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Termination of the Agreement between the Government of Australia and the Government of the Slovak Republic on Trade and Economic Cooperation

Introduction

3.1 The *Agreement between the Government of Australia and the Government of the Slovak Republic on Trade and Economic Cooperation* (the Agreement) was signed in April 1999. The Slovak Republic acceded to the European Union (EU) on 1 May 2004 and a requirement of that accession is to terminate existing bilateral trade agreements including the Agreement. The Agreement requires the consent of both nations to be terminated within five years of commencement.[1]

Overview

3.2 The impact of the termination of the Agreement is likely to be minimal as the Slovak Republic is not a major trading partner of Australia, as outlined by the Department of Foreign Affairs and Trade:

> Slovakia is one of Australia's smaller trade and investment partners, with two way trade currently worth approximately

1 National Interest Analysis (NIA), para. 3.

> $25 million. It is ranked 95th… In 2004, Australian exports to Slovakia were a mere $3.34 million.[2]

3.3 The accession to the EU by the Slovak Republic is expected to have positive and negative impacts on different business sectors within Australia. Some of Australia's trade sectors are subject to higher tariff levels under the auspices of the EU than under the Agreement, whereas others are privy to lower tariff levels.[3]

3.4 Regardless of any variation in effect on individual trade industries in Australia, the overall impact of the termination of the Agreement is not expected to be significant:

> Australia's bilateral relations with Slovakia are good, and the request to terminate the Agreement will not affect either Australia's trade or diplomatic relations with Slovakia.[4]

3.5 Should Slovakia's accession to the EU have significant, adverse trade consequences for Australia in future, there are provisions within the World Trade Organisation (WTO) Agreement that can be invoked to preserve Australian trade interests. If market access conditions deteriorate due to a trade agreement, the relevant state may seek offsetting market access benefits. According to the Department of Foreign Affairs and Trade, Australia is monitoring the state of market access to the EU and is prepared to take the required action to secure Australia's market access:

> … under the WTO Agreement, under article XXIV:6, there are provisions for a country affected by a trade union agreement such as the European Union customs union to negotiate, and those negotiations are currently underway in Europe.[5]

Obligations and implementation

3.6 No new obligations will arise from the termination of the Agreement. The termination of the Agreement will not require any legislative actions by Australia and will not change the existing roles of the Commonwealth or States and Territories. As such Australia will not incur any costs as a result of the termination of the Agreement.

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2 Mr John Woods, T*ranscript of Evidence*, 7 March 2005, p. 12.

3 NIA para. 8.

4 Mr John Woods, *Transcript of Evidence*, 7 March 2005, p. 12.

5 Mr Peter Threlfall, *Transcript of Evidence,* 7 March 2005, p. 13.

Consultation

3.7 Austrade advised that impact of the termination of the Agreement was expected to be minimal. As a result, further consultation with industry was not considered necessary. The States and Territories did not identify any potential problems emanating from termination of the Agreement.

Conclusion and recommendation

3.8 Australia's trade and diplomatic interests with the Slovak Republic are assured regardless of the termination of the Agreement. The economic effects of termination are minimal and any potential for adverse trade conditions is minimised by Article XXIV:6 of the World Trade Organisation Agreement.

Recommendation 2

The Committee supports the *Termination of the Agreement between the Government of Australia and the Government of the Slovak Republic on Trade and Economic Cooperation* (Canberra, 23 April 1999), and recommends that binding treaty action be taken.