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**Submission to
Joint Standing Committee on Treaties
Inquiry into Australia's
Relationship with the WTO**

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EXECUTIVE SUMMARY

The NSW Farmers' Association represents over 14,000 farming members from a diverse range of agricultural enterprises across NSW. Given Australia's small population base our farmers rely heavily on exports as a source of income. Therefore any development that would allow Australian agricultural exports to increase through better access to international markets would mean significant benefits to Australian farmers.

The Association broadly supports the push for fairer trade with an objective of increasing the level of access of Australian products to international markets. This submission outlines the Association's position on Australia's involvement in the WTO, the use of the dispute resolution system and the opportunities that should be utilised under the arrangements.

Although there have been significant developments in trade negotiations there is still a need for agriculture to be brought into line with other industries. Currently there are discrepancies between the treatment of industries and countries in trade negotiations. The Association believes agriculture must be brought to a similar status to manufacturing and that the next round of WTO negotiations be comprehensive to ensure agriculture is given the same treatment as other industries.

The Association feels that there is a need for greater community involvement in the Government's WTO policy setting process. Community consultation needs to be extended to ensure that all sectors or industries are given the opportunity to provide input into policy development or negotiating positions. To ensure a consultation process is effective the issues need to be well canvassed before hand to provide the opportunity for meaningful consultation.

While the WTO is supposed to improve transparency in trade negotiations, there is still a degree of confusion surrounding its operations and the decisions that are made. The Association believes that the level of transparency can be improved. Indicating the position Australia takes in decisions and/or agreements that are reached with other countries would improve the level of transparency surrounding Australia's involvement in the WTO.

The role of the WTO is to deal principally with trade disputes. Any attempt to expand the jurisdiction of the WTO to include international labour, environmental and health issues will only complicate the discussion process and degrade the effectiveness of any decisions that could be made.

The formation of the Cairns group and Australia's participation in WTO negotiations should be continued. There have been many benefits to Australian agriculture as a result of trade negotiations and with further liberalisation these benefits are expected to continue.

RECOMMENDATIONS

The NSW Farmers' Association recommends that the national interest be the objective of Australia's trade and industry policies.

The NSW Farmers' Association recommends that the Federal Government seek that the next round of World Trade Organisation negotiations be comprehensive and multi-sectoral to ensure that agriculture is subject to the full framework of fair trading rules.

The Association recommends further development of a process that allows industry to work with the Federal Government to identify and pursue issues through dispute resolution.

The NSW Farmers' Association recommends that the Government continue to invest in the Cairns group with additional funding being directed towards developing countries.

INTRODUCTION

The NSW Farmers' Association represents over 14,000 farming members from a diverse range of agricultural enterprises across NSW. Given Australia's small population base our farmers rely heavily on exports as a source of income. At over \$22 billion in 1998-99, Australia's agricultural exports represented about 80 per cent of the gross value of farm production. Any development that would allow Australian agricultural exports to increase through better access to international markets would mean significant benefits to Australian farmers.

The Association broadly supports the push for fairer trade with an objective of increasing the level of access of Australian products to international markets. This submission outlines the Association's position on Australia's involvement in the WTO, the use of the dispute resolution system and the opportunities that should be utilised under the arrangements.

Given the potential gains from trade liberalisation the Association would like to see the Government adopt a national approach to the negotiations. Taking an individual industry approach will lead to some sectors of the economy remaining inefficient and imposing additional costs on other sectors.

The NSW Farmers' Association recommends that the national interest be the objective of Australia's trade and industry policies.

AGRICULTURAL TRADE NEGOTIATIONS

Although the Uruguay round was a significant step forward in trade talks, with the inclusion of agriculture in negotiations, there remain discrepancies between the treatment of industries and countries. Export subsidies for industrial products were prohibited by the GATT more than 40 years ago, however, they continue to be used for agricultural products. The Association believes that the next round of trade talks need to bring agriculture to a similar status as manufacturing industries, ensuring that all industries are treated equally.

The NSW Farmers' Association recommends that the Federal Government seek that the next round of World Trade Organisation negotiations be comprehensive and multi-sectoral to ensure that agriculture is subject to the full framework of fair trading rules.

One of the problems with previous negotiations has been the difference in the starting levels for reductions in protection measures and the speed at which countries believe they should be reduced. Existing rules and measures must be fixed to ensure protection levels have a set ceiling. This then paves the way for further or stronger rules to be set in relation to subsidy reduction, averaging of reductions and preventing the circumvention of agreements concerning the elimination and prohibition of all forms of protection.

The Association believes there is a need for Australia to make better use of the existing rules as administered by the WTO. Arrangements such as scientifically justified quarantine enforcement and appropriate adjustment measures provide countries with considerable scope for facilitating domestic industries while still complying with WTO agreements. The tariff imposed by the United States on Australian lamb exports is a clear example of how the

rules can be used to allow industries to adjust to trade developments. While not advocating that the government abuse these arrangements the Association feels there may be opportunities where such arrangements can be used more effectively to encourage further growth in domestic industries.

COMMUNITY INVOLVEMENT

A much wider community involvement is required for the WTO and free trade argument to progress. There is currently a growing opposition to free trade and the operation of the WTO. This was evidenced by the large protests at the recent trade talks in Seattle. To overcome this opposition and to some extent confusion surrounding the globalisation and free trade process, there needs to be an increase in public understanding through greater information dissemination.

The Association commends the Government's recent initiatives to improve the accessibility and awareness of the WTO and its dispute settlement system. The seminars in May were a positive step towards addressing the lack of understanding of the WTO system. However, there are still many exporters and other interested members of the public that could not attend a seminar and would benefit from further education in Australia's relationship with the WTO.

For larger issues current consultation tends to be with peak bodies. This consultation needs to be extended to ensure that all sectors or industries are given the opportunity to provide input into policy development or negotiating positions. To ensure a consultation process is effective the issues need to be well canvassed before hand to provide the opportunity for meaningful informed consultation.

Public consultation needs to be widely publicised and involve better-managed agendas. Current arrangements do not sufficiently notify participants about becoming involved in the consultation process. The lack of publicity also removes the ability of the general public to participate in the process and as such creates an unnecessary level of animosity towards the government and its policy.

Following the conclusion of the consultation process there needs to be better feedback provided to the participants regarding the outcomes reached and the policies that were developed. All too often the consultation is concluded and participants are unaware if their issues have been heard. Participants need to be informed of the outcomes reached and the resulting policy that is developed.

TRANSPARENCY AND ACCOUNTABILITY

The level of understanding among the general public about the role of the WTO, its structure and Australia's involvement in it could generally be described as poor. While the role of the WTO, the power it holds and its relationship with member countries may be clear to those in the Department of Foreign Affairs and Trade, the average exporter and/or producer is probably not aware of such information. Exporters who are unsure of their rights under the WTO may not recognise when they are confronted with a possible contravention of the WTO

rules. It is the responsibility of the Government on behalf of the WTO to facilitate the flow of information and improve the transparency of the WTO for the general public.

The role of the Australian Government in the WTO is not well publicised. Many people probably do not realise that Australia has a vote in everything the WTO does, just like the US, and therefore has a say in what decisions the WTO takes. As decisions are made by consensus every country must accept the decision. Convincing reluctant countries is often done by offering something in return. Indicating the position Australia takes in decisions and/or the agreements they come to with other countries would be useful in determining what role Australia plays in the WTO and what we achieve from our involvement.

It seems other members of the WTO also feel there is a lack of transparency in the WTO. Clare Short of the Department for International Development in Britain said in a speech that “the WTO should be more transparent and its rules easier to apply” (Short 1999).

As the WTO describes, transparency (such as making available to the public all information on trade regulations), other aspects of “trade facilitation”, clearer criteria for regulations dealing with the safety and standards of products, and non-discrimination help by reducing the scope for arbitrary decision-making and cheating. If everyone, which includes the general public, knows the roles and responsibilities of the WTO it would be more difficult to avoid them.

DISPUTE SETTLEMENT PROCEDURES

“International trade can be unfair and exploitative. The strong can deceive and defraud the weak. That is precisely why we need an institution like the WTO which is membership based and rules based – to prevent fraud, monopoly, predatory pricing and other abuses” (Short 1999). Since its inception in 1995 the WTO has played an effective role in preventing full-scale trade wars between member countries. While the dispute settlement process may not be as effective as one might hope it is far more constructive than allowing countries free reign on trade policies.

One of the key problems with the current arrangements is the disassociation members of the community and industry feel towards the WTO and its dispute resolution process. The Association believes there is a need for greater community and industry involvement in developing issues to be pursued through the dispute resolution process.

The Association recommends further development of a process that allows industry to work with the Federal Government to identify and pursue issues through dispute resolution.

Such an involvement would have two main advantages. Firstly it would create a better working partnership between industry and government where resources and ideas can be shared. Secondly it would improve the communication levels, providing a greater understanding of the processes involved and the needs of each party.

The Association acknowledges there is a need for industry to contribute to the cost of investigation. However, as dispute resolution can lead to benefits for Australia as a whole, the Association does not believe that industry should bear the total cost. The current

situation where industry contributes to some associated costs but not the direct costs for officials' services should be continued.

Current time allocations for the settlement of disputes are too long. Following the current procedure it could take more than 10 months before a matter of concern reaches a WTO dispute settlement panel. Additional time would then be required for the panel to make a decision. Such long periods of time can potentially cost exporters large amounts of income. The Government needs to reduce the response time to assess and make decisions on measures of concern. This may be achieved by establishing a team of experts (such as lawyers) to assist in initial assessment and development of a dispute resolution plan.

WTO AND REGIONAL ECONOMIC AGREEMENTS

The formation of the Cairns group in 1986 was probably the single most important development in trade negotiations for Australia. The 18 members with common beliefs on agricultural trade together form a body that has the negotiating power to combat the might of the US and the EU. Due to its importance in negotiating trade agreements especially with its ability to win trade arguments for smaller nations the Association believes the continuation of the Cairns group should be supported.

The NSW Farmers' Association recommends that the Government continue to invest in the Cairns group with additional funding being directed towards developing countries.

The recommendation for additional funding to be directed to developing countries acknowledges the different economic situation they face. Currently developing countries are given special concessions for some trade agreements that allow them a longer time period to reduce protection levels. A recent report by ABARE (as mentioned later) shows that developing countries are set to receive large benefits from trade liberalisation. In light of this additional support needs to be provided to developing countries to allow them to adjust to lower protection levels, increase their access to world markets and speed up the trade liberalisation process.

WTO AND OTHER MULTILATERAL AGREEMENTS

The WTO's bailiwick remains the resolution of trade disputes. Other international issues such as environmental, health and labour have their own agencies and conventions to deal with them such as the International Labour Organisation and the Environmental agencies and conventions. Environmental, labour and health concerns are taken into account when making WTO decisions however, it is important to note that it's not the WTO's job to set the rules on these international issues. Issues that do not involve trade should be left to other organisations and forums.

Under the WTO, Governments are free to set their own standards provided they are consistent, are not arbitrary, and do not discriminate. To allow this it must be ensured that regulations are based on scientific evidence or on internationally recognised objective standards. Standards that cannot be objectively measured become de facto barriers to trade and as such can be open to differing interpretations. The Cartagena protocol is a clear

example of how some Government's may develop ways to restrict imports of goods into their countries. Without requirements to scientifically justify decisions under this protocol Government's are given wide grounds on which they could reject any imports. Objective standards allow for "cut and dried" decisions to be made removing confusion and reducing the number of disputes.

BENEFITS FROM TRADE LIBERALISATION

Australia has already seen numerous benefits from the trade liberalisation process. These benefits extend beyond exporters receiving more income or selling more goods. They also include the increase in employment or alternatively an increase in wages in those industries (particularly the value-added industries) which are experiencing an increase in exports. A recent report by the Australian Bureau of Statistics and Austrade shows that those businesses that export paid staff on average \$17,400 more per year than those businesses that did not export. Trade liberalisation also provides Australian consumers with greater choice and reduced prices as trade restrictions are removed from those products coming into the country.

Australia's agricultural sector is set to benefit by more than most from the trade liberalisation process. The efficiency of Australia's rural sector means that Australia's agricultural produce is already competing on world markets where other countries must support their farmers. Agriculture is also one of the most heavily protected industries in other countries and therefore will experience some of the largest reductions in trade barriers. The level of producer support as a percentage of total gross farm receipts for the US and EU is 22 and 45 per cent respectively (OECD 1999). The equivalent figure for Australia is 7 per cent.

Australian agriculture has already received considerable benefits from the trade liberalisation process. Some of these include increased access of Australian rice into Japanese markets increased wheat exports to the Middle East, increased citrus export into the US and increased beef into Korea and other Asian markets. These benefits are set to continue with further liberalisation.

Earlier this year ABARE completed a study on the impact of trade liberalisation in developing countries. It found that the estimated global gains from a further reduction in agricultural support would alone amount to a US\$53 billion a year increase in global gross domestic product by 2010 (ABARE 1999, p.1). Developing countries are expected to receive US\$14 billion in 2010.

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