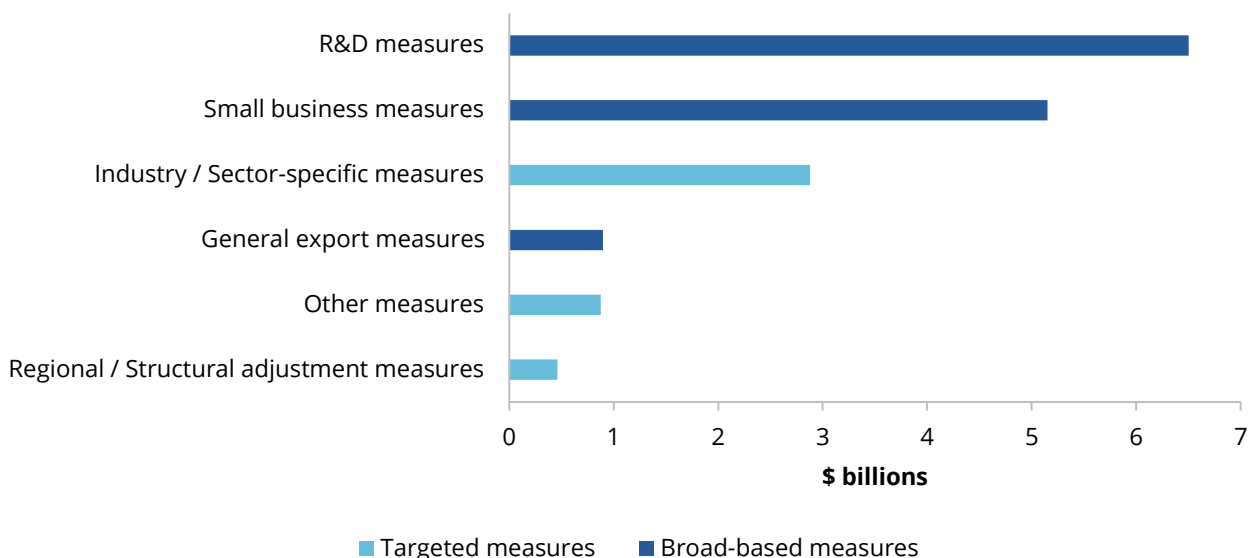
The Film Industry Offsets program is a tax incentive for local and international filmmakers to produce content in Australia, with offsets available for local producers, as well as principal photography and post-production work for international film and TV productions. The large increase in 2024–25 appears to be coming from a significant increase in expenditure from international projects located in Australia. These projects spent \$1.3 billion in 2024–25, an increase of 163% from the previous year (Screen Australia 2025).

On the other hand, some of the largest decreases in budgetary assistance were from tax concessions. About 40% of the value in decreasing existing programs came from the 9 tax concessions that fell in usage in 2023–24 – including the Additional Deduction for Digital Adoption Expenses (falling \$190 million or 81%) and the Farm Management Deposit Scheme (falling \$100 million or 38%). Other programs that saw substantial declines in assistance were the CSIRO (falling \$110 million or 17%) and the Modern Manufacturing Initiative (falling \$70 million or 33%).

Broad-based programs remain the core of assistance spending

R&D measures and small business measures remained the largest ‘types’ of industry assistance in 2024–25. With R&D measures accounting for \$6.5 billion and small business measures accounting for \$5.2 billion, they represented a combined 69% of total assistance (figure 1.3).

Figure 1.3 – Broad-based measures make up the majority of budgetary assistance



See box 1.1 for definitions of types of measures.

Source: PC estimates.

As noted above, the R&D Tax Incentive is the largest industry assistance program, representing 71% of R&D related expenditure and \$210 million of the near \$300 million in growth for R&D programs. Outside of this, ARENA (Australian Renewable Energy Agency) and CSIRO are the other 2 major programs. This year only the former received more funding than last year (a \$146 million increase), while CSIRO funding fell by \$110 million.

There are a limited number of small business-focussed measures (11 in 2024–25), with most (75%) of the small business-related assistance coming from 4 capital gains tax related exemptions and reductions. However, the new tax deduction for small businesses’ electrification and energy efficiency added \$270 million in new expenditure and was the largest contributor to the 5% growth in expenditures on small business focused programs.

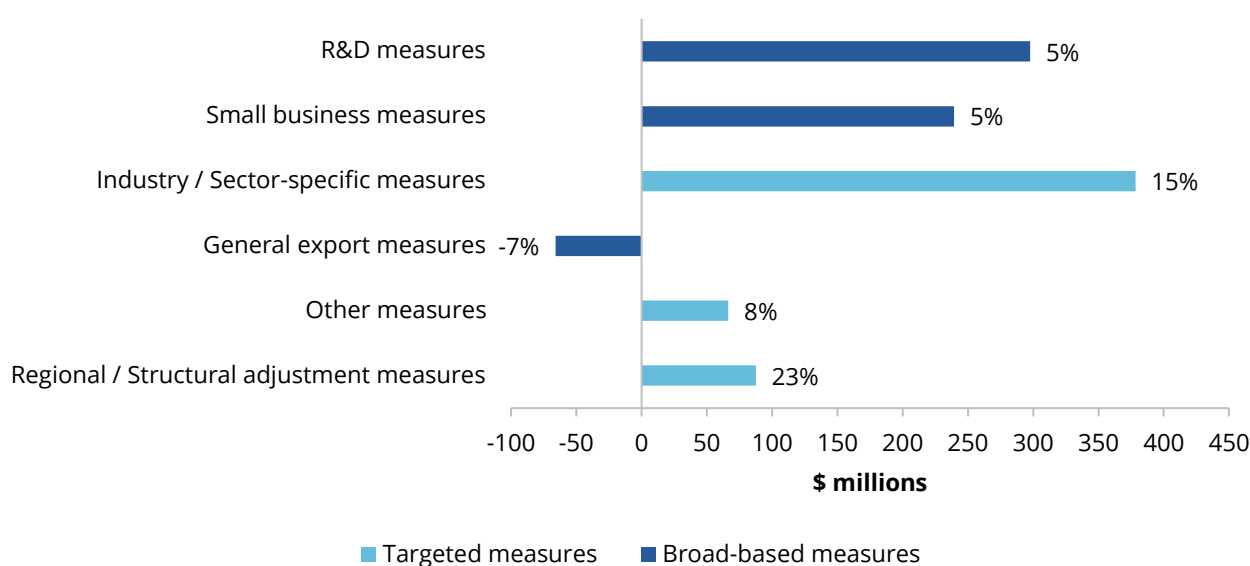
The 2026–27 Budget announced changes to both capital gains tax and R&D tax incentives. These changes will likely affect the level of assistance provided to any business making an R&D investment decision. The changes to the R&D tax incentives alone have been projected to reduce payments by \$1.6 billion over the 3 years to 2029–30 (Treasury 2026b, p. 100). Future TARs will monitor the impact of these changes on the level of assistance provided.

Targeted assistance has grown in 2024–25

While still only a small part of overall assistance funding, there was a substantial growth (38% increase) in industry-specific measures over the year to 2024–25 relative to other types of assistance. This was mostly driven by the \$453 million increase in Film Industry Offsets. Excluding that from the estimates saw industry-specific measures grow by 10%, with the next biggest contributor being growth in the new Assistance to the Whyalla Steel Industry measure, which added \$162 million. This was followed by the Recycling Modernisation Fund, the Digital Games Tax Offset,³ and the Film Industry Concessions (separate to the offsets) which increased by \$74 million (or 429%), \$48 million (or 697%) and \$45 million (or 47%) respectively.

The growth in targeted assistance was offset somewhat by a fall in sector-specific measures. Expenditure on sector-specific measures fell by \$154 million (14%) in 2024–25, driven by reductions in the Farm Management Deposits Scheme (down \$100 million) and the Modern Manufacturing Initiative (down \$71 million). Combining this change with the growth in industry-specific assistance, there is a growth of \$378 million (15%) in directly targeted measures (figure 1.4).

Figure 1.4 – Targeted industry/sector-specific assistance grew more than other types
Change in budgetary assistance in current dollars by type of measure, 2023–24 to 2024–25



See box 1.1 for definitions of types of measures. Data labels are the percent change, year on year.

Source: PC estimates.

³ The Digital Games Tax Offset is a refundable tax offset which allows eligible companies that develop digital games in Australia to claim 30% of their total qualifying Australian development expenditure.

Box 1.2 – The Strategic Examination of Research and Development

In December 2024, as part of the Future Made in Australia agenda, the Australian Government commissioned the Strategic Examination of Research and Development (SERD) to deliver recommendations to strengthen Australia's R&D system.

The final report, released on 17 March 2026, had 20 recommendations to maximise the value of public investment in research across universities, industry and government, harness and grow business investment in R&D, and leverage scientific strengths to help address national priorities and foster new industries.

The focus of the recommendations is to create a new governance framework to provide oversight, coherence and alignment across Australia's R&D system. The governance framework would be anchored by a National Innovation Council and 6 National Innovation Pillars (health and medical, agriculture and food, defence, environment and energy, resources and technology) to guide priorities, improve coordination and give governments a stronger stewardship role. If these recommendations are implemented, the R&D system is likely to shift further away from broad-based measures and toward sectoral support.

Further recommendations propose stronger support for foundational research, changes to business innovation incentives, measures to deepen scale-up finance, reforms to build workforce capability, and greater use of procurement and other policy levers to back Australian innovation. The report's underlying view is that Australia's challenge is not a lack of research capability, but a system that does not consistently convert that capability into diffusion, investment and productivity growth.

The Australian Government's response

In response to the SERD, the Australian Government announced changes to the R&D tax incentives and venture capital investment incentives as part of the 2026–27 Budget. The changes include:

- increasing the offset rate for core R&D spending, removing the offset for supporting activities and reducing the intensity threshold
- increasing the minimum R&D expenditure threshold to \$50,000 and increasing the maximum R&D expenditure to \$200 million
- only making the refundable R&D tax incentive available to SMEs less than 10 years old
- increasing the caps for venture capital tax incentives in line with inflation.

The changes to the R&D tax incentive are projected to decrease expenditure by \$1.6 billion over the 3 years to 2029–30 (Treasury 2026b, p. 100). A reduction of this magnitude would decrease assistance through the R&D tax incentive by 12% if current levels of expenditure were maintained over 3 years.

The Australian Government will also establish a National Resilience and Science Council which will consider any further reforms needed in response to the SERD's recommendations.

Future TARs will monitor the impact of these changes to the R&D tax incentive and their effect on budgetary assistance.

Source: Expert Panel for the Strategic Examination of R&D (2026); Treasury (2025).

Future Made in Australia is impacting estimates and will grow over time because production tax incentives are backloaded

After being announced in the 2024–25 Budget, the FMIA agenda has begun to impact the types of budgetary assistance provided by the Australian Government. Around \$570 million of the rise in budgetary assistance in 2024–25 is related to growing or supporting new and emerging industries associated with FMIA (box 1.3). These include critical minerals, green metals, hydrogen fuels, renewable and clean energy and quantum computing.

By its very nature, FMIA is targeted assistance and is already contributing to the relative growth of targeted assistance in this reporting period, accounting for 3.6ppts of the 6.4% growth in budgetary assistance from 2023–24 to 2024–25.

It is expected that FMIA-related assistance will continue to grow in future years as the agenda continues to roll out, particularly from 2027–28 onwards when production tax incentives commence. These tax incentives are projected to provide more than \$11 billion in assistance throughout the next decade and beyond (Treasury 2025b, p. 68, 2026b, p. 103).⁴ However, the incentives are uncapped and demand-driven, meaning actual spending could be considerably higher or lower than this estimate. Future TARs will seek to report on emerging trends in FMIA-related assistance over time.

Box 1.3 – What counts as FMIA

What is Future Made in Australia?

FMIA is a broad industrial policy agenda first announced by the Australian Government in the 2024–25 Budget. It aims to build a ‘more diversified and resilient economy powered by clean energy and creating more secure, well-paid jobs’ (*Future Made in Australia Act 2024* (Cth) Preamble).

Investments made under FMIA are guided by the National Interest Framework (NIF) which was legislated in the *Future Made in Australia Act 2024* (Cth) (the FMIA Act). The NIF is designed to impose ‘rigour on Government’s decision making on significant public investments, particularly those used to incentivise private investments at scale’ (Australian Government 2024a, p. 6).

The FMIA Act outlines 2 streams for FMIA investment:

- **Net Zero Transformation Stream** – relates to where a sector could have a sustained comparative advantage in a net zero global economy and public investment is likely to be needed for the sector to make a significant contribution to emissions reduction at an efficient cost.
- **Economic Security and Resilience Stream** – relates to where some level of domestic capability in the sector is a necessary or an efficient way to deliver economic resilience and security and the private sector will not deliver the necessary investment in the sector in the absence of government support.

Under the legislation, the Treasurer can ask for a ‘sector assessment’ to determine whether funding in a given sector would align with the NIF. To date, the only preliminary sector assessments carried out were as part of the NIF supporting paper. This paper argued Australia has an enduring comparative advantage in hydrogen, green metals and low carbon liquid fuels (Australian

⁴ Forward estimates for the production estimates have been revised down from \$13.7 billion.

Box 1.3 – What counts as FMIA

Government 2024a, pp. 15–20). It also argued that critical minerals processing is aligned with the economic security and resilience stream (Australian Government 2024a, p. 24).

How the PC classified programs into FMIA

While the FMIA agenda has progressed and investments have started to be made, these investments have not followed a formal process of sector assessments, making it unclear which programs are definitively part of FMIA and which are not. In identifying new programs that meet the TAR's criteria of budgetary assistance, each program was assessed to determine its relation to FMIA. The topic area for many new programs made it easy to determine whether the program was included or not – for example, agriculture-related programs such as the transition assistance for the phase out of live sheep exports by sea are clearly not part of FMIA.

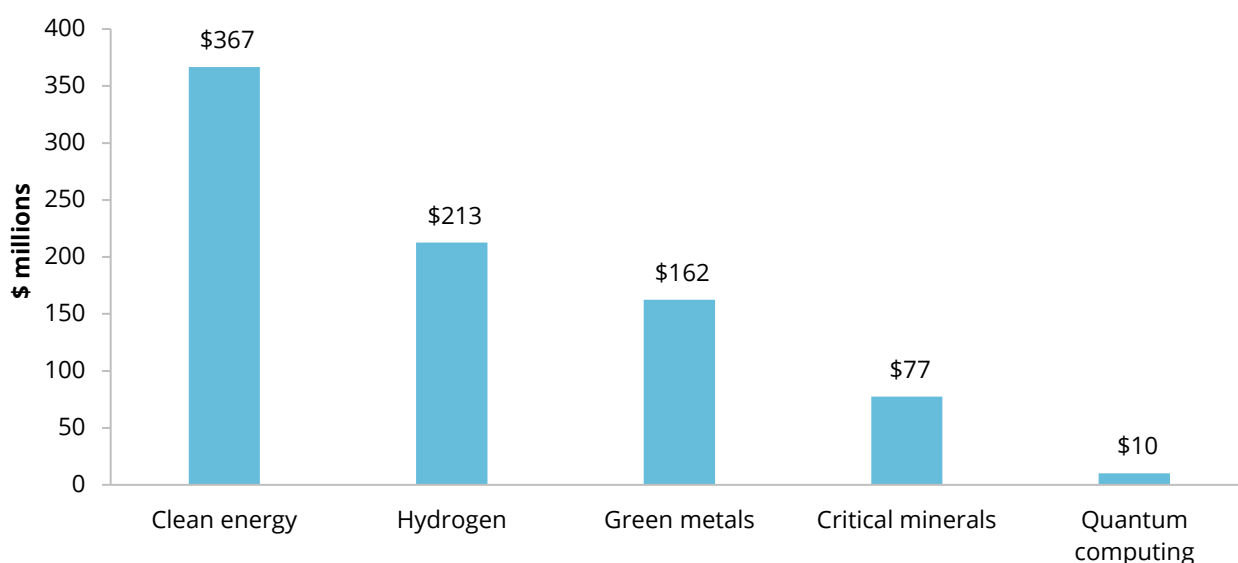
Where a topic could be considered part of the FMIA, further research was conducted to find any links to the agenda. This mostly consisted of investigating media releases from when new programs were announced and identifying mentions of FMIA policy. Some additional programs have been included where there is no direct mention of FMIA within any media release, however the program is linked to one of the priority areas – for example, the Australia-UK Renewable Hydrogen Innovation Partnerships Program.

This identification process was also undertaken on existing programs that have continued to receive funding in 2024–25, such as the Regional Hydrogen Hubs Program.

Based on the PC analysis, there was around \$829 million spent on FMIA-related programs in 2024–25, with around \$293 million coming from new programs. The bulk of the new expenditure came from the Assistance to the Whyalla Steel Industry program (\$162 million) which will support the steelworks through administration, with the eventual goal of transforming it into a Green Iron facility (DISR 2025a; Federal Financial Relations 2025) (figure 1.5).

Expenditure on existing FMIA-related programs primarily came from 3 programs:

- \$138 million to ARENA specifically for FMIA activities (DCCEEW 2024, p. 124).
- \$187 million on the Regional Hydrogen Hubs Program, which supports the development, design and implementation of hydrogen hubs in Regional Australia (up by \$108 million in 2024–25) (DCCEEW 2025b).
- \$174 million for the Powering the Regions funds to support the decarbonisation and emission reduction (up by \$64 million in 2024–25) (ARENA nd; Australian Government 2026c).

Figure 1.5 – 2024–25 funding for FMIA-related activities by area of investment

FMIA programs have been assigned by the PC (box 1.3). This may not represent the all FMIA-aligned expenditure. Clean energy projects include those that are focused on renewable and clean energy generation, decarbonisation and battery manufacturing. Green metals assistance is currently support for traditional steel production, but those facilities may play a role in green metal production in the future.

Source: PC estimates.

Budgetary assistance is more prevalent in some industries than others

Of the \$16.8 billion in budgetary assistance in 2024–25, the PC allocated \$12.7 billion to specific industries, based on industry allocations detailed earlier (box 1.1). Most assistance went to services (\$8.0 billion or 63% of allocatable budgetary assistance⁵), which encompasses a wide variety of activities including construction, retail trade, the arts, and professional services.

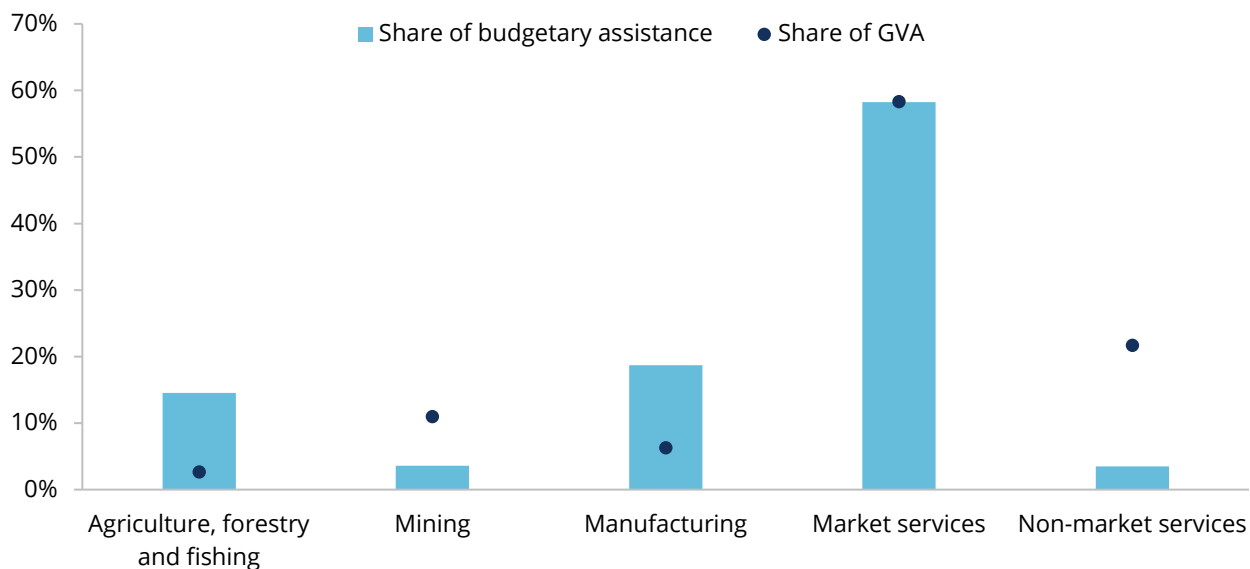
However, the level of assistance that the services sector receives is proportionate to its relative share of the economy. Services (broken into market and non-market services⁶) and mining all received a similar or lower share of assistance than their share of the economy (figure 1.6). On the other hand, the agriculture, forestry and fishing and manufacturing sectors received more budgetary assistance than their share of the economy at a ratio of 5.4 and 3.0 respectively.

Non-market services received the least assistance relative to its share of the economy. This is to be expected given most government funding for non-market industries is explicitly out of the TAR's scope.

⁵ Allocatable budgetary assistance does not include the roughly \$4 billion in assistance that cannot be allocated to any industry. Services' share of all assistance (including the \$4 billion of unallocated assistance) is 49%.

⁶ Non-market services refer to services where government provision is the primary driver of activity, such as education and training, healthcare and social assistance and public administration. Government provision of services is excluded from budgetary assistance estimates in the TAR. For example, funding for schools, universities, government agencies and hospitals is out of the TARs scope as they support a broader public purpose and are involved in non-market service delivery.

Figure 1.6 – Agriculture and manufacturing attracted large shares of budgetary assistance relative to their size

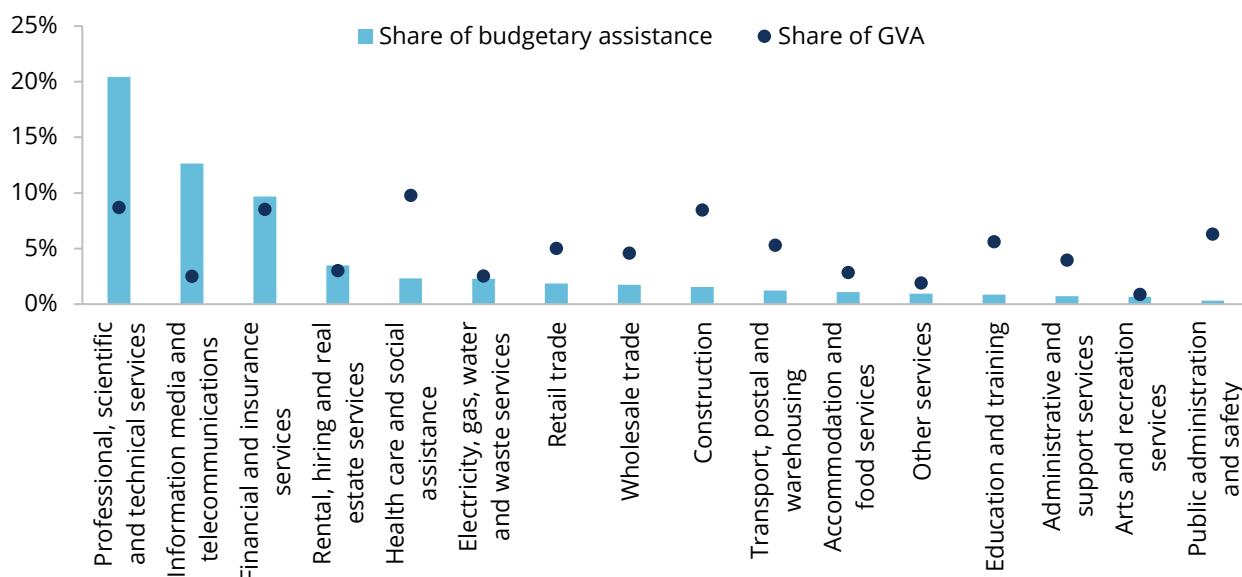


GVA = gross value added, which is the sectoral share of GDP.

Source: PC estimates.

Looking within the service sector, most industries received proportionately less assistance than their size, with a few key exceptions (figure 1.7). Information, media and telecommunications had the highest ratio due to various film industry tax concessions.

Figure 1.7 – Some market services receive more assistance than their economy share



GVA = gross value added, which is the sectoral share of GDP.

Source: PC estimates.

Further, the professional, scientific and technical services received proportionately more assistance (at a ratio of 2.3) due to the variety of small business and R&D tax concessions that support the industry. Other measures supporting these industries can be found in appendix B.

A look at concessional finance in 2024–25

Concessional finance refers to loans or equity investments provided on more favourable terms than would otherwise be available. When the government provides concessional finance, the amount of ‘concessional’ is the difference between the interest that the borrower paid at the concessional interest rate and the interest they would have paid if they obtained the loan at the prevailing market interest rate.

Concessional finance has been a growing form of assistance in Australia and may grow further in the future as the National Reconstruction Fund (NRF) continues to expand and provide new loans. Unlike budgetary assistance, which is clearly visible, and for the most part quantifiable, concessional finance is ‘off-budget’ and harder to measure with the same level of precision. The PC has been providing estimates of the level of concessions provided since 2021–22, however these estimates can be inexact and incomplete as there are no requirements for all loan-providing entities to publish information on the size of the discounts provided by their loans.

Most finance entities target specific sectors or industries rather than being broad-based forms of assistance. Like the growth in targeted budgetary assistance, the growth of concessional finance can create market distortions by favouring specific parts of the economy over others.

Concessional finance can act as a form of industry assistance when it is selectively available to one domestic firm or sector, but not others. A key exception is where subsidies provided through concessional finance programs reflect an economy-wide shadow price for an externality. For example, subsidising finance for low emissions technologies might not constitute industry assistance where the level of the subsidy is designed to account for the social cost of greenhouse gas emissions.

TAR 2020–21 identified 5 entities that are responsible for most Australian Government supported concessional finance, to assist industry. These entities are listed in table 1.1. The NRFC, established in 2023, provided its first loan in 2024–25 and has been incorporated into the TAR for the first time this year (NRFC 2024).

Table 1.1 – Entities providing concessional finance in Australia

Major providers of concessional finance to industry by statute of the Australian Government

Entity	Targeted sector/s
Export Finance Australia (EFA)	Exporting businesses
Clean Energy Finance Corporation (CEFC)	Clean energy and low emissions technology
Northern Australia Infrastructure Fund (NAIF)	Northern Australia businesses
Housing Australia (HA)	Social and affordable housing
Regional Investment Corporation (RIC)	Farm businesses
National Reconstruction Fund Corporation (NRFC)	Renewable energy, medical science, transport, agriculture, resources, and defence

Source: Department of Finance (2025f, 2025b, 2025a, 2025e, 2025c, 2025d).

Box 1.4 describes the PC's approaches to estimating concessional finance. Both should be interpreted with caution as they are not directly comparable. Method 1 (annual unwind of bottom-up concessional loan charges) is the more appropriate figure because it only uses figures directly reported by the agencies under a standardised accounting framework (Finance 2020, p. 9). However, not all agencies report the necessary figures, so method 1 only provides a limited view of concessional finance. Method 2 (return-gap) offers a more complete view of agencies offering concessional finance, but it is less preferred because it relies on external data which cannot be interpreted as confidently as agencies' own figures.

Box 1.4 – Approaches to estimating the value of concessional finance

The PC has 2 methods for estimating concessional finance. Both methods measure the subsidy conferred by providing finance at below market rates – but do so from different perspectives.

Method 1: Loan-by-loan (bottom up) unwind of concessional loan charges

Concessional loans are initially recorded at their present value – the sum of future repayments discounted at the prevailing market interest rate – which is lower than the nominal (concessional) loan amount. The concessional loan charge representing the discount provided – is calculated by taking the difference between the net present value of a concessional loan were it to be provided at commercial rates and the net present value of the loan given the concessional terms on which it is offered. It is an estimate of the value of the concessional component of the concessional loan activities of the entity.

Each year some of this total concessional discount is 'unwound' or 'used up'. When an agency gives a loan at a discount, the value of this discount is recorded as an expense on the agency's books. As the value of the whole loan depreciates over time, so too does the value of the expense for the agency. The amount the expense reduces by is called the unwinding of the concessional loan charge and is recorded as income for the lending agency. This 'unwinding' can be taken as an indicative annual value of the concessional component of the outstanding stock of concessional loan activity in that year.

As the TAR is focussed on the benefits provided to industry in any given year, the unwind is considered to be the most appropriate figure for this report. While this method is preferred, it lacks completeness as not all agencies report consistent information on the concessional unwind charge, and some provide no information. The TAR Methodological Annex provides more information on the available data and a worked example to understand the unwind.

Method 2: Portfolio (top down) 'return gap' methodology

The second method is a top-down 'return gap' applied to the whole portfolio of loans. This is reported as a range and calculated^a as follows:

Lower bound =

(Return if stock of loans was invested in five year A bonds) – (Actual return on loans)

Upper bound =

(Return if stock of loans was invested in ten year BBB bonds) – (Actual return on loans)

More detailed information can be found in the TAR Methodological Annex.

a. The range is calculated using the 5-year A rated debt security yield series from the RBA (Reserve Bank of Australia) F3 statistical tables for the lower bound and the ten-year BBB rated debt security yield series for the upper bound.

Concessional finance provided in 2024–25

At first glance, it appears that concessional finance is a major growing form of industry assistance with nearly \$14 billion in outstanding loans in 2024–25. However, the size of the loans is not an indicator of the level of assistance provided. Indeed, relative to direct forms of assistance discussed above, concessional finance is estimated to be, at most, 1.0% of the size of direct assistance measures.

Estimates of concessional finance for 2024–25 vary between the 2 methodologies:

- Using method 1, entities provided concessional finance of \$163.1 million based on the unwinding of the concessional loan discount, with an estimated \$70.4 million in concessional value 'used' by farm business and farm-related small businesses. However, the total estimate excludes EFA and NRFC who do not report the unwinding.
- Using method 2, entities provided concessional finance of between \$68.7 million and \$173.2 million based on the return gap method, with HA having the largest return gap with an upper bound of \$59.1 million, followed closely by CEFC (\$52.5m) and NAIF (\$48.7m).

Table 1.2 details the value of concessional finance by each entity based on the PC's 2 methods. While both measures aim to estimate the amount of 'concessional', the 2 estimates are not directly comparable. This is because estimates between agencies vary significantly.

The addition of the NRFC – which has the highest market return gap – has not made a sizeable impact on the overall amount of 'concessional' as the administered loans account for less than one percent of all concessional loans.

Table 1.2 – Entities provided approximately \$100 to \$200 million in concessional finance

Value of concessional finance to industry based on 2 methods, \$ millions, 2024–25

Entity	Outstanding loan (\$m) ^a	Unwind of charges	Market return gap (basis points) ^b	Market return gap (\$m) ^{c,d}
EFA	\$1,393.4	N/A	–35 – 40	–\$4.9–\$5.6
CEFC	\$4,570.8	\$19.8	39 – 115	\$18–\$52.5
HA	\$3,130.3	\$32.3	114 – 189	\$35.6–\$59.1
RIC	\$2,911.7	\$70.4	–66 – 9	–\$19.2–\$2.7
NAIF	\$1,774.9	\$40.6	199 – 274	\$35.3–\$48.7
NRFC	\$89.9	N/A	457 – 513	\$3.9–\$4.6
Total	\$13,871.1	\$163.1 (sans EFA and NRFC)	50 – 125^e	\$68.7–\$173.2^e

a. Stock of outstanding loans provided by each entity, drawn from the annual report of each entity, gross of concessions and impairments. For RIC, this is a best estimate based on information provided in the Department of Agriculture's annual report. **b.** Basis point difference between the rate of return the portfolio would have earned had those funds being invested at prevailing market interest rates, and the rate of return actually earned on that portfolio of loans. A positive number implies concessional. The range of estimates reflects the range of tenor and credit rating assumptions used for the commercial portfolio return comparator, ranging from the average rate of return on an A rated 5-year tenor (4.8%) to a BBB rated ten-year tenor (5.6%) that prevailed during 2024–25.

c. The rate of return actually earned is estimated using interest income provided in each entities annual report. However, for EFA, RIC and NAIF, interest income earned on the portfolio of loans of interest to this analysis is not provided. For these entities, the rate of return is the PCs' best estimate, based on available data and a number of

assumptions. **d.** Dollar value of the return gap range applied to the outstanding stock of loans held by each entity.
e. Weighted average of basis point gaps of individual entities.

Source: PC estimates using CEFC (2025), DAFF (2025), DITRDCSA (2025), EFA (2025), HA (2025), NAIF (2025), NRFC (2025) and RIC (2025).

Concessional finance may have declined despite growth in loaned amounts

Using method 2, assistance from concessional finance has likely decreased from the recent high of 2022–23 (table 1.3). This decrease in concessional finance occurred despite an 18% increase in total loaned amounts (largely driven by a 60% increase in loan value through the CEFC). The precise cause of the fall in concessional finance is difficult to isolate without more granular loan level data. However, some explanations for the decrease in the level concessional finance include:

- the value of both the 5-year A-rated bonds and the 10-year BBB rated bonds (used to calculate the lower bound and upper bound respectively) fell by as much as 1 percentage point since 2023 (for the 10-year BBB bonds)
- loans that were made in the low-interest rate environment prior to 2022–23 have expired and the newer loans reflect higher interest rates experienced in the years since.

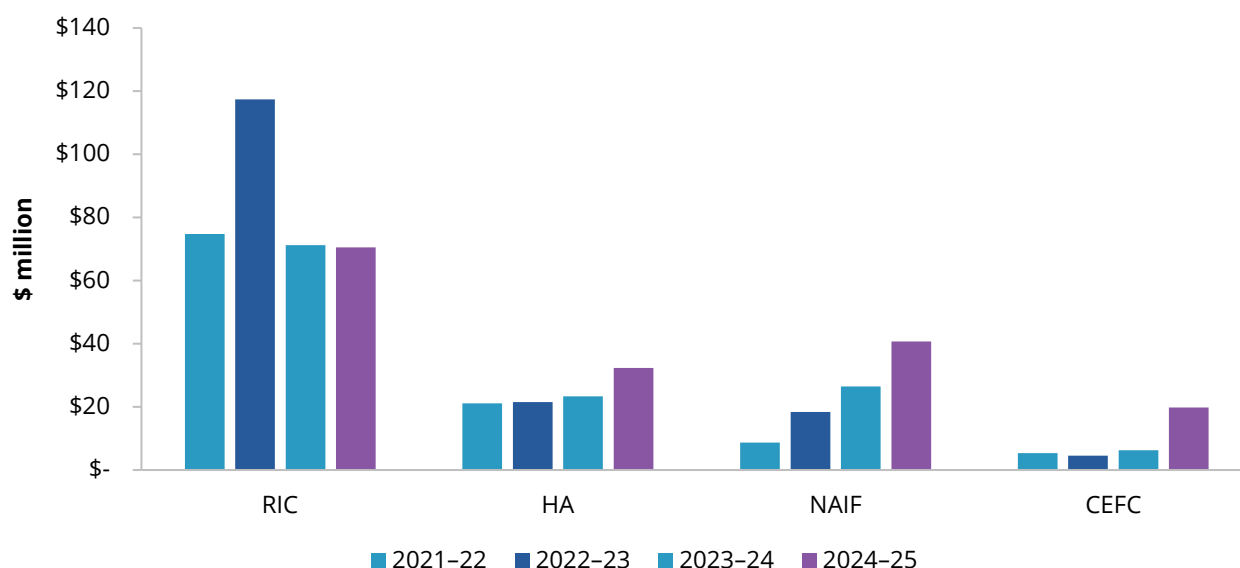
Table 1.3 – The return gap has continued to decline from 2022–23 levels
Return gap value of concessional finance, \$ millions, 2021–22 to 2024–25

Year	Outstanding loan (\$m)	Market return gap (basis points)	Market return gap
2021–22	\$10,047	64–219	\$64.8–\$220.2
2022–23	\$10,171	208–350	\$211.4–\$356.0
2023–24	\$11,729	89–192	\$104.0–\$225.7
2024–25	\$13,871	50–125	\$68.7–\$173.2

Source: PC estimates using CEFC (2025), DAFF (2025), DITRDCSA (2025), EFA (2025), HA (2025), NAIF (2025), NRFC (2025) and RIC (2025).

Unlike previous years, the total change in reported unwind in the last year was not driven by the RIC. Between 2023–24 and 2024–25 CEFC, HA and NAIF saw increased concessional finance via unwind estimates, while the RIC remained relatively stable as there has not been a major drought requiring high levels of new Drought Loans (figure 1.8).

Figure 1.8 – RIC is consistently the largest provider of concessional loans
Unwinding of concessional finance, 2021–22 to 2024–25



Source: PC estimates using CEFC (2025), DAFF (2025), DITRDCSA (2025), EFA (2025), HA (2025), NAIF (2025), NRFC (2025) and RIC (2025).

Figure 1.9 below provides some extra context to the way each entity provides loans by showing some of the larger investments each made in 2024–25.

Figure 1.9 – Larger investments made in 2024–25 by each concessional finance entity

Export Finance Australia \$466 million in loans and equity investments to support the creation of the PsiQuantum facility in Brisbane \$200 million loan to support the expansion of the Alpha HPA alumina processing facility	Clean Energy Finance Corporation Up to \$1.935 billion to enable the construction of Humelink Up to \$750 million to support the operation of the Central-West Orana Renewable Energy Zone	Regional Investment Corporation \$48.5 million in new Drought Loans \$133.5 million in new Farm Investment Loans \$45.1 million in new AgriStarter loans
Housing Australia \$902.6 million to increase the supply of 2,088 social, affordable and Specialist Disability Accommodation housing \$321.8 million in concessional loans and grants, supporting the delivery of 819 new dwellings	Northern Australia Investment Fund Up to \$150 million for the development of a conventional open cut gold mine Up to \$140 million for Social, affordable and specialist disability accommodation in Cairns	National Reconstruction Fund Corporation \$200 million to help finance the Nolans Project in the Northern Territory \$27 million to complete the phase 2b clinical trial of a pioneering eye implant technology

Source: CEFC (2025), EFA (2025), HA (2025), NAIF (2025), NRFC (2025) and RIC (2025).

A renewed focus on domestic fuel security may impact future industry assistance estimates

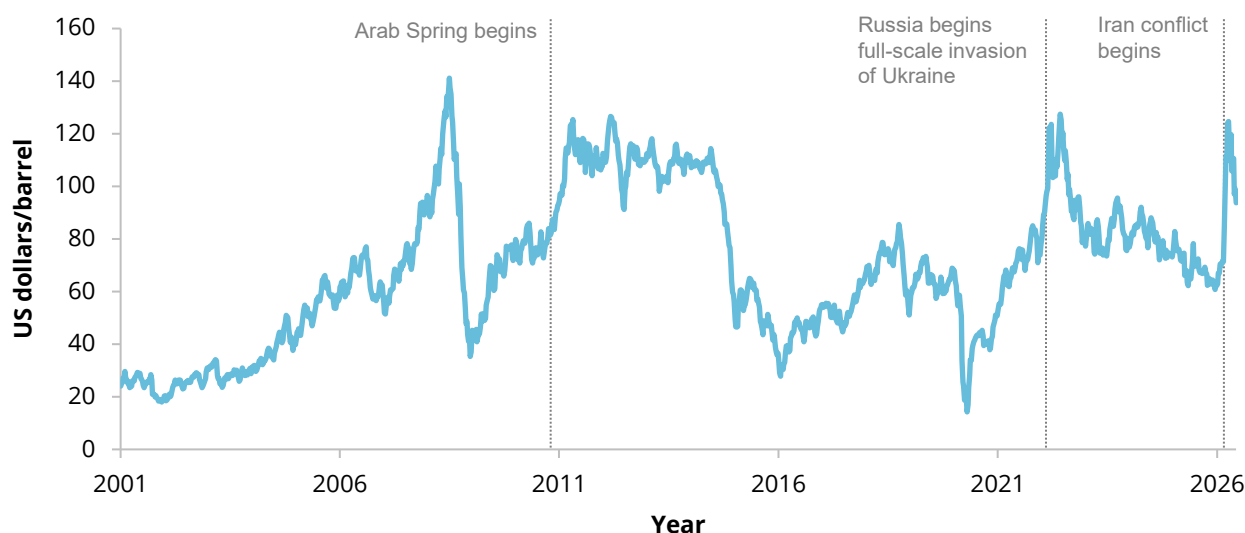
As a result of the Middle East conflict, Australian and international governments have increased their focus on improving domestic fuel security and considered a range of policy interventions – including greater assistance through industry policy measures – to minimise the impact of the disruption in one of the world’s most important oil-producing regions.

The closure of the Strait of Hormuz in March 2026 disrupted around 20% the world’s seaborne oil and gas supply and resulted in the largest global oil supply disruption on record (Australian Government 2026b, p. 51). Reflecting this, Brent Crude Oil prices rose from around US\$60 to \$70 per barrel in the months prior to the conflict to above US\$110 per barrel in the initial few weeks and as ceasefire negotiations between conflicting countries broke down (US Energy Information Administration 2026). Conflicts over the Strait of Hormuz remain ongoing at the time of writing.

Oil is the world’s dominant input to transport fuels and there are few substitutes on the demand side in the short run. Thus, supply disruptions in major oil-producing regions push crude prices up (figure 1.10). When oil supply is threatened, markets anticipate shortages, causing higher prices for both crude and refined fuels. Such disruptions can have significant impacts on Australia as it imports over 80% of its consumed petrol and diesel.⁷ Global crude oil prices flow directly into prices paid by consumers. At the same time, disruptions in the oil market push up gas prices, boosting Australia’s GDP as a gas exporter.

Figure 1.10 – Disruptions in oil-producing regions increase global oil prices

Time series of Brent crude oil price (US\$/barrel) 2001 to 2026



The peak in oil prices in 2008 was at the same time as the Global Financial Crisis.

Source: US Energy Information Administration (2026), PC annotations.

⁷ Calculated from Australia’s petroleum statistics as total imports of petrol and diesel divided by total consumption of petrol and diesel from January 2025 to December 2025 (DCCEE 2025a).

How do fuel security measures contribute to industry assistance?

Given the dependency on liquid fuels, governments around the world have implemented a range of measures to protect their domestic industry, build resilience into supply chains and take steps towards greater fuel security.

Australia had already introduced a range of fuel security policies prior to the conflict. The Australian Government provides a Fuel Security Services Payment (FSSP) to domestic refiners during loss-making periods,⁸ as well as grant funding for major infrastructure upgrades to refineries (DCCEEW 2026a). In July 2021, the Australian Government purchased \$94 million worth of crude oil stockpiles to store in the United States for an initial period of 10 years (King et al. 2020).⁹ In July 2023, Australia commenced a national Minimum Stockholding Obligation (MSO) scheme requiring Australian fuel importers and domestic refiners to hold minimum stocks of petrol, diesel and jet fuel (DCCEEW 2026c).

As part of its budget announcements, the Australian Government allocated up to \$11.9 billion over 5 years from 2025–26 to support Australian households, businesses and industry through the National Fuel Security Plan (Australian Government 2026a, pp. 65–66). The plan will include, amongst other measures:

- the establishment of a Fuel and Fertiliser Security Facility to increase additional supply and storage of fuel and fertiliser. This includes providing up to \$7.5 billion in financial support including loans, equity, guarantees, insurance and price support
- the establishment of a \$3.2 billion Australian Fuel Security Reserve to increase long-term fuel supply and storage in combination with an increase to the MSO, to increase Australia's fuel reserves to 50 days
- the National Reconstruction Fund Corporation to deliver the \$1 billion Economic Resilience Program from 2025–26 to eligible Australian businesses through zero interest loans. Loans are intended to support manufacturers and logistics companies in areas of the economy, such as freight, fuel, fertiliser and plastics, that face significant disruption due to the Middle East conflict (NRFC 2026)
- \$54.7 million over 5 years from 2025–26 (and \$8.9 million per year ongoing) to support ongoing management of Australia's fuel security framework, including oversight of the FSSP and the MSO
- \$10.0 million in 2026–27 to support feasibility studies into new or expanded fuel refining capabilities, to be co-funded with state and territory jurisdictions.

Some of these measures may constitute industry assistance to fuel and fuel-using sectors, whether directly or indirectly. Payments to specific refineries, such as subsidy and grant programs, are likely to feature in the TAR's budgetary assistance estimates in future years. Indirect support through loans, equity investments and similar measures may instead be captured in the TAR's estimates of concessional finance. Measures that do not constitute industry assistance may nonetheless involve regulatory and compliance costs, such as changes to the MSO, which could be estimated with the relevant data.

Fuel security policies should manage risk effectively and efficiently

Given that liquid fuels carry the risk of sudden and prolonged supply disruptions, fuel security policies can provide some insurance against the harmful consequences of fuel disruptions on households,

⁸ The FSSP is a production payment to refiners based on the number of litres of diesel, petrol and jet fuel that they produce, and has been triggered only in the 2022 and 2025 financial years to date (DCCEEW 2026b).

⁹ The stockpile was released to the market in March and April 2022 in response to the International Energy Agency collective action following Russia's invasion of Ukraine, totalling 1.7 million barrels of oil at the time (DCCEEW 2023).

businesses and the broader Australian economy. Fuel security policies should seek to mitigate supply chain vulnerabilities to an acceptable level at the lowest possible cost.

Although private sector supply chain risks are generally best managed by those who have the direct incentives and capacity to mitigate the harm they might face (PC 2021, p. 132), there may also a role for government in ensuring domestic fuel security. Government intervention may be justified where the private sector lacks sufficient information or capacity to insure adequately against risk – as may be the case with volatile and fast-moving geopolitical events (Brown and Huntington 2015, pp. 12–13) – or where the risk tolerated by the private sector is higher than that which would be tolerated by the broader community.

The appropriate level of public insurance against disruptions, and consequently the optimal suite of fuel security policies, is ultimately a matter for governments to determine. Different fuel security policies – whether stockpiling, supporting domestic production or developing robust trading relationships – have different costs and benefits with different distributional or temporal impacts. It is up to policymakers to weigh up these costs and benefits, the likelihood and severity of potential fuel disruptions, and societal risk appetites and preferences.

In doing so, policy makers should adopt an evaluation mindset. Prioritising early feasibility studies and cost-benefit analyses and embedding systematic monitoring, data collection and evaluation processes can help ensure that public money is spent most efficiently and effectively.

2. Trade policy developments

Key points

- ✱ **The Australian Government continues to build economic relationships with key trading partners and forge new free trade agreements (FTAs) while utilising various trade actions that support local industries.**
 - Australia recently signed an FTA with the European Union, while the Australia-United Arab Emirates Comprehensive Economic Partnership Agreement and the upgraded ASEAN-Australia-New Zealand Free Trade Area also came into force.
 - The Australian Government also continues to use anti-dumping measures for select commodities, and has initiated one safeguard investigation in 2025.
- ✱ **The Australian Government has made further commitments to abolish more nuisance tariffs.**
 - Following an initial abolition of 457 nuisance tariffs from 1 July 2024, the Australian Government has committed to abolishing a further 497 tariffs from 2026–27. These changes will reduce compliance costs for businesses, with flow-on benefits for consumers.
- ✱ **Globally, protectionism has continued to grow through 2024 and 2025, consistent with previous trends.**
 - The termination and subsequent replacement of some US tariffs has contributed to global trade uncertainty, continuing trends observed in the previous 12 months. Australia has some exposure to changes in US tariffs.
- ✱ **The negative impacts of protectionism can contribute to a cycle of escalating trade restrictions.**
 - As the imposition of tariffs and retaliatory actions undermine economic outcomes, there is risk that governments double down on protectionism, creating a negative spiral which further hampers living standards and economic growth.

The international trade environment continued to face significant uncertainty in 2024–25. The PC previously noted that global trade policy settings had deteriorated, as tariffs, retaliatory tariffs and protectionist settings grew. These actions risk undermining gains to Australian and global living standards from trade, contributing to trade policy uncertainty that slows investment (PC 2025c, p. 5).

Nonetheless, trade levels remained stable over 2024–25, with the total value of imports into Australia rising by 3.3% to \$624 billion and the total value of Australian exports rising by 0.7% to \$665 billion (PC estimates of ABS (2025c)). In addition, the value of international trade in goods and services rose by approximately 4.8% over the same time period (PC estimates of UNCTAD (2025, p. 1)).

This chapter outlines trends in trade policy over the 2024–25 reporting period. The quantitative analysis in this chapter focuses on this reporting period due to a lag in the availability of data. However, where it is possible to do so, the chapter also qualitatively discusses more recent developments as this is a rapidly changing environment.

Australia continues to support a multilateral trade environment

Australia has continued to negotiate bilateral trade agreements, participated in multilateral initiatives and committed to abolishing more nuisance tariffs. The Australian Government also continues to use anti-dumping measures, predominantly on certain steel and aluminium commodities, and launched one safeguards investigation in 2025.

Australia has deepened its economic relationships through trade agreements

On 24 March 2026, Australia and the European Union (EU) signed an FTA. Once implemented, the Australia-European Union FTA will mean 98% of the current value of Australia's exports will enter the EU duty free (DFAT 2026b, p. 1). There are several key components of the agreement:

- Australian professionals will be able to access EU markets more easily, and once their qualifications are recognised by one EU Member State their qualifications will be recognised by other EU Member States under internal EU rules (DFAT 2026f).
- Some agricultural products, such as beef, sheep meat and some vegetables and fruits will have increased market access (DFAT 2026b, p. 2).
- The FTA also stipulates co-operation on critical minerals and eliminates tariffs on environmental goods (DFAT 2026b, p. 3).

On 1 October 2025, the Australia-United Arab Emirates (UAE) Comprehensive Economic Partnership Agreement (CEPA) came into force (DFAT 2026e). Once fully implemented, CEPA will eliminate tariffs on almost all of Australia's good exports to the UAE, including aluminium and frozen red meat exports. Australia will also cut import tariffs on UAE-produced furniture, copper wire, glass containers and plastic (Farrell 2024). Notably, the CEPA is also the first trade agreement to have a dedicated chapter covering First Nations trade (DFAT 2026d). Both parties have agreed to support trade and investment outcomes for First Nations people, organisations and businesses.

The upgraded ASEAN-Australia-New Zealand Free Trade Area also entered into force on 21 April 2025 (DFAT 2026a). The upgraded agreement will improve processes for traders to access existing tariff preferences and provide new market access commitments and regulatory certainty for service providers.

Australia is also continuing to negotiate a new agreement with India. Negotiations with India for a Comprehensive Economic Cooperation Agreement look to build on the existing Australia-India Economic Cooperation and Trade Agreement, which entered into force in December 2022 (Commonwealth, State and Territory Trade and Investment Ministers 2024; DFAT 2026c). The most recent round of negotiations concluded in August 2025 (The Hindu 2025).

Several trade agreements are currently under review

The Australian Government continues to review agreements with key trading partners with a view to improving agreements and deepening relationships.

A review of the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) began in November 2025 (DFAT 2026l). Various business groups including the National Farmers Federation, Australian Industry Group and Australian Chamber of Commerce have previously expressed support for the IA-CEPA (DFAT 2018). In submissions to the current review, a joint Business Council of Australia–Indonesia Business Council submission said the IA-CEPA should again become a ‘high watermark’, and Australia’s Business Champion for Indonesia, Professor Jennifer Westacott AC said the agreement should be used to ‘push the boundaries further’ in terms of what the agreement can achieve (Indonesian Business Council and Business Council of Australia 2025, p. 2; Westacott 2025, p. 1).

In July 2025, the Australian and Chinese governments also agreed to commence a review of the China–Australia FTA (DFAT and Ministry of Commerce of the People’s Republic of China 2026). The review, which is ongoing, is significant given China is Australia’s largest trading partner (DFAT 2026g). The official memorandum notes both governments intend to examine the agreement’s operation and identify areas for improvement or expansion, including deeper liberalisation and further market access (DFAT and Ministry of Commerce of the People’s Republic of China 2026).

In 2025, Australia chaired the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). As Chair, Australia continued progressing negotiations for Costa Rica to join the CPTPP and began an accession process with Uruguay (CPTPP Ministers 2025). In January 2025, the Department of Foreign Affairs and Trade (DFAT) also released a post-implementation review of the CPTPP that concluded the CPTPP had successfully ‘[expanded] economic opportunities with CPTPP members for Australian businesses’ (DFAT 2025, p. 1).

In 2024–25, DFAT began conducting the Southeast Asia FTA modernisation review, which considered priorities for negotiating new agreements and agreement upgrades and evaluated existing agreements (DFAT 2026k). The modernisation review covered existing bilateral FTAs with Indonesia, Malaysia, Singapore and Thailand, as well as regional FTAs with Southeast Asian economies, and the final report was due to be provided to the Australian Government by 1 July 2026 (Australian Government 2024b; DFAT 2026k).

Australia is involved in various other trade actions

While Australia did not initiate any new disputes through the World Trade Organization (WTO) in 2024–25, it continues to be involved in a dispute with India. As noted in the previous TAR, Australia’s WTO dispute with India (DS580), where Australia disputed India’s sugarcane and sugar policies, remains stalled until the WTO Appellate Body resumes operation (WTO 2022, box 2.1). The Dispute Settlement Body (DSB) had previously found that India’s domestic support and export subsidies were inconsistent with WTO trade rules (WTO 2022).

Other countries are also active users of the trade dispute system. In May 2024, India requested arbitration proceedings with Australia regarding Australia’s implementation of the Joint Initiative on Services Domestic Regulation, a plurilateral agreement aiming to streamline processes managing the import of services (DFAT 2026m). India argued that Australia should directly paste in the agreement’s text that it sought to implement instead of simply citing the agreement. In November 2025, the DSB ruled that Australia was able to cite the agreement and Australia implemented the agreement accordingly in December 2024 (DFAT 2024).

Box 2.1 – WTO dispute mechanisms remain in limbo

Besides facilitating negotiations, the WTO's DSB can make judgements about trade disputes and maintain surveillance over compliance with its recommendations and rulings (WTO 2026b). If members disagree with DSB rulings, they can appeal to the WTO Appellate Body.

Decisions by the DSB and the Appellate Body were effectively binding until 2019, when the Appellate Body was suspended due to disagreements over the appointment of new members. Some parties, particularly the US, hold concerns about the powers and functions of the Appellate Body (Grieger 2024).

Since the WTO Appellate Body has been suspended, the WTO's ability to make judgements on trade disputes has been severely compromised. Disputes sent to the DSB have been described as sending disputes 'into the void', as any outcome could be appealed and stalled until the WTO Appellate Body becomes active again (WTO 2024). A stopgap measure, the Multi-Party Interim Appeal Arbitration Arrangement, has made some rulings in place of the WTO Appellate Body. However, the Arrangement only covers 57 WTO members (or 57.6% of world trade), and notably, the US has not joined the arrangement (European Commission 2025b).

Dispute procedures are essential for enforcing trade rules and facilitating free trade, but reform will be challenging to implement. At the 14th Ministerial Conference, WTO members were unable to agree to a workplan for reforming dispute mechanisms (DFAT 2026i). Given that WTO reforms generally require consensus among members, it will be difficult to reinstate dispute mechanisms while a small number of members maintain differing positions on key issues.

Australia continues to utilise anti-dumping measures for select commodities

'Dumping' refers to a situation where the product is sold overseas at a price that is below the home country price, or below the cost of manufacture. Governments attempt to counteract the effects of dumping by imposing anti-dumping measures on imported products. These anti-dumping measures are applied to imported products in the destination country, increasing the price of the imported product to reflect its price in the country of origin, to improve the ability of domestic producers to compete, acting as a form of protection to domestic businesses (PC 2022b, p. 70).

Anti-dumping measures benefit specific industries (by encouraging greater activity, employment and investment by the firms that benefit from them) and impose costs on others (other domestic industries that use inputs that are subject to anti-dumping measures face increased production costs).

The Australian Government maintains a register of importing goods subject to anti-dumping measures. As of 1 July 2026, the register included measures on 30 different commodities, including various steel products such as aluminium zinc coated steel, ceiling steel framing members, certain flat rolled steel products, amongst others. Of the 30 measures currently in place, 25 are imposed on countries within the Asia-Pacific region, 3 imposed on countries within the Asia-Pacific and Europe, 1 imposed on Romania and 1 on South Africa (DISR 2026d). Anti-dumping measures are regularly reviewed and re-imposed, such that many have now been in place for over a decade and are unlikely to be withdrawn soon.

In January 2026, the Australian Government initiated a safeguard investigation on imports of certain fabricated structural steel and referred the matter to the PC. In line with the Agreement on Safeguards,

this inquiry will investigate whether the relevant products are being imported into Australia ‘in such increased quantities, absolute or relative to domestic production, and under such conditions as to cause or threaten to cause serious injury to the domestic industry that produces like or directly competitive products’ (article 2.1). The interim report will be released by 23 September 2026, with the final report due to the Australian Government by November 2026.

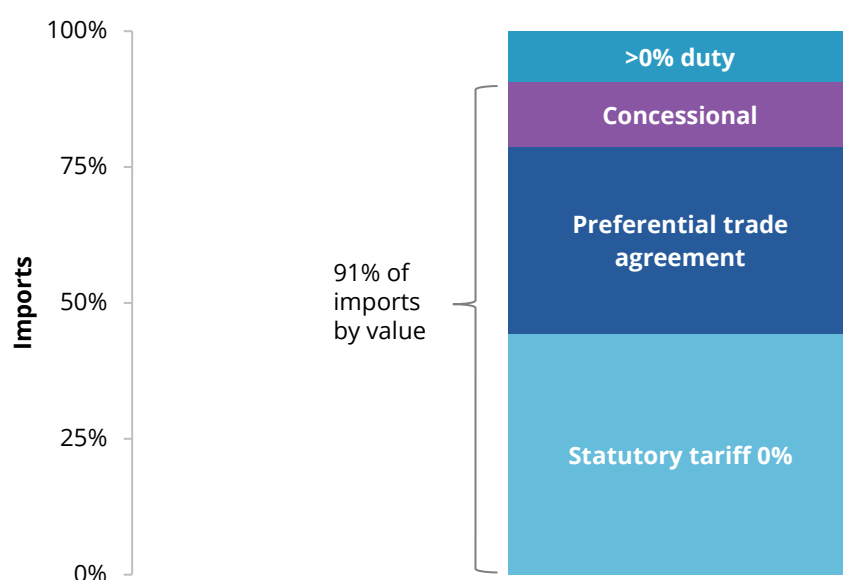
The Australian Government will continue to abolish nuisance tariffs

This marks the first TAR reporting period since 457 nuisance tariffs were abolished by the Australian Government from 1 July 2024. Since then, the Australian Government has committed to abolishing a further 497 tariffs from 2026–27 (Treasury 2026a, p. 7). With the removal of the first tranche of nuisance tariffs, there were 3,759 products that were imported without any duty in 2024–25, representing 51% of all imported products.

A large proportion of products with tariffs in Australia are avoidable mainly due to Australia’s wide ranging preferential trade agreements (PTAs). These agreements now cover most of Australia’s major trading partners, apart from the European Union. Importers can also reduce tariffs through the Tariff Concession Scheme for some goods not produced locally. Concessions can be granted for imports with certain uses (such as aids for persons with a disability) or for certain users (such as goods for international bodies) (ABF 2024). As a result, in 2024–25 over 90% of imports (by value) entered the country duty free (figure 2.1).

The most common type of imports entering Australia are those that are duty free without the need for any concession or preference (44%), while 34% are duty free due to accessing a PTA. A further 12% enter through other forms of concessional treatment.

Figure 2.1 – More than 90% of imports enter Australia duty free



Imports recorded to have claimed either a preference or concession but still paid a non-zero tariff are classified as paying a non-zero tariff. Excludes imports of goods with excise equivalent tariffs (like tobacco).

Source: PC estimates using ABS (2025a).

The prevalence of PTAs and concessions means that many of Australia’s remaining tariffs are considered to be ‘nuisance tariffs’ – those that raise little revenue (due to preferences or concessions) but impose compliance burdens for businesses (PC 2022a, p. 6). Compliance costs are incurred when businesses access a preferential rate under a PTA or a concession in order to avoid paying a tariff.

Since TAR 2021–22, compliance costs have been the primary method by which the PC monitors the effects of tariffs. These costs have 2 primary forms:

- the costs of paperwork needed to obtain a preference (for example, the labour and time costs of additional interactions with the tariff administration, the cost of acquiring an authorised certificate of origin) and
- the costs of adapting production processes to abide by rules of origin which are then passed on to importers through higher costs (PC 2022a, p. 33).

The PC estimates these costs to be \$1.4 to \$4.1 billion in 2024–25 (table 2.1). Most of this range exceeds the \$1.9 billion in tariff revenue collected in the same period.¹⁰

The increase in estimated compliance costs comes despite the removal of 457 nuisance tariffs. While the removal of these tariffs demonstrates an important step in simplifying Australia’s trade system, those 457 only represented a small portion (2.8% in 2023–24) of the value of goods that are imported under a PTA or concession. Despite the removal of \$3.8 billion worth of goods imported with a nuisance tariff, the value of PTA or concessionally imported goods still increased by \$2.8 billion – driven by a \$2.1 billion increase in imports of lithium-ion batteries.

The next 497 tariffs slated for removal in 2026–27 represent a slightly larger share (4.5% of value in 2024–25), which in combination with the first 457 may see a reduction in estimated compliance costs over the next few years.

Table 2.1 – Estimated costs imposed by Australia’s preferential tariff system

Year	Imports	Imports under PTA	PTA access costs (modelled)	Compliance costs (C)	Tariff revenue (R)	Imports attracting tariffs (V)	Costs as a share of tariffed imports (C+R)/V
2021–22	\$371.2	\$108.7	2.1%	\$1.1–\$3.4	\$1.8	\$37.1	8.0–14.1%
2022–23	\$419.1	\$121.9	2.1%	\$1.3–\$3.8	\$2.1	\$42.7	7.9–13.9%
2023–24	\$424.1	\$134.1	2.0%	\$1.3–\$4.0	\$2.0	\$40.0	8.3–15.0%
2024–25	\$439.1	\$136.8	2.0%	\$1.4–\$4.1	\$1.9	\$39.3	8.4–15.4%

Compliance costs are calculated by multiplying the value of imports that benefitted from a preferential agreement by the estimated compliance costs as a percentage of values of imports plus the cost of administering the tariff concessional system, estimated to be at least \$5 million per annum (PC 2022a, p. 33). To avoid false precision a 50% range is applied. Total imports includes excisable goods and as a result cannot be directly compared to figure 2.1.

Source: PC estimates using ABS (2025a).

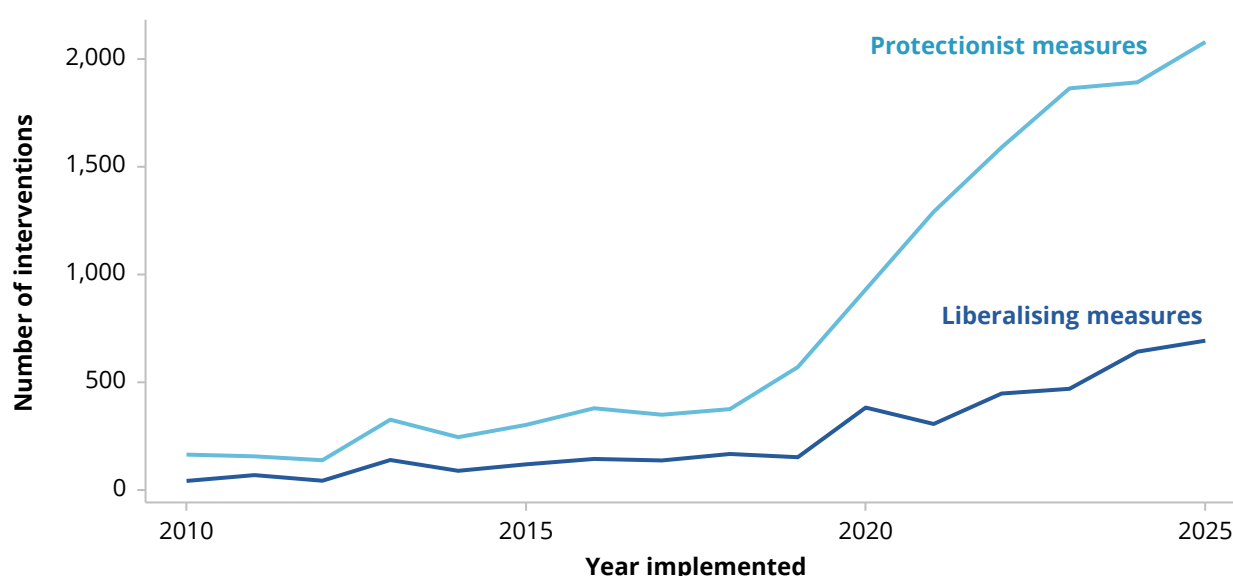
¹⁰ To better understand compliance costs a literature review is provided in appendix C of TAR 2023–24. The methodology underpinning the estimates can also be found in appendix C of the Nuisance Cost of Tariffs report (PC 2022a, pp. 61–67).

Internationally, trade protectionism continues to rise

Protectionist measures continued to grow in 2024–25, particularly in the first half of 2025. While some countries introduced liberalising measures, the number of policy interventions harmful to international trade increased at a much faster rate (figure 2.2). Further, the proportion of imported goods affected (or previously affected) by harmful trade measures since 2009 has increased significantly, from 12.5% in 2024 to 19.4% by May 2025 (WTO 2025e, p. 2).

Figure 2.2 – The number of protectionist policies increased markedly over 2020–25

Number of protectionist and liberalising trade measures introduced, 2010–25



Protectionist measures are defined as policies that likely or almost certainly discriminate against foreign commercial interests. Liberalising measures are defined as policies that liberalise trade on a non-discriminatory basis (Global Trade Alert 2026e, p. 20).

Source: Global Trade Alert (2026c).

Changes to US tariffs will make global trade more costly

In April 2025, the US imposed an additional ad valorem 10% tariff on all goods imports and further tariffs that varied by product and foreign trading partner (The White House 2025f, 2025d). In late 2025, additional tariffs were announced on kitchen cabinets and bathroom vanities (50%), upholstered furniture (30%), heavy duty trucks (25%) and films not produced in the US (100%) (Sriram and Varghese 2025; The White House 2025c, 2025b). Tariffs on some pharmaceutical products were also announced in April 2026 (The White House 2026a).

Some of these tariffs were subsequently terminated due to the US Supreme Court's ruling that they were unlawful, and replaced with a 12.5% tariff on Australian goods in July 2026 (box 2.2).

Box 2.2 – The US has attempted various ways to impose tariffs

In February 2026, the US Supreme Court ruled that tariffs justified under the *International Emergency Economic Powers Act of 1997* (US) (IEEPA) were unlawful. As a consequence, many US tariffs – including the ‘Liberation Day’ tariffs that had been imposed on 166 countries – were terminated.^a

In response to the Supreme Court ruling, the US instead imposed a global 10% tariff (‘temporary import surcharge’) under section 122 of the *Trade Act of 1974* (US) (The White House 2026b).^b As with Liberation Day tariffs, this tariff was stacked on top of existing tariff rates for goods, except for goods already subject to other tariffs under section 232 of the *Trade Expansion Act of 1962* (US). This means that if a good had an existing tariff of 15%, the new 10% tariff increased the total tariff to 25%. Some goods were exempted, such as certain critical minerals, agricultural products and aerospace products (The White House 2026b).

The temporary import surcharge did not exactly match the previous tariff regime under IEEPA, and could only be applied for 150 days without having to go through US Congress. While the previous regime set country-specific tariff rates, the surcharge was almost uniformly applied, potentially due to limitations of the Act (Claussen 2026). Some countries gained exemptions and others lost previously negotiated concessions on some goods. However, most exemptions that had been negotiated under ‘tariff deals’ with the US were likely preserved. Exemptions in the deals related mostly to tariffs under other legislation, not IEEPA (Global Trade Alert 2026a).

In March 2026, the US Trade Representative opened trade investigations into 16 economies for ‘structural excess capacity and production in manufacturing sectors’ and investigations into 60 economies, including Australia, for issues concerning the ‘importation of goods produced with forced labor’ under section 301 of the *Trade Act of 1974* (US) (USTR 2026a, 2026b). In July 2026, findings from these investigations were used to impose a flat 12.5% tariff on 38 economies, including Australia; a flat 10% tariff on 17 economies; a 12.5% tariff net of most favoured nation rates on 3 economies; and a 10% tariff net of most favoured nation rates on 2 economies (USTR 2026c).¹¹ These tariffs were imposed after the temporary import surcharge lapsed on 24 July 2026 (DFAT 2026j). While some exemptions are similar between the temporary import surcharge and the new tariffs, exemption lists are now country-specific (Fritz 2026a). The US Trade Representative imposed a lower 10% tariff only for economies that had previously struck a ‘tariff deal’ with the US (Fritz 2026b; Shahid et al. 2025).

Some companies have pursued litigation against the US Government, seeking refunds for tariffs paid under IEEPA and challenging the legality of the temporary import surcharge (Reuters 2026a). In March 2026, the US Court of International Trade directed US Customs and Border Protection to refund IEEPA tariffs paid for entries that had not yet been finalised. Some refunds have begun, though the US Government is appealing the decision (Cohen and Hals 2026; US Court of International Trade 2026). The US Court of International Trade also ruled that the temporary import surcharge exceeded the US

¹¹ Most-favoured nation rates describe the best access tariff rate on a given good or service. If a good had a most favoured nation rate of 15%, for example, an economy with a flat 10% tariff would pay 25% on that good, while an economy with a 10% tariff net of most favoured nation rates would pay 15%.

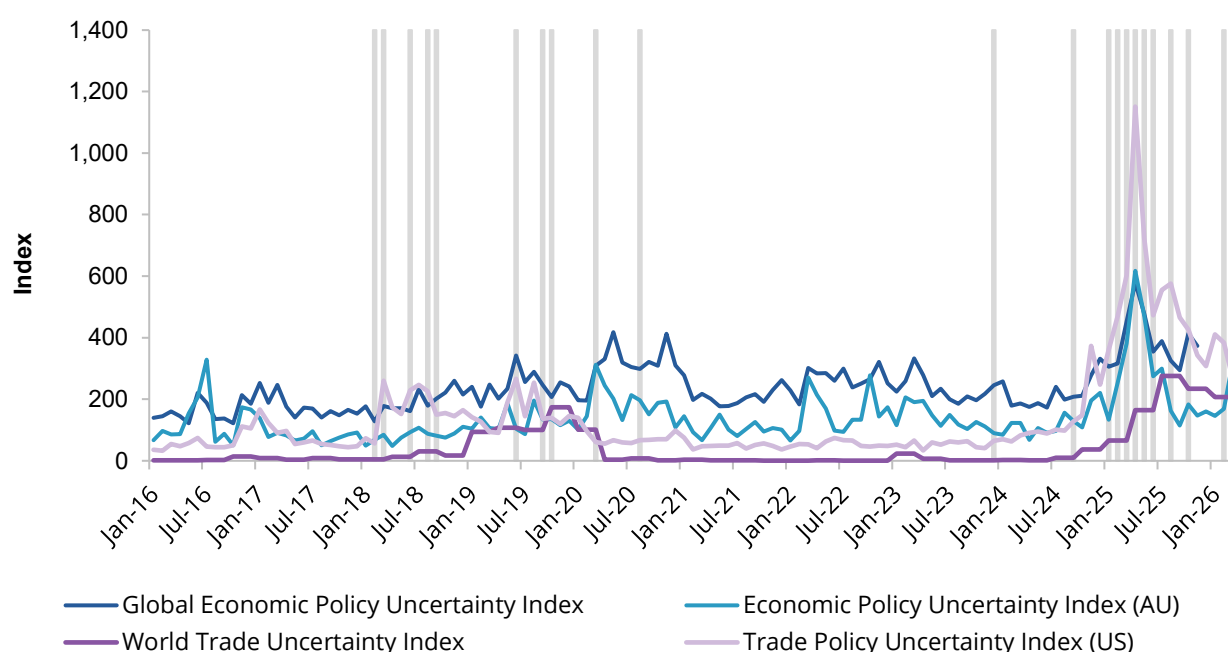
Box 2.2 – The US has attempted various ways to impose tariffs

President's statutory authority, but the case is being appealed (PricewaterhouseCoopers 2026). The most recent section 301 tariffs are also being challenged (Ryan 2026).

a. Tariffs imposed under other legislation remained intact. These include some tariffs on China imposed under section 301 of the *Trade Act of 1974* (US) and some tariffs on specific sectors under section 232 of the *Trade Expansion Act of 1962* (US), including tariffs on steel, aluminium and automobiles. **b.** A global tariff of 15% had been announced but was not imposed (Hoskins and Labiak 2026).

It would be expected that changes to the US tariff regime would create significant uncertainty. However, there are some signs uncertainty measures have stabilised over the past 12 months (figure 2.3). Volatility and unpredictability in the US tariff regime is reflective of broader trends in US FTAs, which increasingly include clauses that allow for agreement modification and quick withdrawal (Manak and Smith 2026).

Figure 2.3 – US tariff changes correlate with periods of high uncertainty
Four indices for economic and trade policy uncertainty, 2016 to 2026



Shaded bars denote tariffs imposed or increased by the US. Data is unavailable for the Global Economic Policy Uncertainty Index beyond November 2025. The World Trade Uncertainty Index is a quarterly index shown monthly. Source: Ahir et al. (2022); Baker et al. (2016); Bown (2019, 2026); Caldara et al. (2020); Davis (2016).

Despite this uncertainty, many countries have largely continued to abide by their agreements and WTO commitments. For example, 74% of trade was still conducted on most-favoured-nation terms in May 2025 (which means that best access conditions conceded to one country are automatically extended to all countries – a key WTO commitment) (WTO 2025d, p. 222, 2026a).

The negative economic impacts of tariff changes may take time to materialise

Tariff changes would be expected to impose negative impacts on the global economy, including through lower global productivity from reduced specialisation (and reduced trade) and higher production costs. While some of these effects are beginning to show (for example, tariffs have contributed to higher prices for US consumers (Hacıoğlu-Hoke et al. 2026)), the global economy continued to grow. The growth may in part be due to favourable macroeconomic conditions, investments in AI and companies increasing imports into North America in anticipation of higher tariffs (WTO 2025b, p. 2).

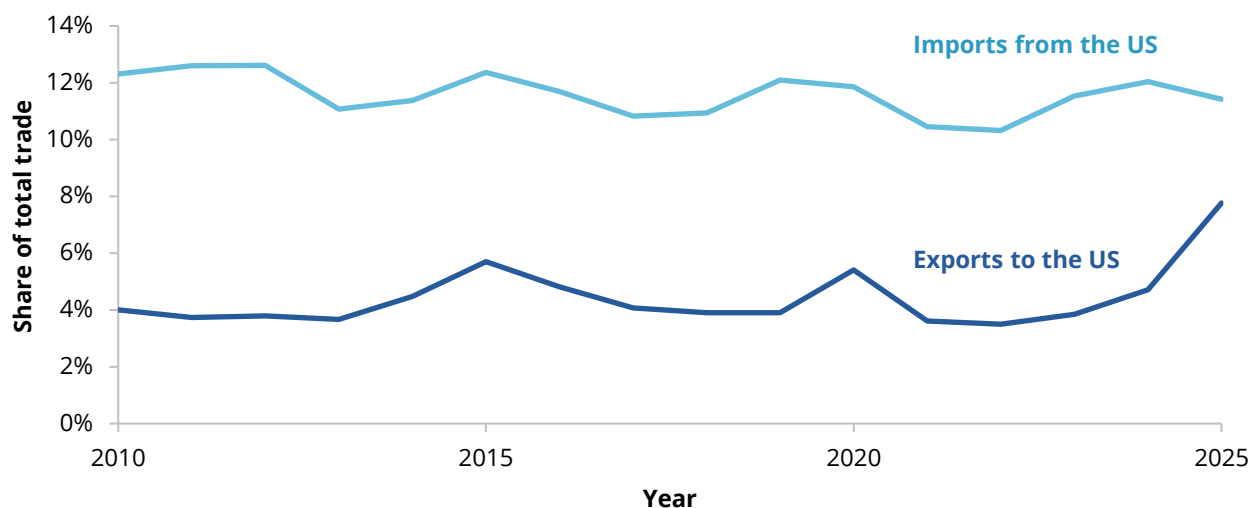
Increased volatility and tariff changes would also be expected to have a chilling effect on economic decisions, including foreign investment into the US. The previous TAR outlined how global trade uncertainty can increase the relative benefits of waiting to act (PC 2025c). Economic actors may choose to wait for valuable information to emerge before making irreversible decisions, which could depress important economic activity such as job switching, household consumption on long-term goods and many forms of business investment. However, foreign investment in the US has not appeared to decline significantly, and new foreign direct investment in the US remained relatively stable in 2024 and 2025 (US Bureau of Economic Analysis 2026).

One possible explanation is that there can be time lags between changes in economic uncertainty and actual economic outcomes. Some economic decisions may already be locked in, making it harder for actors to change the magnitude and location of their investment decisions without high transaction costs or breaking existing arrangements. There is some evidence, for example, that the United Kingdom's (UK) exit from the EU had more substantive negative effects on foreign investment in the long run than the short run (Bloom et al. 2026, pp. 3–4).

Negative effects on foreign investment in the US may also be offset by significant and growing investment in AI, particularly as the US is a market leader. From 2024 to 2025, private investment in AI in the US increased by 160.2%, reaching US\$286 billion (A\$409 billion) (Stanford Institute for Human-Centred Artificial Intelligence 2026, p. 182).

Australia has some exposure to US tariff changes

The US is a significant trade partner with Australia. It is the 5th largest partner destination for Australian goods exports and the 2nd largest trading partner for Australian goods imports. Total two-way trade in goods with the US was \$74.4 billion in 2024, equivalent to 8% of Australia's total merchandise trade, and roughly 12% of imports and 5% of exports (ABS 2025b, figure 2.4).

Figure 2.4 – The US is a significant trade partner with Australia**US imports into Australia and Australian exports to the US as a share of total trade**

Source: DFAT (2026), PC analysis.

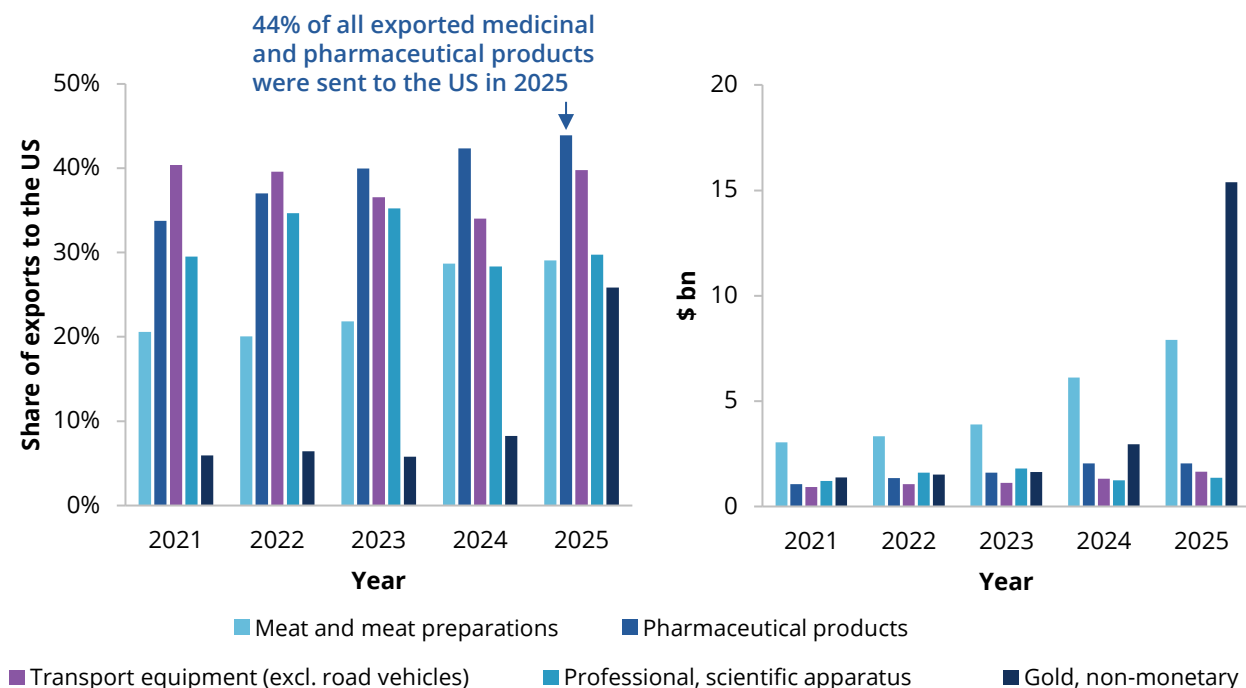
Australia's top exports to the US include meat and meat preparations, medicinal and pharmaceutical products, transport equipment (excluding road vehicles),¹² professional and scientific apparatus and gold (figure 2.5). Of those exports, the US is also generally one of Australia's biggest consumers. With the exception of gold, approximately 20–45% of exports in these categories go to the US (figure 2.5).

A range of US tariffs apply to Australia. The 12.5% section 301 tariff applies to almost all goods, with some exceptions. Some exempted goods face higher sector-specific tariffs. The 12.5% section 301 tariff is an effective weighted tariff rate of approximately 6.8%, rising from 6.1% under the previous temporary import surcharge of 10% (Fritz 2026a).

Some of Australia's top exports are exempted from US tariffs, while others face higher tariff rates than 12.5%. Chilled or frozen beef, which is a subset of meat and meat preparations, has been exempted from US tariffs since November 2025 (The White House 2025e). Some pharmaceutical products are subject to a higher 100% tariff, but blood products, which make up almost 90% of Australia's pharmaceutical exports, are exempt (though still face the 12.5% tariff) (ABS 2025b; Australian Trade and Investment Commission 2026). Some forms of transport equipment are exposed to a higher 25% tariff on automotive parts (The White House 2025a). Some forms of professional and scientific apparatus may be exposed to higher tariffs, such as equipment with substantial aluminium content. Most forms of gold are exempt from all tariffs (Australian Trade and Investment Commission 2026).

¹² Transport equipment includes aircraft and trains, as well as the parts required to build and operate them.

Figure 2.5 – In some sectors, the US is a significant consumer of Australian exports
Australia's top 5 exports to the US by proportion within export category and in \$bn



The surge in gold exports in 2025 reflects investors hedging against uncertainty, as gold has historically been used as a 'safe haven' asset (ABS 2025b).

Source: ABS (2025b); DFAT (2026); PC analysis.

Trade barriers have also increased elsewhere

Besides increases in US tariffs, industrial policy has also accelerated globally in 2024–25. Whereas previous industrial policy growth was primarily associated with crisis response and emissions reduction, growth in 2024–25 was driven by concerns about supply chain resilience, security, and attempts to increase market share in growing industries (Martín 2025). Some recent examples are set out in the following chapter.

These subsidies create distort global trade patterns and make it more difficult for Australian industries to compete internationally. However, other countries' subsidies are not necessarily harmful, for instance when there is no domestic industry in Australia (box 2.3).

Nonetheless, if current protectionist trends continue, there is potential for the long-term negative effects on local industries to push governments to pursue additional forms of industry protection. In theory, this could create a negative spiral. Economic commentators have previously observed what is known as the 'Kindelberger spiral' whereby governments double down on trade barriers in an attempt to safeguard their own economies (Kindelberger 1973). Trade barriers and retaliatory measures from other economies then worsen economic conditions, leading governments to raise barriers further.

Box 2.3 – China’s subsidisation of its car manufacturing industry is unlikely to harm Australia’s economy

Cars imported from China have become increasingly popular in Australia. In 2014–15, less than 1% of the value of cars imported were from China, increasing to 15.6% by 2024–25 (PC calculations based on DFAT (2026h)). This shift reflects higher demand for electric vehicles (EVs), which China has specialised in, and lower production costs (Australian Automotive Dealer Association 2025). While government support is consistent across the car manufacturing industry, carmakers based in China generally receive larger subsidies relative to their revenue than other firms (OECD 2025), which make it easier for these carmakers to compete internationally on price.

Some countries have imposed reciprocal protectionist measures. In 2024, for example, the EU imposed additional tariffs of up to 35% on EVs imported from China following an anti-subsidy investigation (European Commission 2024b);^a Canada imposed a 100% surtax on all Chinese-made EVs to ‘level the playing field for Canadian workers’ (Department of Finance Canada 2024); and the US increased the tariff on Chinese EVs to 100% in response to ‘unfair trade practices’ (US Department of Commerce 2024).

Australia is unlikely to be significantly harmed by subsidies to Chinese car manufacturers as it does not have a domestic passenger vehicle manufacturing industry that could be displaced. Subsidies to Chinese car manufacturers are likely to be beneficial for Australian consumers as they increase competitive pressures across the EV industry, decreasing the price of EVs for Australian consumers and increasing choice and availability. Lower EV prices will also support national emissions reduction targets, as high upfront costs have been a barrier to EV uptake (Consumer Policy Research Centre 2022).

In theory, Chinese car manufacturers could set prices so low that they drive other manufacturers out of business (predatory pricing), such that only Chinese car manufacturers control the market. However, in practice, current market developments provide no evidence in support of this conclusion. Indeed, while the number of car manufacturers offering passenger EVs (battery electric vehicles) in Australia increased from 8 to 39 between 2020 and 2025, much of this increase came from non-Chinese companies, growing from 8 in 2020 to 29 in 2025 (Electric Vehicle Council 2020, p. 15, 2025, pp. 108–109).

a. As of January 2026, carmakers can now also negotiate with the EU for exemptions for specific models, which will instead be subject to a minimum price and annual quota (European Commission 2026c).

3. Recent developments in AI-related industry and trade policy

Key points

- ✳ **The relative restrictiveness (or openness) of trade in artificial intelligence (AI) will impact Australia's productivity and living standards in the long term.**
 - While diffusion of AI services will be the main driver of AI's impact, trade settings and global demand for AI services will affect Australian businesses' ability to grow through access to international markets.
- ✳ **In recent years there has been a significant increase in trade distortions impacting AI inputs and services.**
 - Governments have sought to shape AI markets either to improve domestic AI industries' competitiveness, for security and resilience reasons, or to ensure AI services align with domestic objectives and values.
 - These policies have led to increases in industry assistance and trade barriers across different AI inputs and capabilities.
- ✳ **Increased AI-related trade policy activity will have mixed impacts on Australian businesses and consumers.**
 - On the one hand, subsidies across the AI supply chain will lower costs to AI services for Australian consumers, and Australia may also benefit from increased supply chain diversification.
 - At the same time, trade barriers will make it more difficult for Australian companies to access overseas markets and measures that restrict competition will raise the cost of AI services for Australians.
 - It would be particularly harmful for Australia's software industry if barriers to trade propagate and compound across the AI technology stack, for example to cloud services, data, models and applications.

Artificial intelligence generally refers to machine-based systems that infer patterns from data to generate predictions, recommendations, decisions or other outputs (OECD 2024a). Many recent advances in AI – particularly large language models (LLMs) and other foundation models – have dramatically reduced the cost of prediction, allowing AI to more easily perform tasks that involve recognising patterns, making forecasts or recommending decisions (Agrawal et al. 2019, p. 32).

AI could underpin a new wave of productivity growth in Australia. It is already being rolled out across Australian workplaces, saving time on repetitive administration tasks, improving education services and fast-tracking software development (PC 2025b, pp. 12–14). Its impact is likely to grow as more people and businesses adopt AI and further technological advances are realised. The PC has previously found

that cumulative gains of at least 2.3% in multifactor productivity are likely over the next decade, corresponding to an additional \$116 billion in GDP (PC 2025b, p. 142). The Australian Government has given relatively little industry assistance to the AI industry to date. However, governments around the world have been increasing support for AI inputs and services, using both behind-the-border and at-the-border policy instruments.

Developments in trade settings for AI inputs and services will influence Australia's productivity and living standards in the longer term. While diffusion of AI services will be the main driver of AI's impact, trade settings and global demand for AI services will affect Australian businesses' ability to grow through access to international markets. Further, advances in models developed overseas can trigger structural shifts in the quality of AI services available in Australia. The development of transformer models, for example, underpinned the improvement in LLMs' capabilities (Bommasani et al. 2022, p. 4).

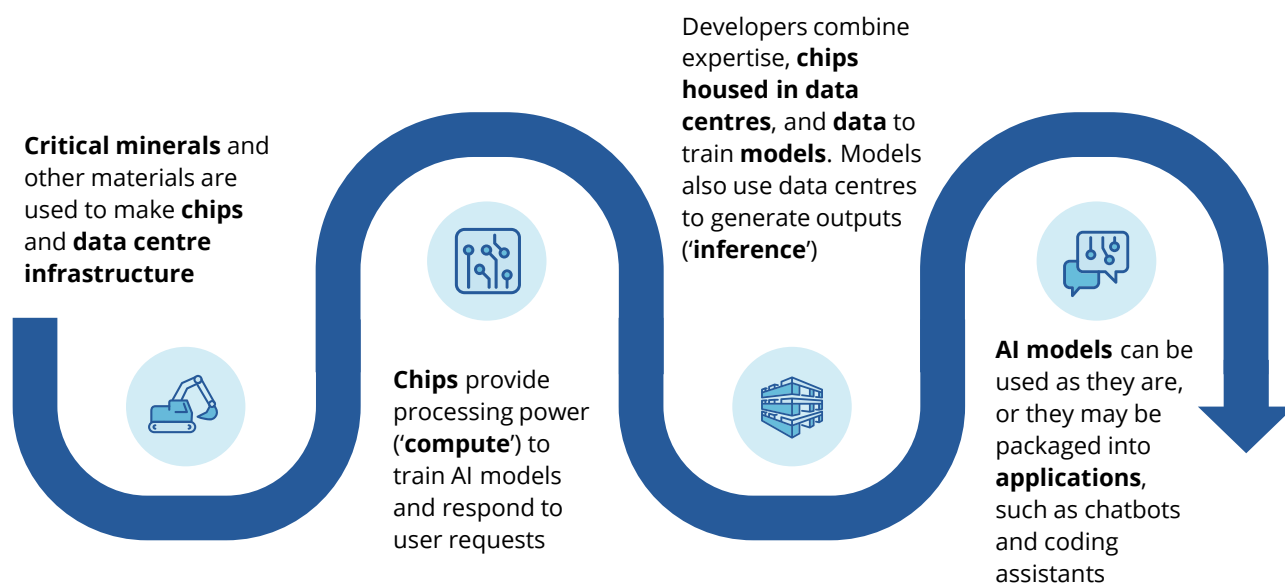
This chapter examines international trends in AI-related industry and trade policy, with a focus on critical minerals, advanced computer chips, data and data centres, and AI models and applications. Most policy interventions and trade restrictions have been concentrated around the inputs, infrastructure and services that support advanced AI models' development and deployment. The chapter also discusses the implications of these trends for the Australian economy.

AI requires a complex, globally sourced set of inputs

To train and run an AI model, model developers require a series of inputs and capabilities. Layered together, the requirements for AI models are sometimes known as a technology 'stack', to describe how each component enables another capability (figure 3.1).

Figure 3.1 – AI requires a series of inputs and capabilities

The AI technology stack



Source: PC analysis.

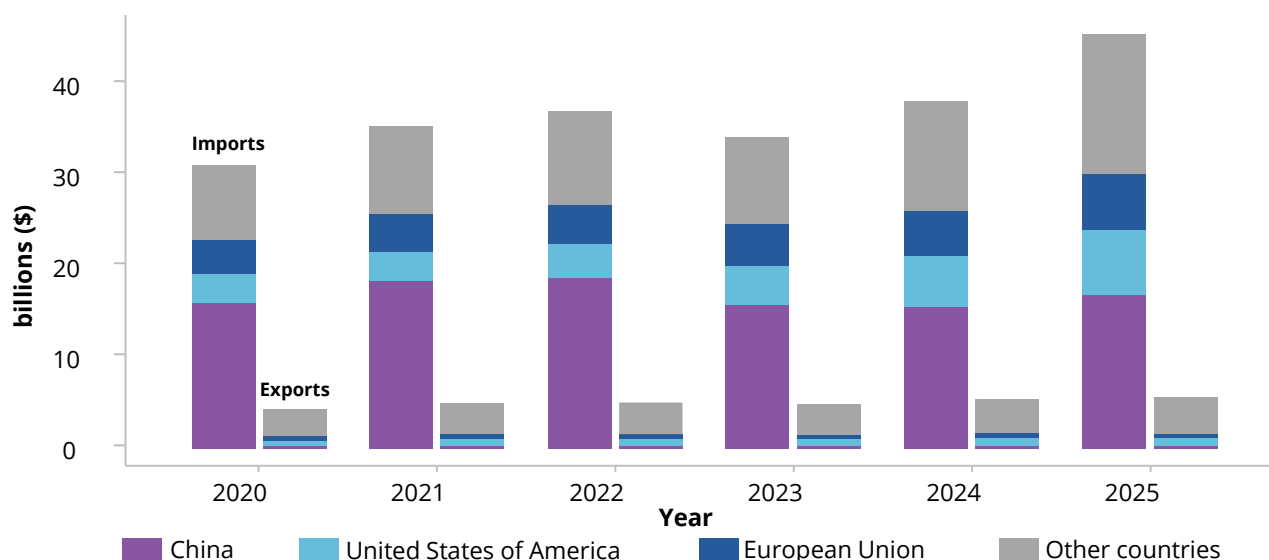
Many layers in the AI stack are highly capital intensive, which naturally lends itself to economies of scale. High capital intensity makes it more difficult for new companies to enter the market. For example, Taiwan Semiconductor Manufacturing Company (TSMC), the leading semiconductor manufacturer for advanced chips, spent NT\$1.27 trillion (approximately A\$61 billion) on capital in 2025 alone (TSMC 2026, p. 5). Training costs for a single model can range from tens to hundreds of millions of dollars (Stanford Institute for Human-Centred Artificial Intelligence 2025, p. 66). Because of this capital intensity, some segments of the market (though not the models themselves) are monopolised by one company. Due to uncertainty about how AI will advance and affect the economy, the commercial risk associated with AI investments may also be relatively high.

Australia benefits from trade in AI-related goods and services

In 2025, Australia imported \$42.8 billion and exported \$5.3 billion in goods critical to the AI technology stack (figure 3.2). While these goods are not all necessarily used for AI, they indicate that Australia generally relies on foreign hardware for many AI services, whether directly (through Australian AI service providers) or indirectly (through imported AI services).

Figure 3.2 – Australia trades extensively in AI-enabling goods

Australia's imports and exports of AI-enabling goods by country and year



'AI-enabling goods' are goods identified by the WTO as critical across the AI technology stack (2025c, pp. 16, 114–122). These graphs measure all trade of these goods, not necessarily just imports and exports that enable AI services. As such, they are likely to pick up broader trends in digital imports and exports.

Source: WTO (2025a).

In the services sector, imports of software services have grown significantly, from \$85 million in 2013–14 to \$8.0 billion in 2023–24 (ABS 2024). Part of this growth may reflect growth in AI services. More recently, a 2024 survey estimated that 45.6% of Australians had recently used a generative AI tool (Hegarty et al. 2025, p. 8).

Australia also has a growing domestic AI services sector (Sainsbury 2025). Between 2013 and 2024, Australia's AI sector attracted about US\$4 billion (A\$5.7 billion) in private investment (Stanford Institute for Human-Centred Artificial Intelligence 2025, p. 253). Further, some commentators have forecast that in absolute terms, applications will be the fastest growing and largest component of Australia's

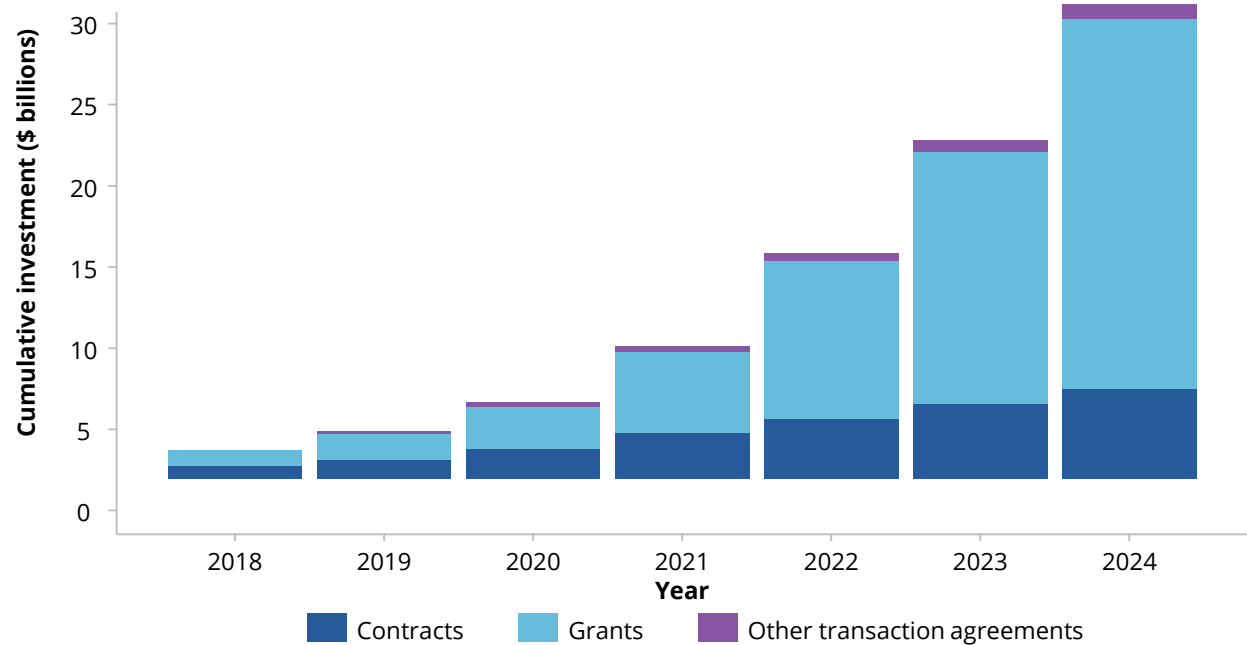
contribution to AI supply chains (Mandala Partners 2024, p. 16). Australia has demonstrated some comparative advantage in building applications. Over the past decade, technology investment in Australia, particularly in software, has increased almost 80% (relative to around 60% for other types of investment) (Fernando et al. 2025, p. 2). Accordingly, access to international markets will help Australian AI applications grow.

Governments are increasingly intervening in AI markets

In recent years, there has been a flurry of government policy globally in relation to AI and AI inputs. AI is likely to have significant effects across various domains, including economic activity, national security and broader social outcomes. The scale of these potential effects – and the possibility that they could be transformative – has prompted governments to adopt a wide range of policies aimed at managing risks, shaping the development of AI and ensuring their economies are well placed to benefit from its adoption. These policies include direct investment in building domestic AI capability. By 2024, government funding of AI amounted to a cumulative \$29.4 billion in the US (figure 3.3) and \$5.2 billion in AI contracts across European countries (Stanford Institute for Human-Centred Artificial Intelligence 2026, p. 358).

Some policy has sought to liberalise AI-related trade, such as by facilitating free data flows across borders. However, some countries are also increasingly applying interventions that create trade distortions, including export controls, differential tax rates and subsidies.

Figure 3.3 – Some governments are investing more in AI
US public investment in AI, by type, 2018 to 2024



These measures are not all necessarily protectionist, but they reflect the growing scale of public investment in AI. Source: Stanford Institute for Human-Centred Artificial Intelligence (2026, p. 354), PC analysis.

Policy interventions within the AI stack vary between countries, and in recent years 3 main rationales for intervention have emerged:

1. **Improving an industry's competitiveness** – governments have shaped markets to increase economic growth derived from AI and/or participation in the AI technology stack. For example, some governments subsidise particular AI inputs or services, or impose localisation measures to grow their domestic industry.
2. **Security and resilience (defensive and offensive)** – governments are reducing dependence on any single country for the delivery of AI services, particularly those considered essential, or exploiting other countries' dependencies. Some measures seek to encourage supply chain diversification within a small set of trusted partners (such as multilateral initiatives to diversify critical minerals refining) or separate China and the US's digital economies (such as China's efforts to domestically manufacture advanced chips).
3. **Adherence to domestic objectives and values** – governments are establishing local governance frameworks to ensure AI services are aligned with local values and policy objectives, as well as reducing harms from AI (such as bias, discrimination, or AI-enabled cyberattacks).

Policies in pursuit of some or all of these objectives are sometimes labelled as 'AI sovereignty' or 'AI agency' (Pava et al. 2026; Tech Policy Design Institute 2025).

The following sections discuss these trends across each component of the stack.

Critical minerals supply chain concentration is driving policy responses

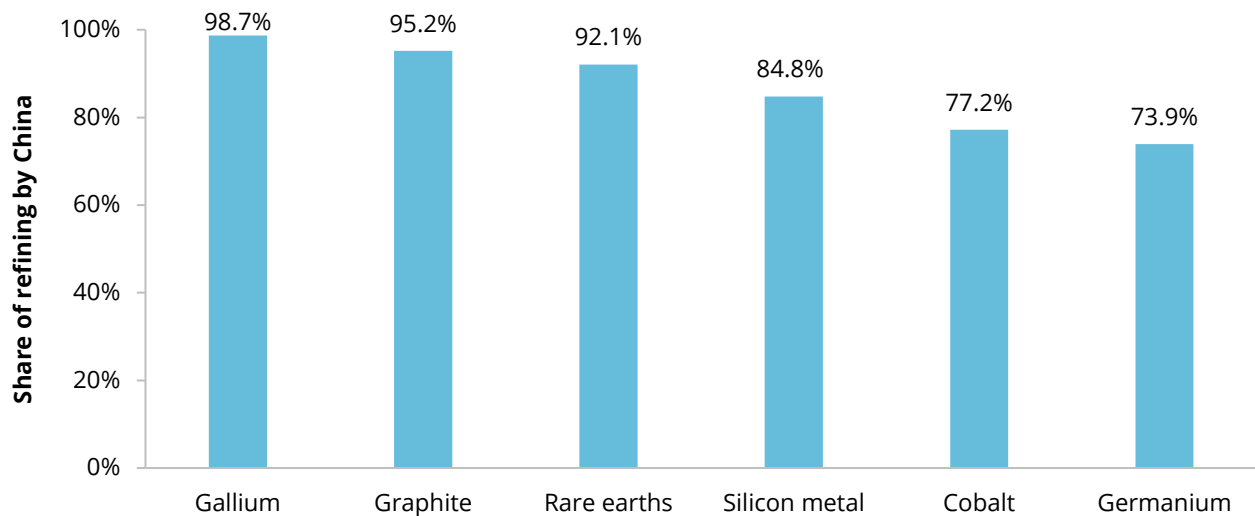
Critical minerals are used for a range of energy technologies, AI hardware and other advanced technology uses. In the AI stack, silicon and gallium are required to create chips, germanium is required to build cables for network connectivity, and rare earth elements are used in specialised cooling fans in data centres (FP Analytics 2025, p. 4). Critical minerals must be mined and then processed before use. Given their diverse applications and strategic importance, critical minerals are particularly exposed to international trade settings.

Critical minerals refining, a key step in processing, is heavily concentrated in China, which accounts for over 90% of the world's refining capacity for some AI inputs (figure 3.4). Other parts of the critical minerals supply chain, such as exploration and mining, are spread across more countries and regions. From 2021 to 2024, Latin America contributed 33%, Australia 16%, Canada 15% and the US 12% of global investment in critical minerals exploration (IEA 2025b). But for some specific critical minerals, China represents a significant proportion of both mining and refining (IEA 2025a, pp. 151, 162).

China's comparative advantage in refining capacity has been built on a long-term strategy of industry support, high demand from domestic industries for processed critical minerals, and lower environmental compliance costs (Baskaran and Schwartz 2025; Center for Security and Emerging Technology 2015, p. 13; Hart 2025, p. 29). These factors have helped Chinese firms build technological capability in processing. Further, in some other regions, the potential environmental damage (radioactive and chemical waste) can create longer lead times for projects – Lynas, an Australian company, halted construction of a processing facility due to delays in securing a wastewater permit (Baskaran and Schwartz 2025, p. 7).

China has previously restricted exports of critical minerals during periods of geopolitical tension. In 2010, China appeared to impose an informal embargo on rare earth exports to Japan in response to Japan arresting a Chinese fishing vessel in disputed waters (Morrison and Tang 2012, p. 31). Further, in 2024, China suspended rare earth exports to the US after the US banned exports of highly advanced chips to China (Centre for Security and Emerging Technology 2024).

Figure 3.4 – China hosts much of the world’s refining capacity
Share of refining by China for selected AI inputs



Source: IEA (2025b).

Some governments have sought to diversify their supply of processed critical minerals by supporting domestic processing capability, establishing alternative supplier relationships with other partners or by creating stockpiles (table 3.1).

As a key supplier of critical minerals, Australia has tried to expand its industry into minerals processing and refining and has established ‘bilateral collaborations’ on critical minerals with the US, India, Republic of Korea, Japan, France, Germany, the UK and Canada. It is also part of 8 multilateral initiatives seeking to diversify critical minerals supply (DISR 2023, pp. 57–58). Some of these collaborations and initiatives contain offtake agreements for critical minerals from Australian companies, or other forms of investment (DISR 2026c; Wong 2026).

The PC’s *Guardrails for modern industry policy* noted that partnering with a group of friendly countries that are well placed to produce a good at risk of supply chain disruptions can be a lower cost way to build resilience (PC 2025a, pp. 9, 12). Such approaches can prevent harmful subsidy arms races, where different countries compete against each other to build domestic capability.

Table 3.1 – Governments are providing support to diversify critical minerals**Key government initiatives designed to support supply chain resilience in critical minerals**

Country / Region	Key initiatives
Australia	• \$4 bn in equity support and loans for critical minerals projects. • 10% tax offset for processing projects from 2027. • \$1.2 bn to build and implement a strategic reserve.
Canada	• Up to C\$3.8 bn (A\$4.1 bn) to support the critical minerals industry, including C\$1.5 bn (A\$1.6 bn) for critical minerals infrastructure; a further C\$2.0 bn (A\$2.1 bn) in 2025 to provide financing. • 30% exploration tax credit for exploration expenses incurred in Canada.
European Union	• Aiming to mobilise close to EUR 3 bn (A\$4.8 bn) in financing for projects that diversify supplies. • Intends to launch a European Critical Raw Materials Centre in 2026 to coordinate stockpiling.
Japan	• Funding of at least JPY 215.8 bn (A\$2.5 bn), including for firms from a set of trusted partner countries. Granted subsidies for up to 75% of eligible costs for exploration, feasibility studies and mine development; additional funding allocated for equity investment. • Has stockpiled rare earths since 1983, with efforts accelerated in 2020.
United States	• Has previously provided grants to some critical minerals companies. In 2025, some of these grants were converted to equity stakes. • Tax credit equivalent to 10% of production costs. • Has maintained a stockpile of critical materials for defence since 1939. The US is also building a separate critical minerals stockpile (with a broader remit) funded in part by a US\$10 bn (A\$14.3 bn) loan from the US Export-Import Bank.

This table does not capture the full range of assistance governments have provided to the critical minerals industry (for example, it excludes some assistance provided only for critical minerals used for green technologies). Information about stockpiling may be sensitive and not publicly available.

Source: Australia – Farrell (2026), DISR (2026a); Canada – Department of Finance Canada (2022, pp. 66–67, 2025, pp. 111–112); Natural Resources Canada (2026); European Union – European Commission (2025a); Japan – Japan Organization for Metals and Energy Security (2023, p. 3, 2026); IEA (2025c); US – IEA (2022); Reuters (2026b); US Internal Revenue Service (2026); US Office of the Spokesperson (2026).

Advanced chips face heavy trade barriers

Chips are tiny electronic components that allow computers, phones, cars and AI systems to process information and perform tasks. In AI, advanced chips provide the processing power needed to train models and respond to user requests.

Chips are made from semiconductors, which are special materials that can control the flow of electricity. This makes them essential for modern computing. The more advanced the chip, the more quickly and efficiently it can handle the large calculations needed for AI.

Various parts of the supply chain for advanced AI chips are highly concentrated. Over the past 50 years, the development of semiconductors has become significantly more complex. Chip production relies on specialised design tools, advanced manufacturing equipment, high-purity materials, very large capital

investments and sustained R&D. These characteristics create strong economies of scale and high barriers to entry once initial market players are established.

The US remains dominant in several upstream parts of the supply chain, including chip design, core intellectual property and electronic design automation software. Other countries hold critical positions in specific stages:

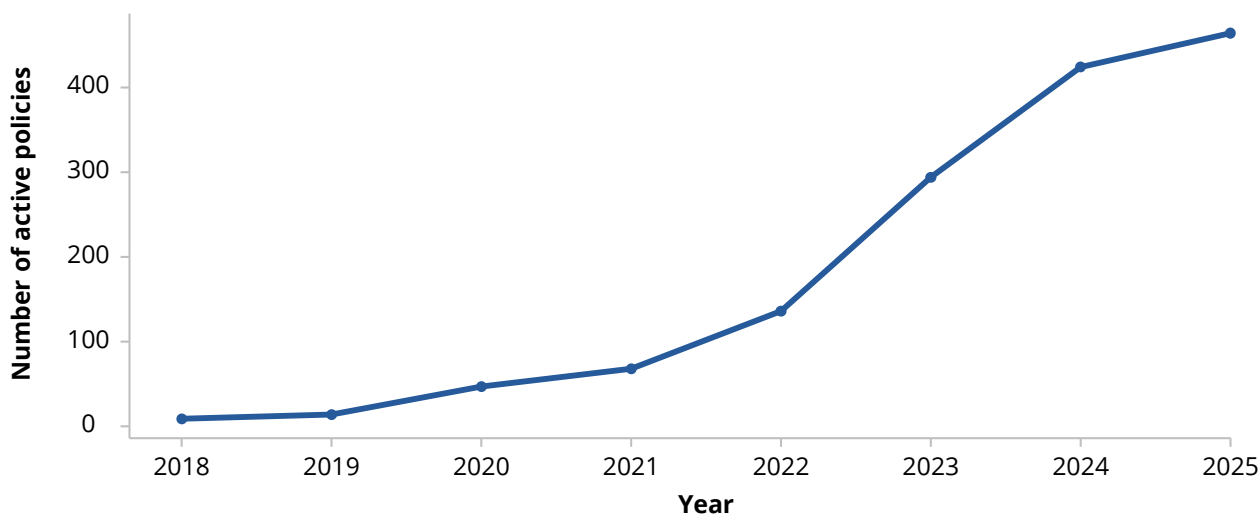
- Dutch firm ASML is the sole supplier of the most advanced extreme ultraviolet lithography equipment used to manufacture leading-edge chips (VerWey 2024, p. 1).
- Japan is a major supplier of semiconductor materials and manufacturing equipment (US International Trade Administration 2025a).
- Taiwan's TSMC accounts for most leading-edge chip fabrication capacity (US International Trade Administration 2025b).

This concentration creates efficiency gains, but also exposes AI supply chains to geopolitical, trade and natural disaster risks.

Given their importance to countries that hold a competitive advantage within the supply chain, chips have been subject to an increasing number of trade barriers in recent years (figure 3.5). Most protectionism has concentrated around the most advanced chips that are necessary for efficiently training advanced AI models.

Figure 3.5 – Trade barriers on chips have increased sharply since 2019

Cumulative number of subsidies and export controls on the semiconductor supply chain



Policies are included in the cumulative account if they have not been repealed. This chart only includes subsidies and export controls, not other trade measures on the semiconductor supply chain.

Source: Global Trade Alert (2026b, 2026d).

The US has sought to preserve its dominance over parts of the advanced chips supply chain, particularly their design, through a series of export controls. In 2018, the US Government began imposing export controls on certain Chinese technology firms, including Huawei (Sutter 2025). These controls then expanded to any firm that used US technology to produce chips for Huawei. In 2022, the US expanded the controls further so that they applied to a broader range of advanced logic chips, integrated circuits and semiconductor manufacturing equipment, as well as to additional Chinese entities (Sutter 2025).

Between 2022 and 2025 controls were broadened to cover more equipment, less powerful chips, and more entities in an effort to close gaps in the export control regime (Harithas and Schumacher 2024).

Notably, some countries coordinated their controls with the US. Japan and the Netherlands, who also control key parts of the semiconductor supply chain, sharpened existing semiconductor export control regimes or aligned parts of their regimes with the US (Harithas and Schumacher 2024; Sutter 2025).

The US Government's rationale for export controls has been to not only 'restrict [China's] ability to both purchase and manufacture high-end chips', but also to 'restrict [China's] ability to ... develop and maintain supercomputers' (US Bureau of Industry & Security 2022) and therefore 'protecting [the US's] technology advantages' (Sullivan 2022). By removing access to a key input for Chinese AI models, US export controls have sought to protect the US's lead in AI model development. These policies therefore act as industry support for US AI models at the frontier.

In January 2026, the US's controls were partially loosened to allow some Chinese firms to buy US company Nvidia's second-most powerful chips (US Bureau of Industry & Security 2026). However, to date, China appears to have imposed an informal embargo on Nvidia purchases as it seeks to foster its own chip suppliers (Lee and Blanchard 2026). China had also sought to reduce its reliance on US imports by stockpiling before controls were imposed (Allen 2024, p. 8).

Many countries have also heavily subsidised parts of the semiconductor supply chain, both to improve industry competitiveness and address security and resilience concerns. Policy objectives include entrenching existing market dominance, economic growth or increasing self-reliance.

The scale of subsidies has been much higher than subsidies to other parts of the AI supply chain, with billions to tens of billions of dollars in government financing offered (table 3.2). The extent of these subsidies reflects the high capital costs required to enter the semiconductor industry. It is likely that this high degree of subsidisation will continue in the future, with various countries having already committed to provide ongoing funding for the next 5 to 10 years.

Table 3.2 – Subsidies to the semiconductor industry are significant
Key industrial support programs to the semiconductor supply chain

Country / region	Key programs
China	At least RMB 344 bn (A\$71.5 bn) in financing in 2024 through a government-backed investment fund.
European Union	Under the EU Chips Act, the EU aims to mobilise over EUR 43 bn (A\$69.2 bn) in public investment by 2030. Notable public investment includes EUR 5 bn (A\$8.1 bn) in financing for a TSMC chip plant in Dresden, Germany and up to EUR 2.9 bn (A\$4.7 bn) in financing for a semiconductor factory in Crolles, France.
India	INR 7.6 tn (A\$14.0 bn) to support incentives for the semiconductor industry, including fiscal support for up to 50% of a project.
Japan	At least JPY 1.9 tn (A\$19.0 bn) in support to the semiconductor industry, particularly to Rapidus, a Japanese semiconductor company, and TSMC (to set up plants in Japan).
Malaysia	MYR 25 bn (A\$8.4 bn) in support for the semiconductor industry, including \$3.4 bn in financing.
Republic of Korea	KRW 33 tn (A\$37.5 bn) in support for the semiconductor industry, including loans, subsidies and other financial incentives.
United States	US\$52.7 bn (A\$75.4 bn) in support for the semiconductor industry, including for manufacturing incentives, R&D and workforce programs (though parts of this may be under review).

This table does not capture the full range of subsidies – many governments also provide additional tax incentives and other forms of assistance. Support from the Chinese Government to the semiconductor industry is likely to be higher than estimated as not all assistance is announced.

Source: China – Reuters (2024); EU – European Commission (2024a, 2026b), Le Maire (2023); India – Indian Government Press Information Bureau (2026); Japan – Japanese Government Ministry of Economy, Trade and Industry (2024), Ministry of Finance Japan (2024, p. 4); Malaysia – Malaysian Government Ministry of Investment, Trade and Industry (2024); Republic of Korea – Reuters (2025a); US – Kwon et al. (2023); Shepardson (2025).

Data centres face a changing policy landscape

To train and run AI models, AI model developers need datasets, which are then processed through clusters of chips wired together in data centres. AI model developers use data centres for ‘compute’ – cloud-based services that help them to train and run models. Generally, compute does not need to be sourced locally, but nearby compute can speed up workloads. Training currently takes up a larger proportion of AI labs’ data centre usage, though inference is growing (Stanford Institute for Human-Centred Artificial Intelligence 2026, pp. 33–36).

Governments have identified various rationales for encouraging domestic investment in data centres. These include the prospect of direct economic benefits, such as investment and employment; support for the domestic AI ecosystem through improved access to computing infrastructure and lower-latency services; increased resilience to international disruptions by expanding domestic computing capacity; and, in some cases, the ability to more readily apply domestic AI and data governance frameworks where infrastructure is located within national borders.

To attract investment, some governments have sought to remove regulatory barriers and accelerate approval processes. Governments in the US and France, for example, have sought to simplify regulatory architecture for data centres. 38 out of 50 US state governments have had some kind of incentive to attract data centres to their state (National Conference of State Legislatures 2026). The UK, Indonesia and Saudi Arabia have special 'zones' which give data centres more favourable regulatory settings (King & Wood Mallesons 2025; Saudi Arabia Communications, Space & Technology Commission 2026; UK Department for Science, Innovation & Technology 2025).

In Australia, the NSW Government has provided support to some data centre projects so that they can be fast-tracked through regulatory processes (Mookhey 2026; NSW Government 2026). The Victorian Government has also sought to streamline regulatory processes through an Investor Front Door and the development of a Sustainable Data Centre Action Plan, which will identify ways to 'sustainably grow the sector' (Victorian DJSIR 2026).

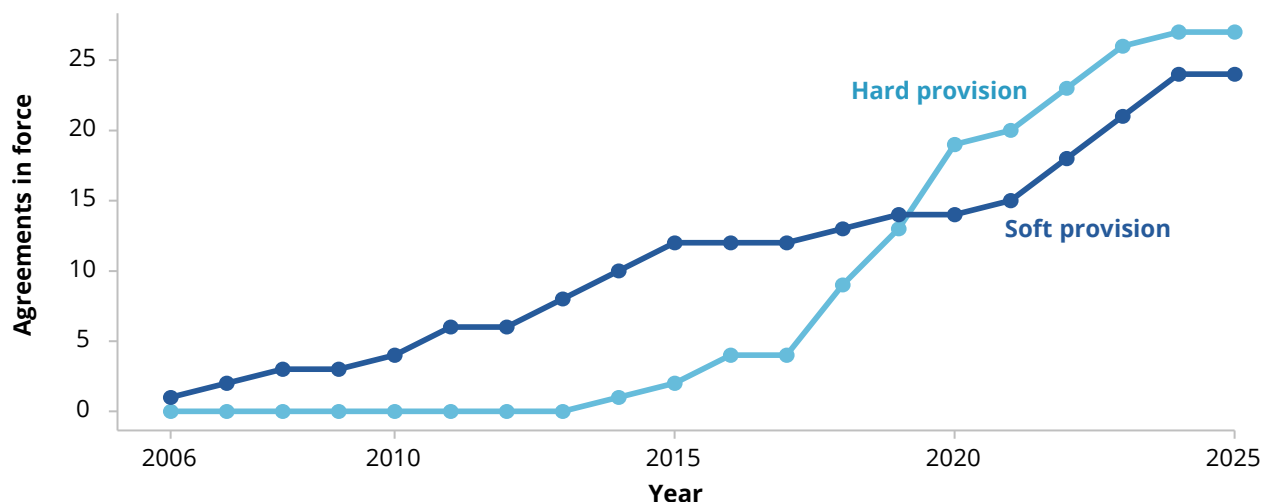
While some governments have also offered forms of industry assistance, such as through waived energy costs or other subsidies, these programs are increasingly being rolled back. At the state or national level, the US, Malaysia, India, Thailand, Indonesia and Sweden have offered tax incentives (Invest India 2026; Malaysian Investment Development Authority 2026; National Conference of State Legislatures 2026; Saypan and Na Pikul 2026; SDIA 2026; Watson Farley & Williams 2025). Many of these incentives have been scaled back, or are now dependent on investments meeting conditions related to energy use, water use or economic investment (Judge 2022; Malaysian Investment Development Authority 2026; National Conference of State Legislatures 2026; Saypan and Na Pikul 2026; SDIA 2026). Other governments, such as the Netherlands and Singapore, have disincentivised or banned building data centres through moratoriums or stricter sustainability requirements relative to other industries (NL Times 2025; Singaporean Infocomm Media Development Authority 2024, 2026b).

In 2026, the Australian Government released a set of voluntary expectations for data centres to prioritise Australia's national interest, support the energy transition, use water sustainably and efficiently, invest in Australian skills, and support research (DISR 2026b). The Australian Government will build on these expectations to develop a set of mandatory standards, including requirements for data centres to underwrite their own power supply (Albanese 2026). Once developed, the standards are due to be legislated in early 2027 (Albanese 2026).

Some countries also have requirements for data to be stored locally. Though these measures are not typically motivated by industry assistance, they can effectively act as industry support for locally owned data centres (or locally operated, depending on the requirements) by increasing demand for infrastructure that processes data domestically. Localisation requirements can be narrowly applied (such as only applying to sensitive types of data) or prohibit all international data transfers. They can also extend to broader sovereign cloud requirements, such that digital services must be operated and controlled by local companies (or trusted partners) and subject to local laws.

Regulation designed to protect data rights can also, in practice, act as a data localisation requirement or limit data flows. For example, the EU's General Data Protection Regulation stipulates that personal data from the EU can only flow to another country if it provides adequate data protection. However, only a small set of countries currently meet these conditions (European Commission 2026a).

Data localisation requirements have risen from 0 before 2016 to 75 measures adopted or implemented by July 2026 (Digital Policy Alert 2026). At the same time, free trade agreements increasingly include provisions for free flow of data, typically conditional on appropriate cybersecurity, privacy and governance requirements. By September 2025, 27 preferential trade agreements in force included a hard (binding) provision for free data flows and 24 agreements included a soft (non-binding) provision (figure 3.6).

Figure 3.6 – Many trade agreements now include provisions for free data flows**Number of active trade agreements with a provision for free data flows**

Only shows agreements in force as of September 2025. Provisions for free data flows sometimes include exceptions for certain types of regulation.

Source: Burri et al. (2025) ; PC analysis.

Markets for AI models and applications remain relatively open

AI models convert data and computing power into systems that can generate text, code, images, audio, predictions or actions. At present, the most advanced systems are generative AI models, which includes LLMs, although the frontier may shift over time toward multimodal, agentic, robotics-based or scientific AI systems (Anderljung et al. 2023, p. 7; VerWey 2026, p. 1). A model's behaviour is largely determined by its weights – numerical parameters produced during training that govern how inputs are transformed into outputs. These weights can then be fine-tuned, adapted or incorporated into other software (Miller et al. 2025, pp. 6–7).

Models can be proprietary (neither model weights nor source code publicly available), open-weight (weights are public, but training data, training process and parts of source code are not publicly available) or open-source (weights, training data, training process and source code are publicly available). Few models are fully open-source because training datasets are typically very large and contain copyrighted or personal data.

AI applications are software products or services that adapt AI models to perform a specific task, such as customer service, coding, health administration, logistics, accounting, education or public administration. They typically combine AI models with user interfaces, workflows, data and other software components.

The model and application layer has so far remained relatively open, but in some areas significant trade barriers remain.

As with data centres, governments have provided industry support for AI models (and to a lesser extent applications) in part due to potential positive externalities. These include information spillovers –

building sophisticated models can attract AI talent, which can in turn increase local AI adoption and create hubs of AI activity; and first-mover advantages, where the applications that scale first may become the dominant providers (Juhász et al. 2024).

Some local AI models have received industry assistance. China has provided significant support for the development of its frontier models (Luong and Konaev 2023). Other countries, such as France, India, South Korea, Singapore, the UAE, Saudi Arabia and Israel have supported development of local AI models through measures including public funding, discounted access to compute and relaxed immigration rules to attract talent (AI Israel 2025, pp. 5–6; India AI 2026; OECD 2026; Office of the President of the French Republic 2025, p. 13; Reuters 2025b; Saudi Data & AI Authority 2016; Singaporean Infocomm Media Development Authority 2026a). With the exception of Chinese model, government-supported local models are typically not intended to supplant frontier models – instead, they tend to be narrower and adapted to their local country’s language and culture. They are also often ‘open-weight’ to encourage other AI developers to build applications on them (Luong 2026).

While Australia has not provided significant support for a broad generative model, it has supported Australia’s AI capability through other measures. The Australian Government has provided \$460 million in funding, including \$362 million in research grants and \$17 million to support AI uptake in SMEs, as well as funding in concessional loans through the National Reconstruction Fund (DISR 2025b, p. 13).

Measures aiming to support AI security and resilience will also impact trade in AI models and applications. These measures may seek to minimise supply chain disruptions or other risks, such as bias, discrimination, cyber attacks enabled by AI, or alignment risk (the risk that powerful AI systems may behave in ways that do not reflect human intentions or values). For example, some of these measures, implemented primarily for security reasons, reduce imports of AI models. China’s regulation of generative AI, including content controls and requirements to share algorithms (Huang et al. 2023), effectively lock many foreign AI services out of China. Several countries, including Australia, have banned the use of DeepSeek on government devices (Pearl and Brock 2025). In June 2026, the US Government also imposed export controls on the use of Fable 5, a US generative AI model, citing security concerns. The directive prohibited foreign nationals from accessing the model, but was lifted 3 weeks later (Sekulich and McCallum 2026; The Guardian 2026). The US also briefly imposed export controls on the model weights for frontier models, but these were later retracted (Sutter 2025).

Variance in AI regulation can also impact how AI models and applications scale, as it can increase compliance costs. AI regulation is often concentrated at the model developer level, as developers typically have the most control over risk mitigation (Williams et al. 2026). Currently, regulations apply differently across jurisdictions – while some AI regulation applies narrowly to the most advanced AI models, other regulation applies to broad sets of ‘high-impact’ or ‘high-risk’ AI applications, including critical infrastructure, education, employment and essential services (Baker McKenzie 2026; Future of Life Institute 2024).

Existing global trade settings generally support liberalised trade in AI models and applications. For example, the WTO moratorium on customs duties on electronic transmissions, in place since 1998, has supported liberalised digital trade, including of AI models and applications (WTO 2026c). While the moratorium was not renewed at the 14th WTO Ministerial Conference in 2026, 19 members of the WTO agreed to adhere to the moratorium, and the moratorium has not since been breached. Digital services trade agreements increasingly include rules or principles covering AI, cross-border data flows, non-discrimination, source-code protection, electronic authentication and limits on data localisation, all of which can support trade of AI services. 14 trade agreements explicitly include a provision relating to AI (Burri et al. 2025), and these provisions sometimes point to sets of international principles for AI

governance and participation in AI-related international fora (Li and Tanita 2024, p. 27). To the extent that these provisions prevent regulatory fragmentation and create trusted trade environments, these provisions can make it easier for AI-enabled firms to scale internationally.

AI-related trade restrictions have mixed impacts on Australia

Some measures that create trade distortions may provide limited benefits to the Australian economy. For example, subsidies across the AI stack will lower costs for Australian businesses and consumers that use AI services. US and Chinese efforts to stay at the frontier may speed up AI frontier model development, though potentially at the cost of the security and safety of AI models. In some markets, Australia may benefit from higher demand if it is viewed as a trusted supplier. And to the extent that such measures diversify global supply chains and improve resilience, Australia will also benefit (PC 2023, p. 55).

At the same time, requirements to only purchase and sell from selected partners or within a local economy – such as through export controls on chips – will increase costs for businesses and raise the cost of AI services that Australians can access. Measures that support established firms in concentrated markets may further entrench incumbent providers and reduce competitive pressure. Such businesses may already benefit from economies of scope and scale, making it even more difficult for Australian companies to compete (ACCC 2025).

There are broader risks that high barriers to trade, including through ‘decoupling’ the US’s and China’s economies, may be replicated more broadly. These barriers are already high in the chips and critical minerals industries, as well as some segments across the rest of the AI stack. Such barriers would likely have flow-on effects to all digital services, which share many of the same inputs as AI services. Relying on only domestic capabilities (or a small set of partners) for all AI services would make them more expensive and lower the potential quality of services Australians could access, slowing rates of AI adoption and reducing the potential productivity gains from AI. It would also be more difficult for Australian businesses to access AI inputs and scale their own services, including export-oriented services such as international education and tourism, as well as AI applications. The effects of decoupling in digital services would be particularly high given Australia is a trade-exposed economy (OECD 2024b, p. 9).

Continued fragmentation in AI and data governance would also harm Australia. Fragmentation in AI and data governance is already occurring, including through differences between the regulatory approaches of the US, EU and China. Australia’s position as a services-based economy means it has an interest in open and predictable digital trade rules. Different governance regimes increase compliance costs, reduce interoperability and make it more difficult for firms to operate across markets (OECD and WTO 2025). It can also make it harder for governments to ensure access to AI services, as switching costs are higher. Governance will continue to evolve, particularly as AI models develop, new risks emerge and governments work to understand and respond to them. Building greater interoperability within governance frameworks would help reduce compliance and switching costs while preserving governments’ ability to regulate for privacy, safety and security.

4. Foreign investment policy

Key points

- ✳ **The Australian Government has taken measures to discourage foreign investment in residential real estate, while reducing the regulatory burden for large foreign investors.**
 - Commencing from 1 April 2025, the Australian Government instituted a ban on foreign persons from purchasing established dwellings. The ban was originally intended to last 2 years but has since been extended until 30 June 2029.
 - Amendments were made to Foreign Acquisition Regulations to reduce the regulatory burden for reporting of low-risk transactions, while the creation of the Foreign Investment Portal aims to streamline the application process.
- ✳ **Australia's net foreign investment position fell between December 2024 and March 2026.**
 - The decrease in position was due to liabilities increasing in value more than assets. The change in net liabilities was driven by growth in the value of foreign direct investment.
 - Australia's net equity position fell in the March 2026 quarter, with the value of Australia's equity falling due to the strengthening Australian dollar and weaker foreign equity markets.
 - The main contributor to the longer-term rise in Australia's net equity position has been overseas investments from Australian superannuation funds.
- ✳ **The value of foreign investment approvals in the 2024–25 financial year increased despite a fall in the number of applications.**
 - In 2024–25, the value of commercial foreign investment approvals grew to \$256 billion, up from \$194 billion.
 - The number of investment approvals fell by 22.4%, from 6,812 in 2023–24 to 5,284 in 2024–25. This decrease is almost entirely attributable to a fall in residential real estate approvals, with there being 1,659 less approvals in 2024–25 than in 2023–24.
 - The temporary ban on foreign investment for existing residential real estate likely contributed to the fall in approvals, although approvals were already trending downwards prior to the ban coming into effect.

Australia is integrated into global capital markets, both as a recipient and a source of foreign investment. Inbound foreign investment supports economic and productivity growth by expanding the pool of capital available to Australian firms, funding new projects and facilitating a more efficient allocation of resources. Outbound investment allows Australia's domestic savings, such as the ever-growing pool of superannuation, to diversify risk, access a wider range of assets and returns, and allocate capital across borders.

Foreign direct investment (FDI) (box 4.1), defined as investment allowing foreign influence over domestic firms or assets, can come with additional benefits. FDI also enables the international transfer of knowledge, methods and technology. In doing so, foreign investors provide advantages to their Australian affiliates, pushing Australia closer to the productivity frontier (PC 2020, p. 58).

While beneficial, foreign investment can present policy challenges, and these challenges differ across investment types. FDI can create competition policy issues, national security concerns, or questions over control of a strategic asset. Other types of foreign investment can raise policy considerations relating to financial stability, market volatility, liquidity and the incentives or constraints facing different classes of investors. As a result, foreign investment is governed by policy frameworks, including legislation and regulations, to address these issues. However, such interventions potentially create barriers for some productivity-enhancing investments.

Understanding these dynamics is important. Accordingly, each year the TAR monitors the volume and value of investment and the policy frameworks affecting those flows.

Box 4.1 – Key terms in foreign investment

There are several terms and concepts used in this chapter that may be unfamiliar to first-time readers. This box defines each term to aid in understanding the discussion that follows.

From the perspective of Australia, foreign investment can flow outwards when Australians invest overseas (**assets**) and inward when foreign companies and individuals invest in Australia (**liabilities**). The **net foreign investment position**, also referred to as the net asset position or net level of foreign investment, is simply the total value of assets minus the total value of liabilities.

The **net foreign investment position** can also be described in terms of **debts** and **equities**. Both debts and equities are broad types of foreign investment instruments. Debt investments are those that require future outflows of resources and do not come with an ownership stake, such as a loan or Government bond. Equity investments are those that come with an ownership stake and can be associated with future outflows in the form of dividends, such as shares in a company. Both debt and equity investments can be assets (outward flows) or liabilities (inward flows).

The **net debt position** refers to the value of debt assets minus the value of debt liabilities. The **net equity position** refers to the value of equity assets minus the value of equity liabilities. The **net foreign investment position** is also equal to the net equity position plus the net debt position.

The TAR defines these values as a share of GDP to allow for consistent comparisons over time.

Box 4.1 – Key terms in foreign investment

Net foreign investment position	=	Assets	–	Liabilities
Assets	=	Equity assets	+	Debt assets
Liabilities	=	Equity liabilities	+	Debt liabilities
Net equity position	=	Equity assets	–	Equity liabilities
Net debt position	=	Debt assets	–	Debt liabilities
Net foreign investment position	=	Net equity position	+	Net debt position

Foreign investment can also be broken down into different types of investment. The main types explored in this chapter are foreign **direct investment** and **portfolio investment**. Foreign direct investment refers to investment where the foreign individual or entity establishes a new domestic business or acquires 10% or more of a domestic enterprise, and has some control over its operations. Portfolio investment refers to the purchase of securities (such as stocks or bonds) or equity and debt transactions that do not offer the investor any control over the operation of the enterprise. There are other forms of investment such as financial derivatives and reserve assets, however they typically make up only a small section of the total assets and liabilities and are not explored in this chapter.

Developments in foreign investment policy

Since July 2024, there have been 4 developments in foreign investment policy mentioned in the previous TAR that have either been implemented or seen further developments.

- An 'Investor Front Door' was established to simplify processes for major, transformational investment projects aligned with Future Made in Australia. In April 2026, 4 projects were announced to be used as part of a pilot of the Investor Front Door project (Chalmers et al. 2026).
- Further incentives were provided for investors to support the construction of 'build to rent' developments. Investors can now claim a 4% deduction per year for capital expenditure incurred during construction, and the withholding tax rate for eligible international investors was halved, to 15%, for income generated from build to rent developments (ATO 2026a).
- Tax arrangements 'which pose a risk to revenue to ensure that multinational companies are adhering to Australia's taxation laws' are now subject to further scrutiny (Treasury 2025a p. 3).
- The Australian Tax Office and Treasury received increased funding to enhance compliance activities to target land banking by foreign investors (O'Neil and Chalmers 2025).

In addition, there have been 3 new major developments in foreign investment policy.

Commencing 1 April 2025, the Australian Government also instituted a temporary ban on foreign persons (including temporary residents and foreign-owned companies) purchasing established dwellings in Australia. The ban has been enforced through enhanced screening of foreign investment proposals relating to residential properties. Originally, the ban was intended to be for 2 years but has since been extended for a further 2 years and 3 months, now ending on 30 June 2029 (ATO 2026b).

The *Foreign Acquisitions and Takeovers Amendment (Interfunding Exemption) Regulations 2024* have made interfunding transactions exempt from mandatory notification, reducing regulatory burden and costs for institutional investors. Interfunding refers to transactions between investment entities (such as unit trusts) that are managed by the same responsible entity or a related responsible entity. Interfunding transactions may be used by investors to achieve investment objectives, reduce risk, and provide operational and cost efficiencies. Interfunding activities generally consist of high-volume and low-value transactions, which can occur multiple times per day (Treasury 2024b).

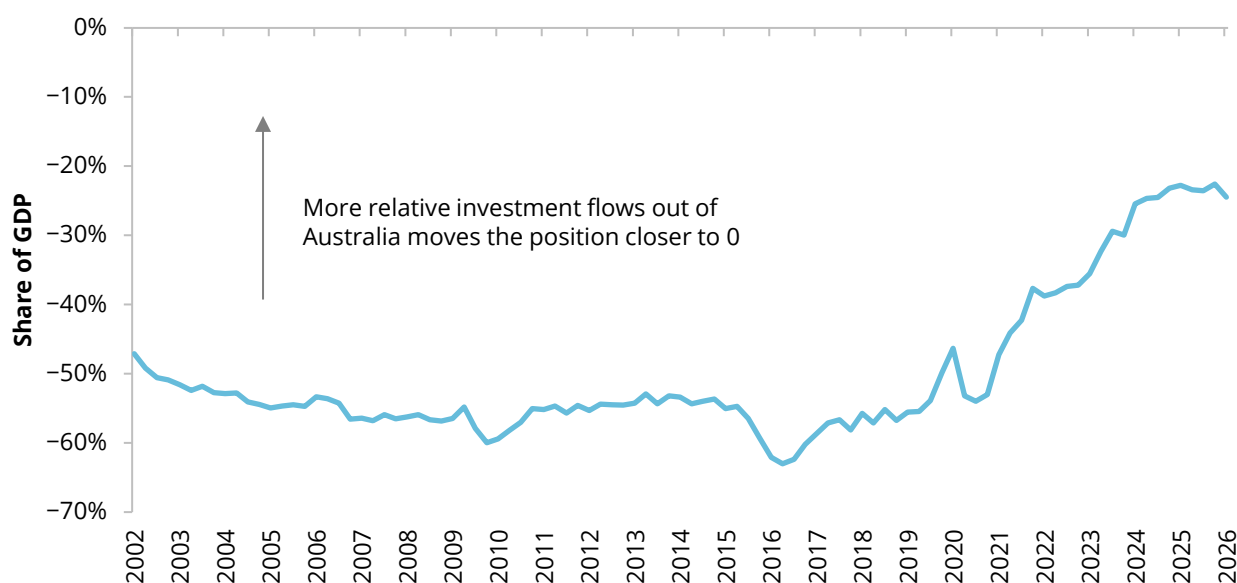
A new foreign investment portal was created to streamline and strengthen the application process for foreign investment applications. The portal reduces the regulatory burden for foreign investors by centralising communications and making processes more efficient, while also allowing for quicker identification of risks to Australia's national interests (Chalmers 2025).

Developments in foreign investment

Historically, Australia has had more foreign investment coming into the country (liabilities) than investment going overseas from Australia (assets). Before 2020, the foreign investment position (or *net* level of investment) was consistently around –50% to –60% of GDP. The growth and sustained level of net foreign investment following the floating of the Australian dollar was the subject of considerable policy debate in the 1980s and 90s (Belkar et al. 2007; Treasury 2001).

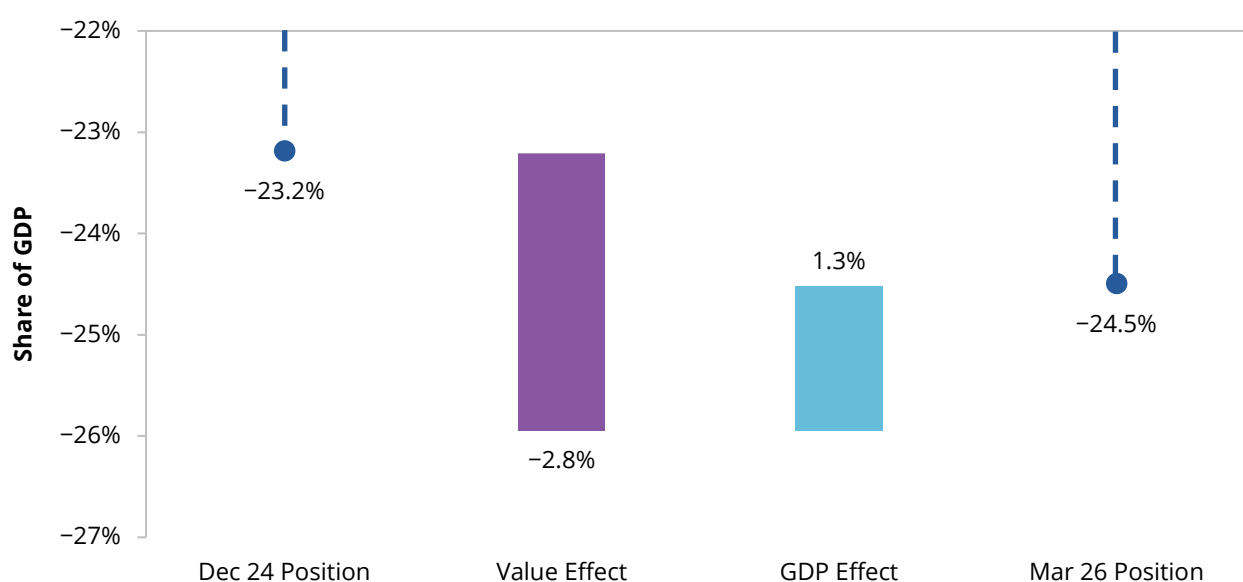
Since then, Australia's foreign investment position has increased, meaning that the net level of foreign investment has become more geared towards Australians investing overseas. The recent shift in Australia's position is noticeable within this broader historical context and as of the end of the March quarter 2026 was sitting at –24.5% of GDP (figure 4.1).¹³

¹³ While for most of the TAR the latest available data is for the 2024–25 financial year, the latest available data for this section allows for analysis to capture up to the March quarter 2026. Typically, the TAR would only cover up to the December quarter of the previous year (for this release it would be December 2025), but the significance of the most recent data has merited its inclusion.

Figure 4.1 – Net level of Australian foreign assets has substantially increased since 2020

Source: PC estimates using ABS (2026b, 2026a).

Between December 2024 and March 2026, Australia's position fell from -23.2% of GDP to -24.5% of GDP. Breaking down the change in Australia's foreign investment position shows that there was a decrease in the net value of Australia's assets (-2.8ppts) which was offset slightly by GDP growth (1.3ppts) (figure 4.2).

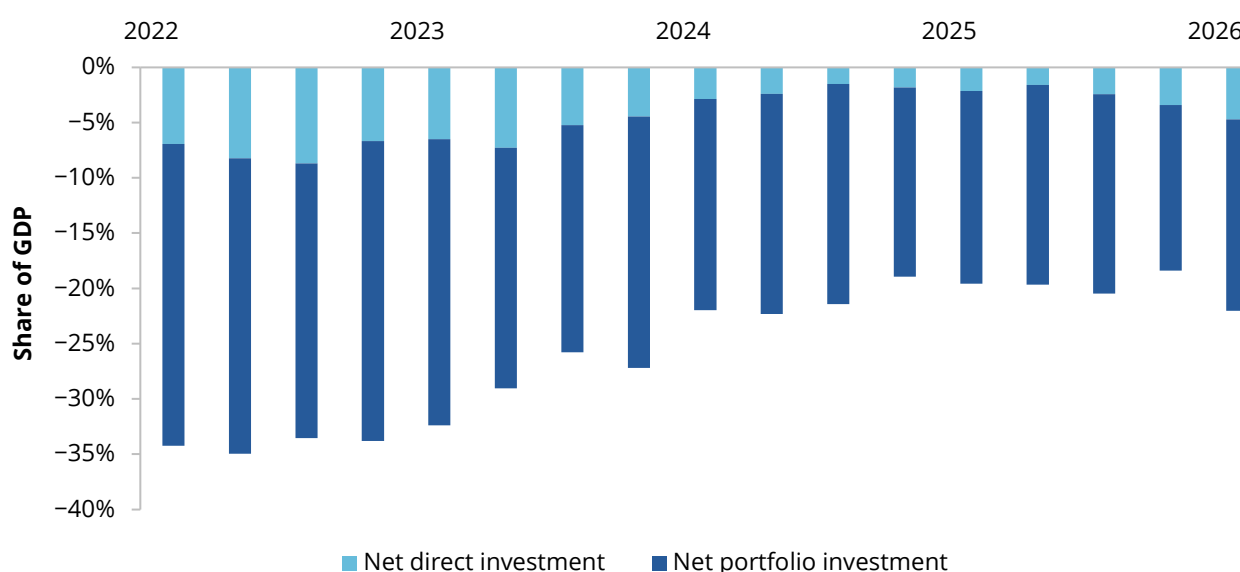
Figure 4.2 – The net value of assets is falling much faster than any increase in GDP

The 'value effect' is the compositional changes in the net position over the period due to changes in the net value of assets. The 'GDP effect' is the compositional changes in the net position over the period due to changes in nominal GDP, as GDP is the denominator of the net foreign investment position, an increase to nominal GDP leads to a more even position, regardless of what happens to the value of assets and liabilities.

Source: PC estimates using ABS (2026b, 2026a).

The decrease in the net value of assets was largely driven by changes in direct investment. Between December 2024 and March 2026, the value of direct investment assets fell, while the value of direct investment liabilities increased, leading to a strong decrease in the value of net direct investment assets. Net portfolio investment assets also decreased, but to a much lesser extent, as some of the growth in portfolio investment liabilities was offset by a growth in portfolio investment assets. Ultimately these changes led to a decrease in the net value of direct investment assets from –1.8% of GDP in December 2024 to –4.7% of GDP in March 2026, while the net value of portfolio investment assets fell a modest 0.2ppts (figure 4.3).

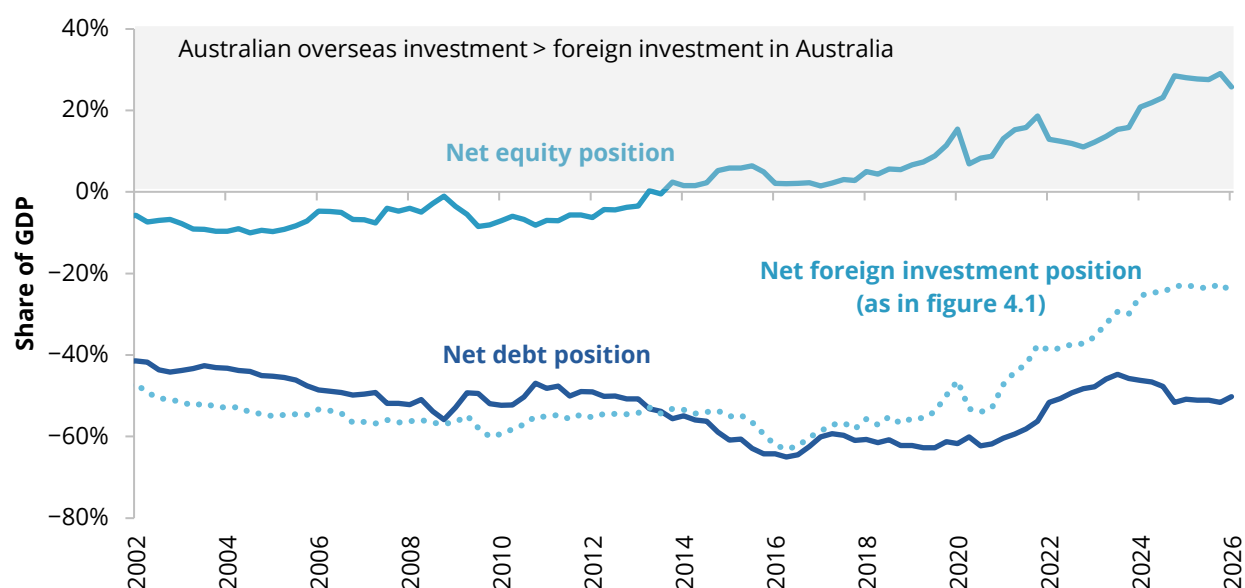
Figure 4.3 – Increased foreign direct investment drove the decrease in net asset value



Source: PC estimates using ABS (2026a, 2026b).

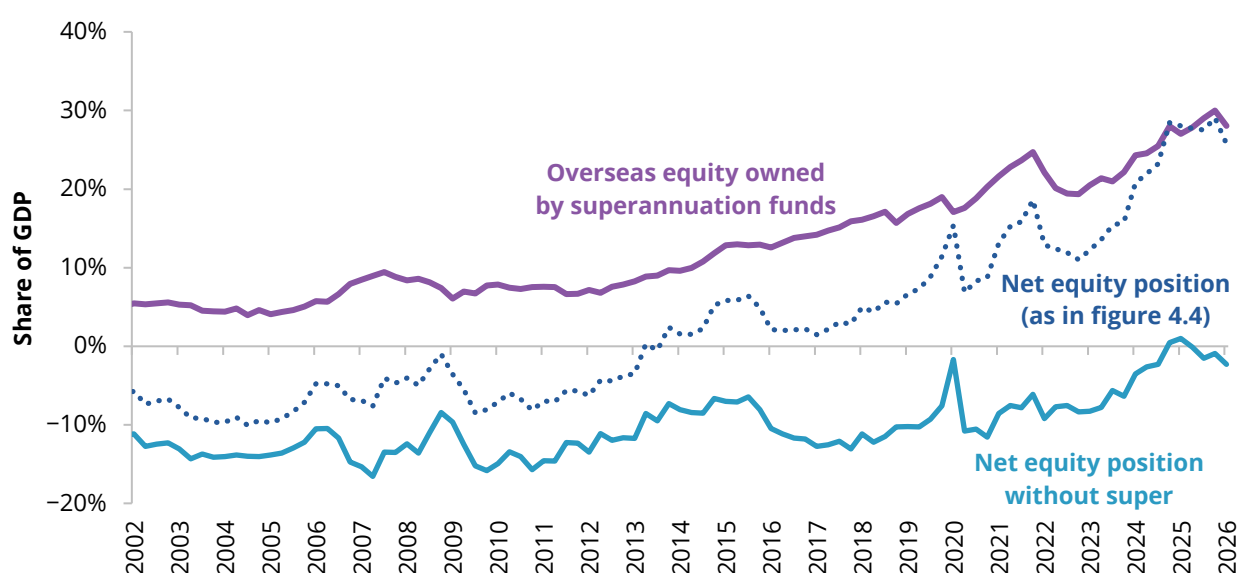
Australia maintained a net positive equity position at 25.8% of GDP at the end of March 2026. This means that Australians own more equity in the rest of the world than overseas investors own in Australia. Meanwhile, Australia's net debt position improved slightly, from –51.6% to –50.2% between December 2024 and March 2026 (figure 4.4).

At the end of December 2025, Australia's net equity position was at a record high of 29.1% of GDP. However, in the March 2026 quarter, the value of Australia's equity assets fell by 3% which was the equivalent of a 4.4ppt fall in value relative to GDP. The fall in equity value can be attributed to weaker foreign equity markets and a higher Australian dollar due to the Middle East conflict (ABS 2026c).

Figure 4.4 – Net equity is continuing to drive the improvement in the net position

Source: PC estimates using ABS (2026a, 2026b).

The growth in equity over the year to December 2025 (the top line in figure 4.4) was driven by the continued growth of overseas investment from Australian superannuation funds, which grew from 28.0% of GDP to 30.0% of GDP.¹⁴ During that time, the net equity position coming from non-superannuation sources fell as a share of GDP from 0.5% to -0.9% (figure 4.5).

Figure 4.5 – Superannuation funds are driving the improvement in the equity position

Source: PC estimates using ABS (2026a, 2026b).

¹⁴ Domestic equity investments by superannuation funds also grew in 2025, with no notable change in the overall composition equity of superannuation in terms of domestic vs international sources.

The drop in the net equity position during the March 2026 quarter occurred across all sectors, with the value of overseas investments by superannuation funds falling to 28.1% of GDP in the quarter, and the net equity position from other sources fell to –2.3% of GDP.

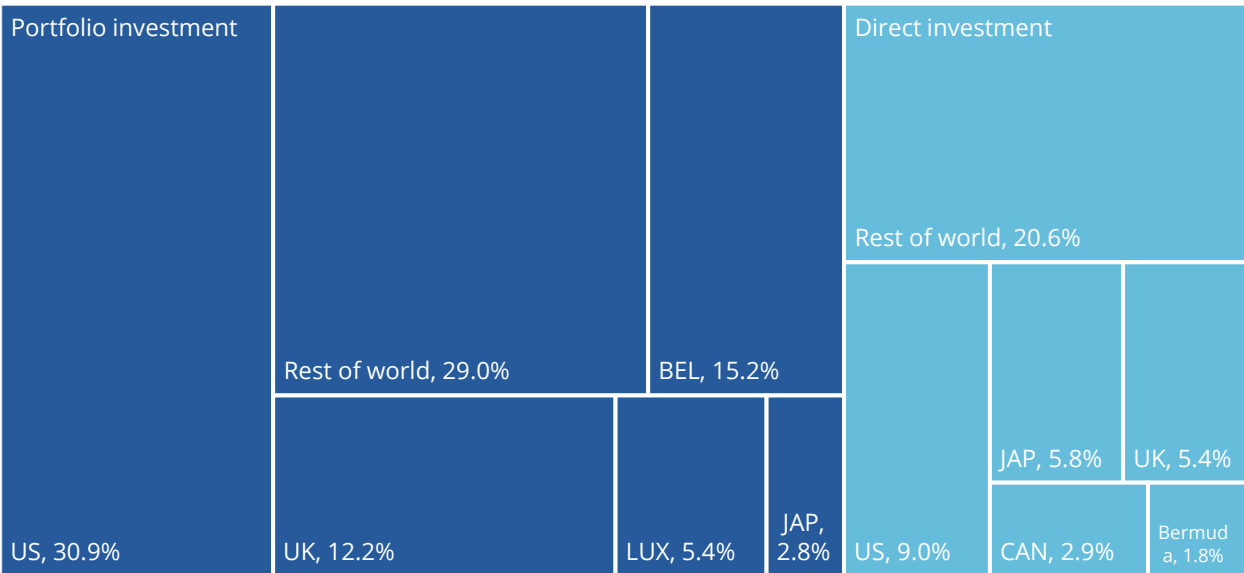
Composition of foreign investment

The data used to analyse the composition of foreign investment is only available annually, with the latest data being for the end of December 2025. As such, the analysis in this section does not capture any of the changes in the March 2026 quarter.

Total portfolio investment into Australia (94.5% of GDP) remains significantly larger than total FDI into Australia (48.7% of GDP). This is because portfolio investment involves lower risk securities like cash or bonds and is subject to fewer regulatory hurdles (box 4.1 explains the difference between FDI and portfolio investment).

The largest source of cumulative FDI stock in Australia is the US (9.0% of GDP), followed by Japan (5.8%) and the UK (5.4%) (figure 4.6).¹⁵ Most countries' stock of FDI did not change significantly compared to previous years. Indeed, the only countries that saw a change in the level of FDI relative to GDP more than 0.1ppts were the US (grew by 0.4ppts), Japan, the UK, and Hong Kong (all falling by 0.2ppts). The US was also the largest source of inbound portfolio investment in 2025 (30.9% of GDP). Countries that are hubs for financial institutions feature heavily in the top sources of inbound portfolio investment. This is because the ABS records where the money entered Australia from, not necessarily the originating source of the funds.

Figure 4.6 – The US remains the largest source of inbound foreign investment



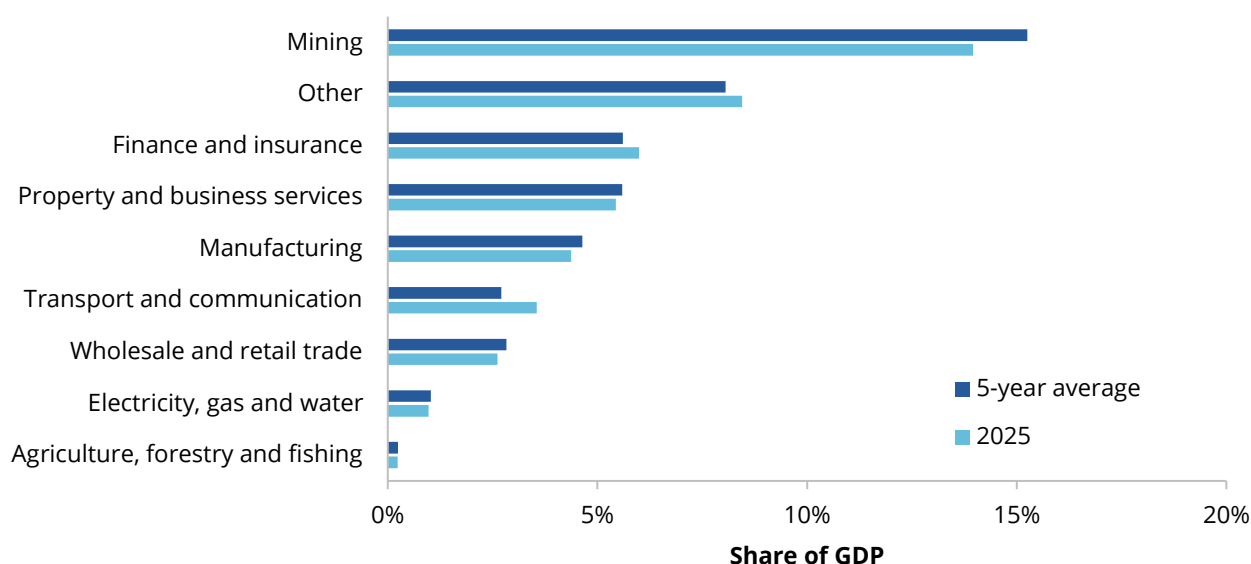
Percentages do not add up to 100%, they express the size of investment from a country as a share of GDP.

Source: PC estimates using ABS (2026d, 2026a).

¹⁵ The values in figures 4.6 and 4.7 (total investment into Australia) are not directly comparable with figures 4.1 to 4.5 (net investment or the difference between outflows and inflows).

The mining sector remained the largest destination for inbound FDI in 2025 (14.0% of GDP) but was below its 5-year average of 15.3% of GDP (figure 4.7). Finance and insurance saw the largest year-on-year increase in FDI, from 5.4% of GDP in 2024 to 6.0% in 2025.

Figure 4.7 – Mining is still the largest recipient of foreign direct investment



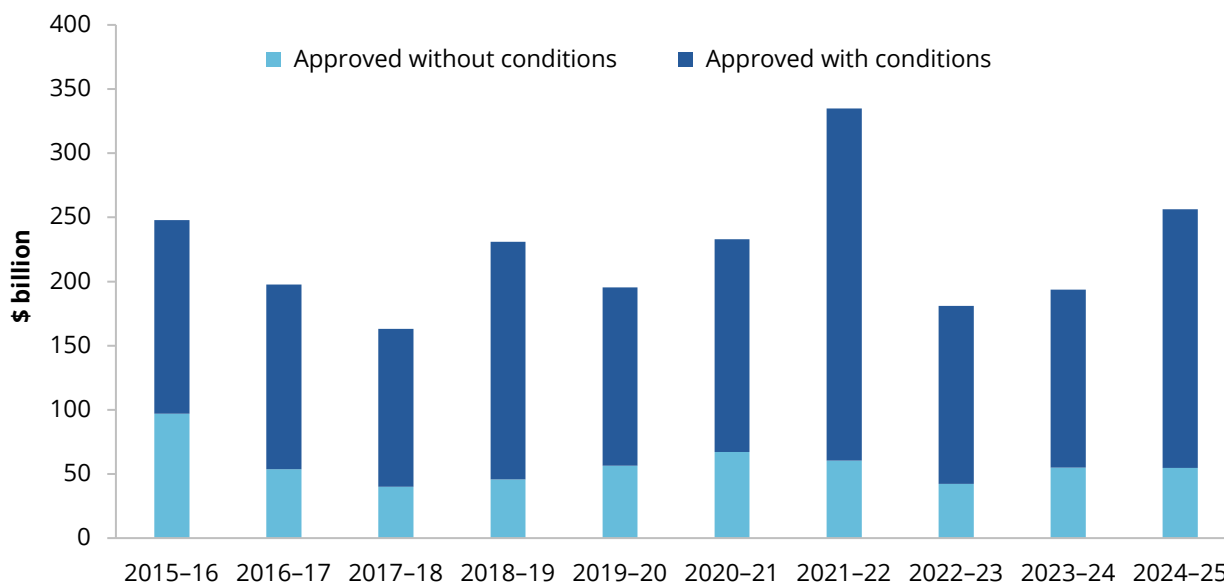
Source: PC estimates using ABS (2026d, 2026a).

Foreign direct investment applications

Under the Foreign Investment Framework, the Australian Government reviews foreign investment proposals that meet certain criteria on a risk-based, case-by-case basis, based on whether they are seen to be in the national interest. Proposed foreign investments may be screened under a 'national interest test' or a narrower 'national security test'. If the Australian Government believes a proposed investment is contrary to the national interest or national security, it will not be approved or conditions will be applied.

In 2024–25, approved foreign investment applications grew to \$256.4 billion, up from \$193.7 billion the previous year (figure 4.8). Consistent with previous years, most approved investment is subject to conditions which can include requirements for investors to provide audited financial statements or submit to compliance audits. Application approvals can also impose board and governance requirements, such as mandating a certain proportion of directors be Australian citizens or permanent residents, or restricting directors from access to potentially sensitive information (Treasury 2023b, pp. 6–8). Over 2024–25, 59% of investments were subject to conditions, representing 79% of the value of approved applications.

Figure 4.8 – Foreign investment applications grew in value but remain below the peak
Value of foreign investment applications; \$ billions; 2015–16 to 2024–25



FIRB statistics on foreign investment approvals relate to the administration of foreign investment policy and are substantially different from the ABS statistics on foreign investment detailed in section 4.2. These are approvals as opposed to the actual flows of FDI into Australia each year. \$ values are in nominal terms.

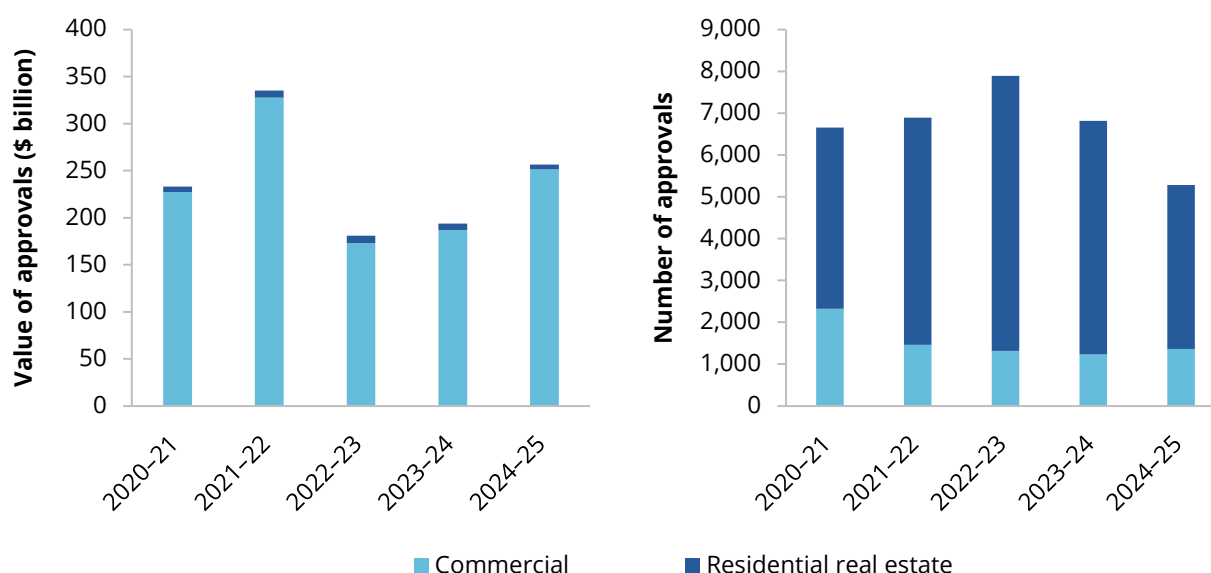
Source: Treasury (2023a, 2024a, 2025c) and FIRB annual reports (2019, 2020, 2021).

While the value of approved investments grew, the number of investment approvals fell by 22.4% over the last year, from 6,812 in 2023–24 to 5,284 in 2024–25 (figure 4.9). This decrease is almost entirely attributable to the fall in the number of residential real estate approvals (1,659 less approvals in 2024–25), which was partially offset by a slight increase (of 131) in the number of commercial approvals.

The decrease in residential real estate approvals may be due to the temporary ban placed on foreign investors purchasing established homes. However, the ban did not come into effect until 1 April 2025, and the decline in residential real estate approvals started in 2023–24. The full impact of the temporary ban will not be seen until the next financial year.

In general, residential real estate applications make up the bulk of the number of applications, but a minority of the value of all applications. In 2024–25, commercial approvals represented 26% of all approvals but 98% of the value of approved investments.

Figure 4.9 – Residential real estate investments make up the majority of approvals, but comprise a very small relative value



Source: Treasury (2023a, 2024a, 2025c); FIRB annual reports (2019, 2020, 2021).

Looking to the future, the Australian Government is progressing changes to foreign investment through reforms that will streamline approval processes, particularly for low-risk applications, while strengthening powers to respond to non-compliance and protect sensitive sectors (Chalmers 2026). Changes include:

- setting a new performance target of deciding all low-risk applications within 30 days from 1 January 2027
- updating or removing ineffective conditions on existing foreign investment approvals
- amending the foreign investment laws to further streamline and strengthen the foreign investment framework
- streamlining the Register of Foreign Ownership of Australian Assets
- expanding exemption certificates to reduce regulatory burden on low-risk investments by frequent low risk investors
- eliminating approval requirements for some low-risk transactions
- adopting more agile compliance and enforcement powers to better respond to non-compliance and avoidance
- more targeted increases to screening requirements to better protect sensitive sectors and businesses.

The PC will monitor how these changes to the foreign investment framework impact foreign investment in future editions of the TAR.

A. Public engagement

This appendix provides information about the consultation process and lists the organisations and individuals who participated in the 2024–25 Trade and Assistance Review annual report.

The Productivity Commission consulted with the following individuals and organisations listed (table A.1).

The PC would like to thank everyone who participated in this review.

Table A.1 – Consultations

Australian Competition and Consumer Commission
Australian Government Department of Industry, Science and Resources
Australian Government Department of Treasury
Global Shield Australia
Good Ancestors
Tech Policy Design Institute

Abbreviations

Abbreviations	Definitions
ABS	Australian Bureau of Statistics
AI	Artificial intelligence
ANZSIC	Australian and New Zealand Standard Industrial Classification
ARENA	Australian Renewable Energy Agency
ASEAN	Association of Southeast Asian Nations
CEFC	Clean Energy Finance Corporation
CEPA	Comprehensive Economic Partnership Agreement
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DFAT	Australian Government Department of Foreign Affairs and Trade
DSB	Dispute Settlement Body
EFA	Export Finance Australia
EU	European Union
EV	Electric vehicle
FDI	Foreign Direct Investment
FMIA	Future Made in Australia
FTA	Free trade agreement
GDP	Gross domestic product
GTA	Global Trade Alert
GVA	Gross value added
HA	Housing Australia
IA-CEPA	Indonesia-Australia Comprehensive Economic Partnership Agreement
IEEPA	International Emergency Economic Powers Act of 1997 (US)
LLM	Large language model
MSO	Minimum Stockholding Obligation
NAIF	Northern Australia Infrastructure Fund
NIF	National Interest Framework
NRF	National Reconstruction Fund
NRFC	National Reconstruction Fund Corporation
PTA	Preferential Trade Agreement

Abbreviations	Definitions
R&D	Research and Development
RBA	Reserve Bank of Australia
RIC	Regional Investment Corporation
SERD	Strategic Examination of Research and Development
SME	Small and medium-sized enterprise
TAR	Trade and Assistance Review
TSMC	Taiwan Semiconductor Manufacturing Company
UAE	United Arab Emirates
UK	United Kingdom
US	United States
WTO	World Trade Organization

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