

Victorian Government Submission to the Productivity Commission Review of Bilateral and Regional Trade Agreements

Introduction

The Victorian Government welcomes the opportunity to provide input into the Productivity Commission's (PC) Review of Bilateral and Regional Trade Agreements. The Victorian Government is actively engaged in the Commonwealth Government's bilateral and regional trade agreement agenda, and supports the Commonwealth's trade liberalisation efforts more broadly.

The Victorian Government supports the Commonwealth Government's continued efforts to understand better the effect (either positive or negative) on Australia's trading competitiveness and notes the importance of aligning this review with previous studies undertaken such as the 2008 Review of Export Policies and Programs. It also recognises that in the absence of significant progress at the multilateral level within the World Trade Organization's (WTO) Doha Development Round negotiations, the Australian Government is part of global efforts to pursue trade liberalisation through other mechanisms such as bilateral and regional trade agreements.

Given data restrictions at the State level, the complexity of determining and isolating the effects of trade agreements, and resource constraints in undertaking extensive State-level analysis at this stage of the PC's review, this Submission highlights some of the key issues for a sub-national jurisdiction related to Australia's bilateral and regional trade agreements. As such, this Submission raises a series of questions for the PC to consider as it undertakes this review, recognising that the Terms of Reference are quite broad. While the focus is specifically on those agreements already signed, some of the issues raised are also in relation to trade agreements currently under negotiation.

Victorian Government position on trade agreements

The Victorian Government is committed to implementing policy that maximises investment, skills, employment and export opportunities for Victorian industry. Export performance is important because of its role in driving employment, growth and industry diversification. As such, the Victorian Government recognises the importance of a strong multilateral trading system and supports the Australian Government's ongoing prioritisation of multilateral trade liberalisation within the WTO.

However, the Government also supports bilateral and regional trade agreements to the extent that they provide a clear benefit to the Victorian community in the form of:

- reduced costs and increased access to imported goods and services for Victorian industry and consumers; and
- increased market access for Victorian goods and service exports.

In 2008/09, exports provided more than 20 per cent of Australia's gross national income and more than 1.7 million jobs nationally were dependent on the export sector.¹ Strategic trade liberalisation incorporates Victorian companies into global

¹ ABS Catalogue No: 5206.0, Australian national accounts: national income, expenditure and product.

supply chains, creating international linkages which boost exports and create more jobs. Similarly, the facilitation of imports as inputs into Victorian production and the pursuit of inward investment are essential to maintaining Victoria's competitiveness in the global economy. With these factors in mind, the Victorian Government has set a target of raising Victorian exports to \$35 billion per annum by 2015.

Victoria's bilateral relations with key countries

Australia has signed, or is negotiating Free Trade Agreements (FTAs) with many of Victoria's major trading partners. Over a third of Victorian merchandise trade currently takes place with countries with which Australia has trade agreements.²

Total merchandise trade with these countries was worth \$27.1 billion in 2008/09, with goods exports valued at \$7.1 billion and imports worth \$20 billion. Since 2005/06, Victorian merchandise exports to these countries has grown 7.3 per cent. This growth has come primarily from Association of South East Asian Nations (ASEAN), with exports to New Zealand (NZ) and the United States (US) dropping slightly over the period. Growth in exports to Chile was fairly flat over the period.³

Country	Exports (\$M)	% Share of Total Victorian Merchandise Exports
New Zealand	1922	9.4%
United States	1797	8.8%
Chile	23	0.1%
ASEAN	3325	16.3%

Key points

The Victorian Government highlights the following key points for the PC to consider as it conducts its review. These points are based on external stakeholder consultations undertaken since the Commonwealth Government has been negotiating FTAs, and internal Government insights and experiences working with industry to not only increase Victoria's exports but also to ensure Victorian industry remains competitive in the global economy.

1. Assessing the economic impact

While recognising the different imperatives behind existing trade agreements and their contribution to the net performance of the Australian economy, the Victorian Government is focussed on the economic benefit of trade agreements for the Victorian economy.

Victorian exporters have benefited from access to increased market opportunities as the result of recent FTAs, and stand to benefit from improved market access with the finalisation of FTAs under negotiation. For example, the easing of business visa requirements into the United States following the signing of the Australia-US FTA (AUSFTA) facilitates the movement of Victorian business people into the United States.

² New Zealand, Singapore, Thailand, United States, Chile and the Association of South East Asian Nations (Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam). Data takes into account Singapore's and Thailand's membership of ASEAN.

³ It should be noted that this data refers to merchandise trade only and does not reflect the significance of other aspects of the trading relationship such as services trade and investment. Services and investment data by nationality is not available at the state level.

Additionally, it is reasonable to conclude that some initial concerns raised by the Victorian Government, based on industry concerns at the time of respective FTA negotiations, have not eventuated to the degree that was initially expected. For example, at the time of FTA negotiations with the US, there were concerns about the Victorian Government procurement market being dominated by American business. Five years on, there is limited evidence that this has happened in the Victorian market.

Similarly, however, there are also instances where sub-optimal outcomes and unanticipated impacts or issues have arisen as the result of a trade agreement. For example, a Victorian public transit trade mission that went to the US in 2005 to explore business opportunities discovered that Australian suppliers continued to face difficulties accessing the US Government procurement market despite the provisions contained in the Government Procurement Chapter of the AUSFTA.

In particular, the Buy America regulation (sometimes referred to as the Buy America Act, and not to be confused with the Buy American Act) passed by the US Government and imposed on grants provided by the US Federal Transit Administration was not waived under the AUSFTA and effectively prevented Australian suppliers from entering the US government procurement market for transit products. Carve outs such as this, which have not been uncommon in FTAs, especially for sensitive sectors such as agriculture, mean that those industries affected by these carve outs, or lengthy phase-in periods, are not able to realise the economic benefit of the FTA either at all or within commercially meaningful time frames.

Economic Modelling

When assessing whether to enter into trade agreements, the Commonwealth Government is guided by the assumption that, on balance, the specific agreement is worth negotiating. For the most part, this assessment is based on economic modelling conducted as part of the feasibility stage of the negotiating process. Resource constraints mean that Victoria is not in the position to undertake comprehensive State-level economic analysis for each proposed trade agreement.⁴ Instead, it relies heavily on the economic analysis conducted by the Commonwealth coupled with Victorian industry consultations.

Economic modelling has a useful role to play in projecting the impact of a proposed FTA, and modelling based on reasonable assumptions can assist in the evaluation of the impact of an FTA. However, there are limitations to modelling. As an FTA is being negotiated its scope can change and this can have an impact on the modelling results. The modelling scenarios may have to make assumptions about the final scope of the FTA and it is possible that the final outcome may differ from that assumed. Results generated under these conditions, with assumptions that do not reflect the reality of an agreement, are not only ineffective but can also be misleading and counterproductive because they can be used to support arguments about the impact of trade agreements on certain industries and/or the economy as a whole.

Confidence in the use of economic modelling would be improved if post-FTA negotiation analysis was conducted to examine how the actual outcome compared with the projected outcome, notwithstanding that such an exercise would experience

⁴ While not being able to undertake an analysis of all FTAs, the Victorian Government has commissioned its own economic studies into the impacts of trade agreements on Victoria for AUSFTA and the Australia - China FTA.

difficulties in isolating the impact directly attributable to the FTA from other influences at play. Additionally, the assessment of an FTA should also take into account those factors which cannot be adequately captured in an economic model.

It is important to note that studies undertaken at the national level that provide **national** net benefit or loss implications do not effectively highlight the potential effects at the regional economy level. This is an important consideration for State/Territory governments in understanding the effects of a trade agreement on respective key industries.

As part of the review, the Productivity Commission should:

- analyse ex-ante analysis conducted for Australia's existing trade agreements to determine whether the anticipated economic benefits or costs of a trade agreement were realised;*
- consider the potential benefit and feasibility of economic analysis at the sub-national level; and*
- consider the timing of any economic studies and whether there is potential for analysis after an agreement has been signed.*

2. Relationship with other policies and programs

Trade agreements are important but not sufficient for realising export opportunities alone. They are one component of the mix of export-related policies and programs at both the State/Territory and national levels.

Trade agreements, which provide market access to Victorian exporters, have the potential to support the objectives of other policy measures such as Victoria's Global Markets Action Plan and the Victorian Government's extensive network of Business Offices that are strategically located in key markets of importance to Victoria.⁵

Launched in 2008, the \$24.8 million Global Markets Action Plan (the Plan) is designed to assist exporters. The Plan supports Victorian firms through the provision of information and market intelligence, promoting export clusters and identifying overseas project opportunities. The Plan incorporates:

- the \$4.8 million *Opening Doors to Export Plan*;
- *Export Connections* (\$4.8 million) – an online exporter community where members can access information, export opportunities and assistance programs;
- *Victorians Abroad* (\$1 million) – a program that will utilise the networks of 250,000 Victorian expatriates to develop new trade opportunities;
- the new \$8 million *Leveraging Global Opportunities* initiative which will identify projects and opportunities in international markets; and
- the \$4 million *Export Clusters* program.

It is the combination of both a trade agreement and other activities that realise benefits. For example, one of Thailand's largest companies (annual turnover of US\$18 billion) opened its first Australian office in Victoria in February 2010. While the actual attraction of this investment arose from the Victorian Department of Primary Industries' (DPI) presence in Thailand and the in-market and relationship-building work undertaken by DPI, the decision to locate a Victorian Government representative in Thailand was made on the basis that Australia had an FTA with

⁵ Victorian Government Business Offices are located in: United Kingdom, Germany, Japan, Malaysia, China (Shanghai, Hong Kong, Nanjing), India, United Arab Emirates, United States (San Francisco, Chicago, New York).

Thailand. In this instance, the positive alignment by Victoria of its export/investment promotion activities based on a trade agreement yielded significant benefits beyond the actual terms of the FTA. It also highlights how in-market presence is a critical supporting measure to facilitate the uptake of trade/investment opportunities pursuant to an FTA.

Understanding the relationship between trade agreements and other activities is important. Given the interconnection between trade agreements and other export-related activities, it is important that the effect of a trade agreement does not off-set or negatively compound the effect to industry of other governmental programs or policies. This is particularly the case for two industries of importance to Victoria (i.e. automotive and the textile, clothing and footwear (TCF) industries) that have undergone significant industry restructuring including the phase-out of import tariffs over recent decades.

For example, at the time of the Joint Standing Committee on Treaties (JSCOT) inquiry into the Thailand–Australia FTA (TAFTA), the Victorian Government raised concerns about the potential negative impact of TAFTA on the TCF industry, particularly given Australian policy changes that were anticipated at the time to impact negatively on the industry. The Government argued that TAFTA would put pressure on Australia's TCF industry due to increased import competition from a robust and cost-competitive Thai garment sector. These pressures were expected to be compounded by Australia's general TCF reductions, the AUSFTA, and the proposed reduction in funding for the Strategic Investment Program (SIP) which was an industry assistance program for the TCF industry available at the time.

One challenging dynamic of doing business in the global economy is the need to respond quickly to market opportunities and developments, and the requirement to be flexible enough to adapt to new exporting opportunities. Trade agreements set the framework for engagement between two countries but it is not clear how well suited they are to modern exporting models such as export clusters. Export success is increasingly characterised by companies and consortia targeting major projects in international markets where there are considerable opportunities to supply goods and services over a limited time but on an extensive scale. Export clusters enable companies in related sectors to build critical mass and international bargaining power and to create more high-skilled jobs in servicing markets around the world.

As part of the review, the Productivity Commission should:

- examine the alignment and consistency between trade agreements and other government (both national and State/Territory) policies and programs;*
- develop a better understanding of the ways in which trade agreements fit with other export-related activities and their inter-relationship; and*
- consider how adaptable and flexible trade agreements are in responding to new and emerging exporting models.*

3. Characteristics of bilateral and regional trade agreements

It is important to note that Australia's trade agreements are varied in scope, objectives and depth of trade liberalisation. It may not be feasible for the Commonwealth Government to negotiate similar trade agreements. However, the effect of this is to create a potentially more complex trading environment than intended. The proliferation of FTAs (which in many cases contain 'carve outs' of sensitive sectors, lengthy phase-in periods and complex rules of origin requirements) has created a complicated trading environment.

This is compounded by the fact that these trade agreements are not FTAs as originally promoted but in fact preferential agreements that create an uneven competitive environment in terms of access to markets. This means that third parties (i.e. parties not subject to a trade agreement) can be detrimentally affected by the preferential access given to a competitor in an export market. This runs counter to the principle of non-discrimination in trade that has underpinned the global trading system since the late 1940s.

Some essential Victorian industries are not immune to this 'third party' effect. For example, Victorian automotive exporters are at risk of losing markets in the Middle East should the Gulf Cooperation Council States finalise agreements with competitor countries that lower the existing 5 per cent tariff on passenger motor vehicles. Other examples include the potential effect on Victoria's agricultural exports (meat in particular) to South Korea should the US and South Korea bilateral trade agreement enter into force. It is important that the FTA negotiations ensure Victorian exports are not disadvantaged by other FTAs.

Furthermore, progress in negotiating these trade agreements varies considerably with some taking a number of years from the feasibility stage to entry-into-force. Lengthy negotiations create uncertainty in planning for Victorian businesses; they need to understand the business environment in order to effectively plan future engagement with the relevant market.

As part of the review, the Productivity Commission should:

- investigate the extent to which bilateral and regional trade agreements have created a more complex trading environment for exporters, and consider ways in which this can be addressed;*
- develop an understanding of the extent to which existing bilateral and regional trade agreements to which Australia is not a party have created an uneven competitive environment for Australian exporters. This should be analysed at the State/Territory level; and*
- consider the implications for Australian business given the complexity of trade agreements and the differences between trade agreements.*

4. Implementation issues

Given that these trade agreements do not signify a system of complete 'free trade' between nations, with barriers remaining at the time of entry-into-force, implementation of commitments to progress trade liberalisation is important. For example, progress in some areas of the 'built-in' agenda under TAFTA has not progressed as initially planned. Irrespective of the reason, this suggests that the ongoing commitment to work towards further liberalisation at the time of signing an agreement does not necessarily result in further gains in the short or medium term.

However, in some areas, the ongoing liberalisation work arising from a trade agreement is progressing effectively. For example, under TAFTA, each year a joint working group and a Sanitary and Phytosanitary special experts group meet to address and negotiate market access issues. The most recent meeting of this working group was held in Melbourne where a protocol was signed which now permits the export of rabbit meat into Thailand.

In addition, notwithstanding the considerable effort by the Commonwealth Government to promote Australia's trade agreements particularly at the time of agreement or entry-into-force, it is unclear how effectively this information is

translated by companies into a good understanding of the opportunities arising from a trade agreement and how to realise them.

While trade liberalisation in the form of reduced tariff barriers has been largely successful, there has been an increase in the use of non-tariff barriers (NTBs) to trade and investment. In the case of Thailand, the Victorian Government is aware of new barriers in the form of excise duties being introduced following the conclusion of the FTA, which have effectively prevented certain Australian automotive exports to that market. Bilateral and regional trade agreements do not appear to be as effective in dealing with NTBs as they can be for reducing tariffs.

As part of the review, the Productivity Commission should:

- examine and report on the built-in agendas of trade agreements, including assessing how effectively they are progressing for Australian exporters, and where possible make recommendations about ways to strengthen this process; and*
- fully examine Australia's existing bilateral and regional trade agreements to determine how well they have dealt with the reduction of non-tariff barriers for goods and services.*

5. Process and consultation

From Victoria's perspective, the nature of the process and consultation for the various trade agreements that the Commonwealth Government has negotiated, or is currently negotiating, depends largely on the respective FTA Taskforces. Some of the Taskforces (such as those for ASEAN and Japan) are good models for engagement. Effective consultation by the Commonwealth Government is essential to enable a productive, timely and useful contribution from the State/Territory Governments.

The Victorian Government is primarily engaged in the process at the negotiating stage and there is limited involvement beyond that once an agreement enters into force. There is an opportunity for strengthened coordination and collaboration at the Commonwealth/State/Territory level once agreements have entered into force. This would enable enhanced understanding of respective FTAs at the State/Territory level, which would assist in better government-business communication around opportunities and potentially provide improved input into implementation, maintenance and review tasks (especially considering FTAs have built-in agendas).

This would extend to ongoing and improved industry consultation. For example, in the horticulture sector, there is a perception that the Department of Foreign Affairs and Trade (DFAT) could consult on a more ongoing basis with stakeholders about the impacts of FTAs in a 'real world' commercial context. In particular, there is a perception that DFAT would benefit from more industry-specific knowledge (such as becoming familiar with the movement of fruit into export markets) before making future concessions on behalf of such industries.

As part of the review, the Productivity Commission should:

- consider ways in which consultation mechanisms could be improved to ensure State/Territory Governments are able to communicate and assist industry better in realising the benefits of trade agreements.*

Conclusion

Victoria supports the Productivity Commission's examination of the impact of bilateral and regional trade agreements on trade and investment barriers. Notwithstanding the Commonwealth Government's 2008 Review of Export Policies and Programs, which included analysis and research into FTAs, it is important that Australia (business, governments, and the community) continues to understand the implications and effects of the Commonwealth Government's trade agreement agenda.

This Submission outlined a number of key issues for the PC to consider as it undertakes its review. The Victorian Government looks forward to the draft report due to be released in June 2010 and to the final outcomes of the review.

Victoria's bilateral trading relationship with key countries

Association of South East Asian Nations (ASEAN)

The ten countries of ASEAN engaged in \$13.7 billion worth of two-way trade with Victoria in 2008-09. The figure is slightly higher than Victoria's most important individual trading partner, China (\$13.6 billion), despite ASEAN having less than 50 per cent of China's population.

In 2008-09, Victoria exported \$3.3 billion worth of goods to ASEAN, of which over 80 per cent went to the top 4 countries (Singapore, Thailand, Malaysia and Indonesia). Table 1 shows the top ten goods exports to the ASEAN region. This includes mainly agricultural products, with some growth evident in elaborately transformed manufactured (ETM) products such as medicaments.

Table 1: Top Ten Goods Exports to ASEAN countries

Product	FY2006 \$m	FY2009 \$m	Growth %
Milk & cream	692.3	596.7	-17.7
Aluminium	305.5	433.0	41.7
Crude petroleum	24.3	201.8	731.8
Wheat	11.8	148.5	1157.0
Refined petroleum	143.8	136.2	-5.3
Medicaments	95.9	118.6	23.7
Beef, f.c.f	29.3	109.1	272.0
Fruit & nuts	66.3	97.4	46.8
Edible products & prep. Nes	17.8	83.1	367.5
Meat (excl beef), f.c.f.	50.2	81.2	61.7

Victoria accounts for 16 per cent of total national goods exports to the ASEAN region, a 1 per cent increase since 2005-06. Victorian exports have grown by 29 per cent; slightly faster than the national average (26%). Out of the major countries in the region (exports over \$50m), Victorian exports to Vietnam grew the fastest (64.9% in the three years to 2008-09), followed by Singapore (57.7%) and Malaysia (33.5%). Aluminium was Victoria's top export product to Malaysia, Thailand and Vietnam in 2008-09, as was milk and cream to Indonesia and the Philippines. Singapore is the largest importer of Victorian crude petroleum worldwide.

Australian service exports to the ASEAN region totalled \$8.2 billion in 2008-09 having grown 52% since 2003-04. The region now represents over 15% of total national service exports. In the YTD November 2009, Victoria had 32% of total ASEAN student enrolments nationally of which four countries (Thailand, Malaysia, Vietnam and Indonesia) are in Victoria's top ten source countries for international students. Malaysia was also Victoria's fastest major source country for international tourists in 2008-09, up 35.3% on the previous financial year.

United States (US)

The US is Victoria's second most important trading partner with \$8.9 billion worth of two way trade in 2008-09. It is Victoria's second most valuable import source and third most important export destination. In 2008-09, Victoria exported \$1.8 billion of goods to the US.

Table 2 shows the top ten goods exports to the US. This includes several high growth elaborately transformed manufactured products such as medicaments and measuring instruments.

Table 2: Top Ten Goods Exports to the US

Product	FY2006 \$m	FY2009 \$m	Growth %
Beef	233.9	297.4	27.1
Medicaments	57.1	219.5	284.8
Meat (excl beef)	136.4	119.4	-12.5
Starches and wheat gluten	49.3	96.9	96.9
Confidential items	45.8	94.1	105.4
Aircraft, spacecraft & parts	82.4	87.0	5.6
Measuring & analysing instruments	43.9	64.6	46.9
Vehicle parts & accessories	105.4	51.5	-51.2
Alcoholic beverages	197.2	43.5	-77.9
Cheese & curd	47.2	37.4	-20.8

Victoria accounts for 15 per cent of total national goods exports to the US. This has fallen from 19 per cent in 2006-07. Nationally, goods exports to the U.S have grown by 18 per cent since 2005-06, while Victorian exports have declined by 2 per cent. This is partly due to increased exports of products traditionally produced in other States, such as sugar and some metals.

The U.S remains Australia's most valuable destination for services exports, with exports worth \$5.8 billion in 2008-09. The biggest service export to the U.S is tourism, with over 120,000 U.S tourists visiting Victoria in 2008-09. This number is still significant, despite a drop of 11 per cent compared to the previous year.

New Zealand (NZ)

NZ is Victoria's fourth most important trading partner, with \$4.5 billion worth of two way trade in 2008-09. It is Victoria's fifth most valuable import source and second most important export destination. In 2008-09, Victoria exported \$1.9 billion of goods to NZ.

Table 3 shows the top ten goods exports to the NZ. Major falls have occurred recently due primarily to the marked slowdown in NZ as a result of the global financial crisis (GFC). This impacted particularly strongly on high value export product lines such as passenger motor vehicles and medicaments.

Table 3: Top Ten Goods Exports to New Zealand

Product	FY2006 \$m	FY2009 \$m	Growth %
Passenger motor vehicles	283.7	130.3	-54.1
Edible products & prep.	67.0	80.1	19.5
Paper & paperboard	94.1	75.0	-20.3
Medicaments	76.0	54.7	-28.0
Printed matter	65.8	53.8	-18.2
Refined petroleum	88.4	53.8	-39.1
Plastic articles	40.1	51.8	29.1
Crude petroleum	-	49.5	-
Cereal preparations	32.8	49.1	49.9
Chocolate & cocoa prep.	34.7	46.5	33.8

Victoria accounted for 22 per cent of total national goods exports to NZ. This has fallen from 25 per cent in 2005-06. Nationally, goods exports to NZ have fallen by 2 per cent since 2005-06 while Victorian exports have fallen by 11 per cent. Victorian export falls are largely attributable to the fall in demand resulting from the GFC as NZ was one of the hardest hit economies in the Asia-Pacific. Exports to NZ, in particular passenger motor vehicles, are expected to recover in 2010-11.

NZ was Australia's fourth most important service export destination in 2008-09, recently overtaking Singapore. National service exports have grown 10 per cent since 2005-06 to be \$3.4 billion in 2008-09. NZ is Victoria's most important source of international tourists; there were 225,149 overnight visitors to the state in 2008-09, representing around 15 per cent of international tourists. Tourist numbers have grown by 52 per cent since 1999-2000.

Singapore

Singapore is Victoria's sixth most important trading partner, with \$3.3 billion worth of two way trade in 2008-09. It is Victoria's sixth most valuable import source and seventh most important export destination. In 2008-09, Victoria exported \$921 million of goods to Singapore.

Table 4 shows the top ten Victorian goods exports to Singapore. This includes aluminium, medicaments, beef, dairy products and crude petroleum, which have all grown very strongly in recent years.

Table 4: Top Ten Goods Exports to the Singapore

Product	FY2006 \$m	FY2009 \$m	Growth %
Crude petroleum	24.3	178.6	636.6
Milk & cream	117.9	152.4	29.2
Refined petroleum	104.0	132.1	27.0
Aluminium	9.8	42.2	329.0
Medicaments	9.5	28.7	201.8
Fruit & nuts	17.4	20.8	19.5
Butter	15.8	19.6	24.3
Beef, f.c.f.	18.4	14.7	159.0
Cheese & curd	9.2	15.7	71.1
Meat (excl beef) f.c.f.	18.4	14.7	-20.2

Victoria accounts for 17 per cent of total national goods exports to Singapore. This has risen from 14 per cent in 2005-06. Nationally, goods exports to Singapore have grown by 31 per cent since 2005-06, while Victorian exports have grown by 58 per cent. The positive performance is partly due to Victoria gaining market share from other states in petroleum and aluminium, as well as growth in dairy exports.

Singapore was Australia's sixth most important service export destination in 2008-09, having been overtaken by NZ and India during the year. National service exports have grown moderately from \$2.6 billion in 2005-06 to \$3.2 billion in 2008-09. Victoria accounted for over a third of Australia's international student enrolments from Singapore in the year to November 2009. Over 74,000 Singapore tourists visited Victoria in 2008-09, an increase of 16 over the previous year despite the GFC.

Thailand

Thailand is Victoria's seventh most important trading partner, with \$3.0 billion worth of two way trade in 2008-09. It is Victoria's seventh most valuable import source and eighth most important export destination. In 2008-09, Victoria exported \$637 million of goods to Thailand.

Table 5: Top Ten Goods Exports to Thailand

Product	FY2006 \$m	FY2009 \$m	Growth %
Aluminium	185.2	205.0	10.7
Milk & Cream	107.4	57.0	-47.0
Cereal Preparations	12.0	31.6	163.7

Edible products & preparations	1.7	26.7	1452.4
Crude petroleum	0.0	23.0	-
Fruit & nuts	9.7	22.4	131.3
Medicaments	20.3	18.1	-11.0
Wheat	1.5	15.8	953.0
Piston engines	27.1	14.7	-45.5
Uncoated flat-rolled iron & steel	10.2	10.2	-0.2

Table 5 shows the top ten goods exports from Victoria to Thailand. This shows growth in agricultural exports, with some falls in ETM goods. Improved market access for Victoria's agricultural products in Thailand has not been matched in the automotive sector. National passenger motor vehicle imports from Thailand increased 108 per cent in the three years to 2008-09 and would have been substantially higher in the absence of the GFC. In contrast, national vehicle exports to Thailand have stagnated, due in part to a number of non-tariff barriers implemented by Thailand since the FTA.

Victoria accounts for 13 per cent of total national goods exports to Thailand. This has fallen from 14 per cent in 2005-06. Nationally, goods exports to Thailand have grown by 17 per cent since 2005-06, while Victorian exports have grown by 11 per cent. The difference is partly attributable to the rise in gold (86 per cent) exports to Thailand, which is sourced from other States.

Thailand remained Australia's 13th most important service export destination in 2008-09, a position it has held in all but one year since 2003-04. National service exports have grown from \$674 million in 2005-06 to \$1020 million in 2008-09. Victoria accounted for 19 per cent of Australia's international student enrolments from Thailand in 2009. Around 22,000 Thai tourists visited Victoria in 2008-09, which represents over 40 per cent of the national share.

Chile

Chile is Victoria's 53rd most important trading partner, with \$93 million worth of two way trade in 2008-09. It is Victoria's 43rd most valuable import source and 58th most important export destination. In 2008-09, Victoria exported \$23 million of goods to Chile.

Table 6 shows the top six goods exports to Chile from Victoria. Although the overall value of many of these is low, with such strong growth rates it is expected that Chile will become far more important as a Victorian trading partner in the future.

Table 6: Top Six Goods Exports to the Chile

Product	FY2006 \$m	FY2009 \$m	Growth %
Medicaments	0.07	3.22	4641.2
Soap & cleansers	0.23	3.18	1307.5
Agricultural machinery	0.89	3.14	253.3
Plastic articles, nes	0.47	2.00	324.4
Measuring & analysing instruments	0.64	1.32	106.1
Pharmaceutical products	0.43	0.88	102.1

National service exports from Chile have grown 7-fold since 2003-04 to be \$170 million in 2008-09. There were 1,612 international students from Chile enrolled in Australia in 2009, of which 22 per cent came to Victorian institutions. Victoria's intake of Chilean students has more than doubled every two years since 2004.