



HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON PRIMARY INDUSTRIES, RESOURCES AND RURAL AND REGIONAL AFFAIRS

Reference: Benefits of agricultural trade reform

CANBERRA

Wednesday, 25 March 1998

OFFICIAL HANSARD REPORT

CANBERRA

HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON PRIMARY INDUSTRIES, RESOURCES
AND RURAL AND REGIONAL AFFAIRS

Members:

Mrs Bailey (Chair)
Mr Adams (Deputy Chair)

Mr Andren	Mr Katter
Mr Causley	Mr Nairn
Mr Cobb	Mr O'Connor
Mr Fitzgibbon	Mr Stephen Smith
Mrs Gash	Mrs Stone
Mr Hawker	Mr Wakelin

Terms of Reference:

The committee is to inquire into the benefits for regional Australia and Australia's primary industries of, and further issues associated with, world trade reform, including the policy implications of:

- . the growing international demand for food, especially in Asia;
- . the opportunities for primary industries arising from international trade reforms globally, regionally and bilaterally;
- . factors affecting Australia's international competitiveness and capacity to realise these opportunities;
- . the treatment of non-tariff measures, including quarantine, within the World Trade Organisation and how these impact on Australia's primary industries; and
- . how the momentum for trade reform in the primary industries sector can be maintained and encouraged on a global, regional and bilateral level.

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Mr Wakelin

Mr Fitzgibbon

Committee met at 10.06 a.m.

Mrs Bailey took the chair.

CHAIR—I declare open this public hearing of the inquiry by the Standing Committee on Primary Industries, Resources and Rural and Regional Affairs into the benefits of agricultural trade reform. This is the sixth hearing of our inquiry and it follows hearings at which we have heard from government agencies and industry groups. We have also completed inspections and informal discussions in each of the states. I expect that the committee may hold only one or two more hearings and then proceed with the preparation of the inquiry report. This should enable us to present the report by the end of June.

[10.07 a.m.]

CALDER, Mr Robert, Assistant Secretary, Agribusiness and Community Branch, Department of Primary Industries and Energy, Canberra, Australian Capital Territory

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WONDER, Mr Bernie, Acting Executive Director, Corporate Group, Department of Primary Industries and Energy, Canberra, Australian Capital Territory

CHAIR—Welcome. Before proceeding, I advise the witnesses here this morning that committee public hearings are recognised as proceedings of the parliament and warrant the same respect as proceedings in the House of Representatives demand. Witnesses are protected by parliamentary privilege in respect of the evidence they give before this committee. Witnesses will not be asked to take an oath or to make an affirmation. However, they are reminded that false evidence given to a parliamentary committee may be regarded as a contempt of the parliament.

The committee prefers that all evidence be given in public, but should witnesses at any stage wish to give evidence in private they may ask to do so and the committee will give consideration to the request. We have received a submission from the Department of Primary Industries and Energy. We have authorised the publication of that submission. Before we begin our questions today, I invite you to make a short opening statement to us. We have all received your submission and it is detailed, but if you would like to make a short opening statement I now invite you to do so.

Mr Wonder—Thank you, Madam Chair. I will keep my comments brief. The first point I would note is that we received your letter to Ken Matthews, our Secretary. We note that this committee has been asked by our Minister to inquire into the benefits for regional Australia and Australia's primary industries of world trade reform. Against that background we are pleased to be here today. We are conscious of the fact that our submission was provided to you back in April last year.

CHAIR—There have been a few regional changes since then.

Mr Wonder—That is right. The only reason I say so is that I am conscious there has been some

development since that time. In particular, I would like to draw to the committee's attention the fact that since we prepared and supplied the submission we in the department have been quite busy on some other matters in the interim which are relevant to this committee. In particular, I refer to the lead-up work that we are now engaged in with respect to the 1999 WTO agriculture negotiations.

Our minister has been involved in the last couple of weeks at an OECD meeting of agriculture ministers which looked at some issues which you are interested in I am sure. A communique came out of that meeting of which we have brought copies today to give to the committee. If you wish to pursue that in any way, we are happy to do so. I might hand one copy over to you now so that you know what I am referring to.

CHAIR—Do you have other copies available for the other committee members?

Mr Wonder—Yes, we have brought other copies.

CHAIR—I would like to pass those out to other committee members also.

Mr Wonder—Dr Gebbie on my left is in a position to talk to the detail of that if you wish. Our minister has also been involved with Mr Tim Fischer in a forum called the Agricultural Trade Consultative Group, which is a forum of industry and government designed to look at strategies and the like in the context of WTO trade reform matters. That has met several times since we supplied our submission. We are conscious that there are some key meetings coming up. I suppose the one that is foremost in our minds at the moment is a meeting of the Cairns Group next month in Sydney. In conjunction with that there will be a meeting of world farm leaders coming to Australia who are not attending the Cairns Group meeting. They will be meeting in conjunction with the Cairns Group. Our portfolio has been involved in preparation for some of those activities.

Finally, I would like to mention the work that you might want to talk to Ivan Roberts from ABARE about a little bit later. ABARE, our portfolio economic research agency, has put out some relevant publications—in particular, one on issues surrounding trade reform which has not only been distributed to you people but which has also been distributed worldwide. It is being used as a bit of a primer on the issues that we will all have to deal with. You have the advantage of having Ivan here who is the author of that publication.

CHAIR—I think we might make a start. We will get to some of those issues that you have raised. Thank you for mentioning them. I said in my opening statement that we have not only had a number of public hearings but also that this committee has made it its business to get out into the regional areas and talk to producers on the ground. While there is a lot of rhetoric about the benefits of trade reform, the anecdotal evidence that we have been getting from the producers on the ground is that they really cannot see those benefits. I want to refer you in particular to page 2 of your submission, where you state:

The onus lies with industry and government agencies to work together to develop greater awareness of these opportunities

and meet the challenges facing our agricultural export sector in world markets.

I do not think anyone would disagree with a statement like that. Could you tell us exactly how you as a department cooperate with industry to get this message out to the producer level?

Mr Wonder—Our activities are in a number of areas, and they reflect the fact that we have, as I mentioned earlier, an economics research agency which is engaged in putting out material that discusses the benefits of trade liberalisation and the like. One of the publications that they have put out in the past which is referred to by way of benefits is mentioned in this submission: the notion that the Uruguay Round would bring with its full implementation an increase in the value of Australian agricultural exports of \$950 million per year. The first thing I would refer to is that we are undertaking as a portfolio some detailed research and communicating the results of that research, whether it be by way of publication or conferences and the like that ABARE hold—such as the the outlook conference with which your committee members would be familiar. That would be the first thing that I would refer to.

CHAIR—I guess what I am telling you—that the producers are telling us—is that that information is not getting through to them. One can only draw the conclusion, therefore, that when that information is not getting through to the producers they are not being convinced of the benefits that exist and the opportunities that exist for trade reform. What I am really trying to get from you is what modes of communication you use to get all of this information out. It is one thing to say to us that you are engaged in all of the research and policy development, but how are you getting this information out to producers? As you say in your submission to us, the onus is on you to work with industry to make those producers aware of the benefits and the opportunities.

Mr Wonder—Let me make a couple of comments. Those initiatives that I have referred to are public initiatives. They are not something where we are sitting around in a room talking to ourselves. They are initiatives where industry has been very much engaged, whether through conferences or whatever. The second point I would make is that we are working with peak farm organisations and the like through such mechanisms as the Agricultural Trade Consultative Group that I mentioned earlier. They, in turn, are working with their respective industries to talk about the benefits of trade reform.

Let me make a more fundamental observation: I do not agree with the very premise of your point that farmers at large are saying that there are no benefits from agricultural trade reform. I accept that there will always be in any group of people a subgroup which maintains that they are yet to see the benefits or do not believe there are benefits from trade reform. Equally, I would argue that there is a very important part—indeed, I would argue the majority—who would observe that there are benefits from trade reform. I do not believe that all farmers would maintain that position.

CHAIR—I am not saying all farmers. Let me follow this up.

Mr FITZGIBBON—Madam Chair, do you mind if I pick up on that issue before we move on. Is that subgroup that you mentioned the losers, or is their perception incorrect?

Mr Wonder—I guess it is both of the above. I guess some of them perceive that they are losing, and

some of them do not understand that they in turn will benefit over the longer term and that they are either yet to see benefits or the reforms that are being undertaken are yet to pass any benefits to them. I guess it is both of the above.

CHAIR—I want to go back to this point that I am making. What I am saying to you is that, as this committee has travelled out and met various producer groups, there is a very strong message coming through that many of those producers—I am not saying all—are not aware of the benefits or the opportunities for trade reform. We can prove that because we have had people saying that to us. You have just made a statement to me that that is not so. Could I ask you to substantiate the statement that you have just made to me?

Mr Wonder—Yes, I can.

CHAIR—I would think the only way that you can substantiate your statement to us here is if you have done some actual work out there with producer groups.

Mr Wonder—I am not referring to any formal surveys that we have undertaken, but I am passing to you the benefit of the experiences that we have had with regard to meetings that we have had with the peak farm organisations, the membership of the various farm groups with which we maintain an ongoing and continuous dialogue. I fully concede the point that some of those members would maintain that they are yet to see benefits, but the vast majority would maintain that there are benefits. Indeed, I believe in our submission we refer to a number of outcomes from the Uruguay Round which are clearly either bringing higher prices on the one hand or, alternatively, are bringing improved market access for particular products. To add to that, I have already mentioned some research which identifies that when the Uruguay Round is fully implemented the independent, objective work that has been done estimates that the benefits to the Australian economy will be \$950 million per annum. I would have thought that is a reasonably persuasive argument.

Mr CAUSLEY—Is there any breakdown on those figures?

Mr WAKELIN—I dispute some of those figures.

Mr Roberts—Perhaps I could add a little to develop what Bernie was saying, because we in the Australian Bureau of Agricultural and Resource Economics in some ways are at the forefront of this particular issue. As well as having our own Outlook Conference, where we go directly to people in various industries and activities, we have been having our officers go out to regional outlook conferences. We have also had a significant number of publications which are generally available. To some extent it is important for individuals who want to take an interest in these things to make sure that they are as well informed of these things as they can make themselves because this information is out there in the public arena.

There are a number of issues about convincing people about the benefits of trade liberalisation. If, in fact, we started off with a clean slate and there was no protection at all, it would be quite easy to push the issues or advance the arguments that trade liberalisation provides benefits to the economy. But, when there are significant groups within the economy that are receiving protection or support, the ability to say that trade

liberalisation is going to benefit all is greatly reduced. What tends to happen is that, when particular industries are provided with assistance, it diverts resources from others in the economy into those assisted activities at a cost to others in the economy and at a cost to the economy as a whole.

That assistance also tends to get capitalised in the value of the assets of the people in those industries. They tend to be concentrated in particular regions. When a government decides that it is going to liberalise and reduce assistance to those specific activities, it can threaten the value of the assets, the land and other assets that people have in those protected activities. If you are putting forward an argument about the benefits of trade liberalisation, you can argue that it is going to be to the benefit of the economy as a whole in the case of Australia. You can argue that it is to the benefit of agriculture as a whole, because we are basically an efficient export oriented agriculture and that there are only small areas of that that should receive assistance.

CHAIR—Can I stop you there for one minute. You said that we are largely export oriented. Do you have any facts to back up that our Australian agriculture is indeed export focused?

Mr Roberts—The actual figures that we have in terms of the value of our agricultural production and the value of our agricultural exports show very clearly that we do have a very great export focus.

CHAIR—What percentage of our farms actually contribute to that 70 per cent of our products that are exported? Are we looking at a large percentage, or is it only a small percentage of our producers who make up that 70 per cent of the exports?

Mr Roberts—It would be a large percentage.

CHAIR—Can you give us those figures?

Mr Roberts—In a lot of instances the products are pooled. For example, you will have some wheat which will go to the Wheat Board from each farmer. Some of that will end up going to export markets and some will go to the domestic market. So you cannot say that the particular wheat that is grown on a particular farm—

Mr ADAMS—I think what we are getting at is that farmers still think about the farm gate, not about the world price. Most of what we have been saying is that shift of how we get people to focus—

CHAIR—To focus on being export oriented. I have to say to you that all the evidence we are collecting says that people are not export focused. For example, Australian farmers compare very poorly with farmers in New Zealand, who are totally export focused.

Mr Wonder—Can I make a couple of observations that might be helpful. The first one I would make is that it is absolutely true that the number of farms with an export focus as a proportion must be high—within a couple of billion. The reality is that the GDP of Australian agriculture is about \$23 billion to \$24 billion, and we export about \$20 billion of it. Whatever way you cut it up, there has to be a lot of Australian farmers exporting. That is the first point.

Mr ADAMS—Their produce goes to export.

Mr Wonder—Absolutely. The second point I would make, and it comes to your point, is that we have in recent years been in a bit of a transition with respect to the focus on exporting or people perceiving themselves as exporters. The reason I say so is that historically we have come from a set of marketing arrangements that were not so focused on individual producers, their farm gate returns, where their product went and the like. But we have moved in more recent times into a more focused environment where producers are seeing much clearer signals for what it is that they sell, for what it is worth in different markets, premiums for different grades and the like. The signals they receive in their pocket are very much focused on what they receive for their product on the world market. I would make that observation because I think we have been through a bit of a transition.

Mr ADAMS—Can we get some evidence to that effect?

Mr Wonder—Before I pass to Mr Calder to add to my comments, I would be happy to make available a paper that I prepared myself which might be a little dated now. It is a publication that was presented three years ago in Washington titled *Australia's approach to agricultural reform*, which deals with the history of how we have come down this track. I would be happy to make that available to the committee.

Mr Calder—I wanted to add one point. In looking at this question of export culture and attitudes of farmers, we did a study in 1996 which we refer to as the Manatech study. It reinforces the view that the export culture of the farming sector does leave something to be desired. I do not have the figures with me, but only about six per cent of farmers actually saw themselves as being involved in exporting. The encouraging aspect perhaps was that about an additional eight per cent saw themselves as possibly being involved in planning for export over the next few years.

CHAIR—That is a very low percentage.

Mr Calder—It is a very low percentage, and you would need to go back and have a look at the questions asked under this survey. We could certainly make this survey and this report available to you.

CHAIR—Thank you.

Mr Calder—It is a couple of years out of date.

CHAIR—Did you identify the reasons why those percentages did not see themselves getting into the export market?

Mr Calder—I think you would have to go back to some of the explanations given by Mr Wonder. There would be a lot of historical reasons. The role of statutory marketing bodies over the previous 20 or 30 years would probably be of account.

Mr CAUSLEY—The chair is right when she says that the evidence we have before us is that farmers do not believe they are getting any benefit from trade reform. I have to say that is overwhelming. The

problem we have is that industry organisations probably agree with trade reforms, particularly the NFF, but when you get to rank and file farmers they do not. I suppose it is being highly critical, but many of the people on those farming organisations are professional meeting attendants. When you get to the real producers, they have some scepticism about this. The reason for this is in the pocket.

I note here that you have said that trade has increased by 30 per cent over the last few years, but what are the prices of the returns to farmers? That is what they look at. This is not just in trade reform but also in competition policy, which is all related. They see these things opening up yet competitors are not, and they are critical of that. They look very closely at what is happening to them. The culture goes back further than the statutory marketing. There are still farmers around who remember pre-statutory marketing. They are the ones who are probably making a lot of noise at the present time, because they recall the days when there was not statutory marketing, there was not single desk selling and they were ripped off. They are very nervous about changing something that they saw as being comfortable and protective.

Mr Roberts—I think there is a very important point here about the perceptions that farmers may have about the benefits that come from trade liberalisation because they do not see them as separate from the overall returns that they receive. There are many, many factors which will influence the returns that farmers receive. They involve technological developments internationally, rates of productivity change, rates of increasing demand, changes in demand for processed products versus unprocessed products—all of those factors. There has been a trend for over 100 years of declining real prices for agricultural commodities because the growth in productivity and the growth of production have been outstripping the rate of growth in demand.

That is a trend which is behind the scenes. If we make an appraisal of the benefits that arise from trade liberalisation, we are making an appraisal relative to the situation that would be without trade liberalisation. You can still have a situation where real prices are declining over time but they will not decline as much if you have trade liberalisation, because market opportunities are going to be greater and world import demand is going to be higher. You will have less competition from subsidised products from elsewhere. It is one of these difficult issues to communicate because you cannot see the benefits of that directly, although those benefits are there. You mentioned before the lack of export culture. I think this is very understandable in a historical context, given that we have in the past had this statutory marketing focus.

Mr CAUSLEY—They are selling in bulk to England too.

Mr Roberts—Yes. There has been a different focus by our marketers and our farmers. There has been a separation of functions really. Farmers wanted to get on with producing bulk items. That is changing because increasingly around the world there is a focus on tailoring specific items with specific qualities to specific markets. Some of the more progressive farmers are latching onto that and are taking advantage of it.

CHAIR—Can you tell us how you are going to get this information out to the growers about these market opportunities and the niche markets?

Mr Wonder—To answer your question, we have mentioned some of the ABARE things and you touched on the communication issues before. I know Dr Gebbie was anxious to—

CHAIR—We have not finished with the communication issue.

Mr Wonder—No, I understand that, but Dr Gebbie was anxious to give you a fuller answer to the communication points that you raised earlier. Perhaps I could ask him to do so.

CHAIR—In doing so can you address this question of the market opportunities?

Dr Gebbie—I am not sure that I can really answer that one. I was going to add that I guess both Minister Anderson and Minister Fischer realised when they came into government that more could be done in this area. I think over the last couple of years their activities have reflected their perception that more needs to be done in the way you are suggesting. I think we have initiated a lot of work both domestically and in international fora to try to get at the benefits of trade liberalisation, at least in terms of the basic analysis. The communication of that is something separate again. But you will find that a lot of work has been initiated.

The trade minister has instituted the trade objectives and outcomes statement, which was tabled in the parliament a couple of weeks ago. All of these sorts of things are attempts to get that message out there. I know both ministers have spent an enormous amount of time working with industry through the Agricultural Trade Consultative Group and with individual sectoral industry associations to try to get this message out there. They have done a lot of work with the press on this.

What we have tended to find is that some of the industry associations, whether they are multisectoral or single commodity focused organisations, are not all that keen to put the message out there as strongly as we would like. Of course, the reason for the multisectoral organisations is that they have a diverse membership in some cases and the message of trade liberalisation is a positive one for some members and a negative one for others. That holds them back from perhaps putting the message forward as fully as we would like. In the case of the single commodity focused organisations, we have found a tendency for them to not want to put out messages that might upset, or be seen as criticism by, some of their fellow organisations who would perceive trade liberalisation as perhaps a negative.

A lot of the discussion of this over the last couple of years has arisen because of the quarantine relaxation with chicken meat or pig meat. Both those industries traditionally have not been strongly export focused. We were certainly hoping that our major export industries would take a much stronger role in putting the message of liberalisation out there to rural Australia. But, as I have said, it has not happened with the vigour with which we would have hoped it might.

Mr Calder—I will throw some light on how market opportunities are being communicated these days to producers. I think some members here would be well aware of the regional export forums, particularly under the Supermarket to Asia initiative, which have been run around the country. Thirty-two of those regional export forums have been conducted to date, and they certainly have proved a useful means of communicating and helping to develop an export culture. More are planned for later this year. The Supermarket to Asia Council has also produced food market profiles on opportunities in Asian countries, and these have been distributed quite widely.

For our part, the Department of Primary Industries and Energy has been running, as part of the

Supermarket to Asia initiative, a small program called the Delicatessen Program. The first phase of that was to try to see how information about high value niche opportunities in Asia are communicated to rural producers and whether the information that rural producers are getting about these opportunities is in a form which they can use.

We have a draft report from the consultants engaged to do this first phase and it is throwing out some interesting observations. I must say also that we are not happy with the report, and we have sent it back to the consultants for further rewriting. Nevertheless, one of the messages that is coming through is that, on a very general level, there is a fair amount of information available about the opportunities for high value niche products in Asia. This information is generally available, but there is a problem in the way it flows to rural producers. It also shows that the information that flows down in general to the rural producers is not in a form that they can use to make decisions. Certainly, further work needs to be done to have it in a form which enables them to make decisions.

CHAIR—Are you giving that priority?

Mr Calder—Yes, for finalisation of this phase of the report. As I have said, we are having a few problems with the consultants because of the way that they have presented it. Certainly, the messages seem to be reasonably valid.

It also shows that those producers who are involved in networks have a higher propensity to be export focused than those who are not involved in networks. That is quite a useful means of communicating information about opportunities down at the producer type level. So there are a number of interesting results coming out of it. It also identifies that, even with the support of R&D which has identified what the growing conditions might need, it is quite a risky exercise for a producer to set aside some land which they know they virtually can get a guaranteed return from by growing their traditional products and actually grow a new product and take the risk.

Those which tend to work best are those where there has been an overseas type partner providing a lot of the market information and the distribution opportunities and channels. We are seeing examples occurring where some Japanese firms are working with rural producers—

CHAIR—The green tea one.

Mr Calder—Yes, those sorts of ones. They are some of the results which are coming out of the first phase of that particular program. The second phase, which we have commenced, is to provide a small amount of catalytic support by way of funding for some demonstration projects to help speed them along and then disseminate the results of those projects as models so that it can be demonstrated to rural producers that there are opportunities for the niche products.

Mr HAWKER—I want to come back to these figures relating to the benefits of trade reform. Have you revised the 1994 figures? Do you see those as the best estimate or are there newer figures on this benefit?

Mr Roberts—I was actually involved in the preparation of these figures. Those figures were estimated immediately on the agreement of the Uruguay Round, taking into account all of the features that we could incorporate in our analysis. We have not seen a need to change those estimates. There has not been any change in the agreement from what was agreed then. It is being implemented.

Mr CAUSLEY—Are the estimates being realised? Are they correct?

Mr Roberts—We will not get the full benefits until about 2005. The implementation period for the Uruguay Round is from 1995 to the year 2000. There are still responses beyond that point. With the model that we used, those responses will not be fully realised until about 2005. By then we may have further agreements because the WTO members are readdressing the issue from 1999.

Mr HAWKER—The question is, with the time frame of another four years later, are those still the best estimates or would you revise them now?

Mr Roberts—No, we would not revise them.

Mr HAWKER—So they are still the best estimates.

Mr Roberts—Yes. They were in 1992 dollars. If you want to update them, you can change them by the inflation rate.

Mr Wonder—Our submission contains some more recent estimates. Attachment 1, 'Key Uruguay Round Outcomes for Australia', has some tables for the various commodities. Whilst the information is not organised in exactly the same way as the numbers that Mr Roberts is referring to, it goes through commodity by commodity and talks about how exports have changed, so to speak, from one year to the next. The year in which they end up varies with commodity. There are some numbers where it refers to beef in Japan for 1995 and 1996, beef in Korea for 1995, and so on. There are some further numbers, but they are not compiled in precisely the same way as that referred to by Mr Roberts.

Mr HAWKER—The question has already been asked here whether it would be of some benefit not only to the committee but also to the wider community if those figures could be collated on a year by year basis—say, over the last four or five years. It would really reinforce the point that we were trying to make earlier. Would you consider doing that?

Mr Roberts—I think it would be a very difficult exercise, in a modelling sense, to go through each year, commodity by commodity, and say that these are the gains that we have received from the Uruguay Round. In fact, in terms of coordinating modelling work, I would be very reluctant to do that because I would not have a great deal of confidence in the individual years.

Mr CAUSLEY—Who is going to believe you if you cannot prove your point?

Mr Roberts—The fact is that these models have their limitations. By the time the agreements are implemented you will have had supply and demand responses, and they are medium-term responses. As I

said, it still takes about five years after the agreement is finally implemented to get the full effects that are flowing through. If you have those kinds of responses, what kind of confidence are you going to have in individual years in between? The model is not structured in order to give you an individual year's effects. It would be a reasonable estimate to take the rate of application and just draw a line through. You would get as good an estimate as you can get.

As I said, there are many factors other than the Uruguay Round which are going to influence your prices and returns in any particular year. Those factors are in the baseline of your model. What you do with these models is have a baseline where you say, 'This is a reasonable starting point.' Then you shock it by saying that you have had this change—the Uruguay Round and the changes in market access, domestic support and export subsidies—and ask, 'What does this do to the thing over time?' You will get either a figure at the end of that period, depending on your model, or a development towards that, which is pretty much just an intermediate figure. That would be a reasonable estimate. But it would only be a rough estimate.

CHAIR—You therefore understand why producers find it difficult to understand it if you cannot produce that sort of work.

Mr FITZGIBBON—There is a growing incidence of land aggregation and growth in foreign ownership of farm land in Australia. What implications, if any, do they have for our exports?

Mr CAUSLEY—What proof is there of that?

CHAIR—We will ignore the question and invite an answer.

Mr Wonder—I do not have the figures before me. We certainly have at our fingertips, again via information that ABARE collects for particular industries—not all industries, but certainly for our broadacre industries—how things like capitalisation, land area and input intensity and the like have changed over an extended period of time. I imagine we certainly could provide you with some data to substantiate that, or otherwise which gives the extent to which this trend has occurred in our major broadacre industries. I am sure in some instances that that is the case, although I would say possibly not in all industries.

Having said that, the sorts of advantages that come with that approach to business have been the realisation of some economies of scale in terms of being able to be more competitive and cost effective in how you go about your business. We have seen that possibility being facilitated in some industries, particularly in wheat growing and the like, where machinery and technology available today make what we did historically pale into insignificance in terms of the amount of ground you can control with the machinery at hand. It has reboosted our productive capacity.

I suppose this comes to the nub of your question. Looking at how the productivity of Australian agriculture has changed—Mr Roberts might like to add to my point—my understanding is that the wheat industry, for example, over the last 20 years or so has been experiencing annual growth in productivity of around four per cent. They are big numbers.

Mr FITZGIBBON—I take it from your answer that there is a recognition that there is such a trend.

Mr CAUSLEY—I would argue that point.

CHAIR—We do not need to argue amongst ourselves.

Mr FITZGIBBON—The attitude of the farmers on the ground, which we were talking about earlier, will be influenced by their perception of the ability of the government to negotiate on their behalf and to protect them in terms of quarantine issues, et cetera. Are you concerned that, given Minister Anderson's expert review panel has now found that AQIS has again misused Dr Alexander's work on the chicken meat stuff and set those cooking parameters too low—this was borne out in a Senate estimates committee—the perception of AQIS in the industry is now falling to new lows and that that is going to affect your ability to convince farmers of the benefits of export?

Mr Wonder—Let me say two things. The first would be to add a little to my earlier answer to your question on aggregation.

Mr FITZGIBBON—For Ian's benefit.

Mr Wonder—For nobody's benefit in particular. I did say that there is a range of experiences. I believe it would be absolutely right to say that the wheat industry, the cropping industry, is probably at the top end of that range of productivity growth. If I went to the livestock industries, I dare say that those performances would not be the same. I suspect that in the case of the sheep industry—Mr Roberts might like to confirm this—the numbers are more likely to be about one per cent. Certainly ABARE can provide you with some information on that because they have done some studies in recent times. In the case of the grains industry, we have seen some technologically enhancing developments in terms of machinery and so on that is deployed. There is no doubt about that.

Mr FITZGIBBON—And varieties.

Mr Wonder—Yes, varieties and the use of chemicals and fertilisers. There have been some major things happening in the last couple of decades. With respect to your questions regarding AQIS, I am not technically competent to be in a position to answer them. I understand the committee has had a session with AQIS, which is part of the primary industries and energy portfolio. We have not brought someone with us today from AQIS because we understood that your questions concerning AQIS had basically been dealt with at that session. But, if there are further questions concerning AQIS, I would prefer they be referred to AQIS. If you wish me to convey that to them, I am happy to do so.

Mr NAIRN—My question might be better directed to Dr Gebbie. You would be aware that in the last couple of years we have increased our involvement in bilateral negotiations—quite substantially over previous years. Are we finding that that approach is more productive for our primary industries than some of the more global trade negotiations? With the sorts of results that we are getting out of a lot of those bilateral agreements and various negotiations in the last couple of years, is that flowing through better for our primary industries than some of the other more formal—I know they are all formal; I probably use the word 'formal' incorrectly—trade deals?

Dr Gebbie—It is not a matter of approaching trade liberalisation from one direction or approach rather than another. It remains essential to pursue market openings via multilateral, regional and bilateral approaches, or whatever makes the most sense, and hopefully the three together make a coherent whole. The current government, as you say, has put a greater emphasis on the bilateral side. It has at least been given a great deal more publicity, but behind the scenes we have always needed to put a lot of effort in at the bilateral level. Even if you have problems in a multilateral sense with a trading partner, you end up taking those concerns up bilaterally.

You would be familiar with the establishment of the Market Development Task Force. This has been a really positive development because for the first time we have actually sat down with DFAT and some of the other portfolios, and behind the scenes with industry, to much better identify our priorities and our targets. We have adopted short-term time frames for the achievement of particular objectives, and we have followed up and reviewed what has happened with our attempts to achieve those objectives. So we have a very well targeted and followed-up process at the moment which is yielding results. It is all out there; it is a very transparent process.

This focusing of the minds in the bilateral sense really has delivered some benefits. The best place to go for those is the trade objectives and outcomes statement, which is tabled in the parliament. We have had two of those now. The particular focus of the TOOS publication is the outcomes from the market development task force bilateral process.

If you are looking at comprehensive liberalisation, it is demonstrably clear that the most efficient way to achieve that is through a WTO multilateral round. That is where you get everybody together. Generally, with a comprehensive round you have the full range of issues that allow for trade-offs between cross-sectors and between countries. So basically you need all three approaches to trade liberalisation firing. Multilateral rounds occur only from time to time. We have further agriculture negotiations to start next year, but the bilateral side is an ongoing, continuous process that is there all the time and should be given a good deal of priority and attention.

Mr NAIRN—You have partly answered what was going to be my second question. I was going to ask how the Department of Primary Industries and Energy works with the Department of Foreign Affairs and Trade—whether they tend to do their own thing—but you talked about the task force, which presumably was made up of those departments. How much cooperation is there? An example I have used at some other hearings is that when we were in Tasmania the dairy industry—Mr Loudon might like to comment—was telling us that they were having difficulty getting into markets in Thailand because of the chicken meat problem. Thais were saying, ‘You are preventing us from exporting chicken meat so we are not going to take your milk powder.’ I want to know how, in an operational sense, those sorts of things are sorted out between Primary Industries and Trade.

CHAIR—Compare it with New Zealand, where the one minister has both trade and primary industries.

Mr Wonder—I can give you a feel for the operational aspects, if that is what you are looking for. There is a task force, which Dr Gebbie referred to, which is chaired by the Secretary to the Department of

Foreign Affairs and Trade. Also, there is membership from a number of departments with an interest in trade across a range of products. The Department of Primary Industries and Energy is participating in that task force.

However, below the task force we are involved in the operational sort of stuff that you are talking about inasmuch as we in DPIE have desk officers who are involved in the specifics of developing a market access for a particular issue that might apply to Thailand, or whatever it might be. Similarly, the Department of Industry, Science and Tourism will have a desk officer that might be involved in something that they have an interest in. Of course, DFAT themselves are also involved. For all intents and purposes, it is a pretty seamless arrangement where the relevant departments are working together.

Mr COBB—I would like to pursue a specific example in connection with the earlier questions on farmers' perceptions. I choose pig meat as the example. So that we are seeing the same thing, can you give us a rough idea which countries pig meat is coming in from, what percentage of the domestic market it is and what effect you think it has on the price in the Australian market. If, for example, we ban pig meat, as some would want us to do, what would we lose? Are our beef and our sugar into Canada and other big ticket items like this dependent on us giving a bit to get a lot?

Mr Wonder—I will ask Mr Pyne to answer the specifics to the extent that we have numbers at hand. We may need to supply you with some of that information by gathering what we have when we go away from here, if that is okay. For a country which exports many times more than it imports, the logic of the answer to your last question is that there is very much an interest in being able to demonstrate that you are prepared to look at other people's access to your country at the same time as you are seeking to gain access to theirs. In terms of pig meat and the like, Mr Pyne might be able to supply you with some more detailed information.

Mr Pyne—I have to admit that I do not have on me the actual import data on pig meat. It certainly is one that we have been keeping a fairly careful eye on, largely due to the industry sensitivity associated with imports and particularly with the further decision on imports of cooked pig meat late last year. It is an issue that has been followed. Price effects have also been followed fairly carefully, so we can also provide you with further information on that.

We have found that the hard thing is to draw conclusions as to the price effects which have been associated with imports. The price movements have also been fairly closely related to Australian domestic demand. As our imports of Canadian pig meat have been increasing, our exports of pig meat have also been increasing, and the exports are often in more highly value added products. Beyond that there is probably not much I can add without supplying you with the actual data. They are only very general comments.

Mr COBB—This is part of the problem, isn't it? Every meeting I go to, without fail someone will stand in the audience at the end of my brilliant address and say, 'You buggers have smashed the chicken industry, you have smashed the pig meat industry, and you are killing the citrus industry.' If they are a pig meat producer, they will go off their brain about pig meat. You try to explain that it is three per cent to five per cent of the market, and if we do not do this we will lose our beef and sugar, et cetera. It is a pressing problem to which we need answers to overcome this if the benefits are there. You guys are all here today,

and you immediately are telling me that you cannot tell me. Surely this is symptomatic of why we have difficulties out there.

Mr Roberts—I will elaborate on what Dominic had to say. In our outlook papers—they are public and were presented at our Outlook Conference, which is a very substantial conference, with over 1,100 delegates—we have a table in our meat paper which indicates that in 1996-97 our imports of pig meat were 8.7 kilotonnes fresh; preserved, 1.3 kilotonnes. Our total production of pig meat was 325,000 tonnes. So you can compare imports of about 10,000 tonnes with our total supplies of around 325,000 tonnes.

At the same time, we exported 6,700 tonnes. There are specific markets within markets for pig meat for different kinds of cuts, and there can be specific effects on specific types of markets. I do not pretend to be an expert on the pig meat market, but just from the raw figures you can see that the imports are relatively small. They may have a significant impact on a specific sector of that market for certain types of cuts.

Mr CAUSLEY—Can I go to the overall picture, which I suppose is the opening up of trade from country to country? Australia obviously was at the forefront of this because we were locked out of most of the world's big trading blocs, and that made it very difficult for us to trade. Also, we understand that agriculture was only included in the last round of negotiations and it has to be progressed in the next.

Despite the criticism of other countries, Australia has certainly done quite a number of things to try to free up or reduce tariffs in this country. What evidence do we have of other countries, in goodwill I suppose, similarly opening up trade? I come from the sugar industry; America last year cut the quota that was allowed back into the country from 160,000 tonnes to 130,000 tonnes. So what evidence do we have that other countries in the world are being serious about this? Also, what chances do we have at the next round of negotiations for improving the situation for our trade and probably also putting in place some anti-dumping protocols?

Mr Wonder—Dr Gebbie might like to add to my comments. But we have had a go in our submission at listing an imagery of what is happening in specific markets of particular interest to us—and that might be helpful—where we go through, in fact, by country. For example, with respect to beef—

Mr CAUSLEY—The big players are obviously the US, EC, Japan, et cetera.

Mr Wonder—Yes. We have been through the US, Canada, Japan, the EU, Korea, and the like. We have said there what has happened to the respective quotas, what has happened in the case of the US to the meat import law, and the like. We have documented there the changes that have occurred. So, in reply to your question, I guess the bottom line is that we are able to list a very significant number of changes that have occurred in response to the Uruguay Round. There are many of them, and they are by commodity. It is impossible to go through all of them here—but they are documented here.

Mr CAUSLEY—I do not argue the fact that we have to get into these markets; I accept that. But I think you would find industry arguing that many of these are small issues, many of them are not big markets. We have opened up markets, but they are not big markets in the real trading blocs. For instance, I will take that example of sugar: 160,000 tonnes of sugar into America is just a thimbleful—and they cut that by 30,000

tonnes, and I think it has gone up by about 15,000 tonnes the other day. How serious are the Americans?

Dr Gebbie—I think a good deal of the Uruguay Round outcome was what you might call loosely ‘a formula based approach’. You would be familiar with the percentage cuts in export subsidies and in market access barriers, the tariffication of all previous non-tariff barriers in the agricultural areas. So demonstrably there were a great deal of positive outcomes from the Uruguay Round.

On the tariff side, perhaps the outcomes were not always as good as we would like—and particularly in Asia, which is often the focus of the concern of a number of our industries. I think the real problem there was that we did not have as much of the support of the big players as we would have liked. Their attention was elsewhere—across the Atlantic and so forth. Also, the Americans, for example, did not have a strong focus on South Asia. So we did not have their clout behind us as much as we would have wanted it there. That is something we have to address next time around, next year.

Mr CAUSLEY—Is it changing?

Dr Gebbie—I do not know quite what effect the current crisis in a number of these countries is going to have on their attitude to further liberalisation. Certainly, there is no indication that they are going to try to backslide from what they are committed to now. I understand that the IMF’s package, and so forth, insists that they carry through on all of their commitments. But I think next year we are going to have a very difficult time with many countries, and the more so if we do not have a fully comprehensive trade round.

What we have at the moment is a mandated agricultural set of negotiations under the WTO. There are one or two other areas where similarly mandated negotiations are to take place. But we do not have agreement yet on a fully comprehensive round of the same nature as the Uruguay Round. By virtue of that, we do not have the same opportunities for trade-offs so that all countries can take advantage of their own interests, and so forth.

So we will be pushing very hard to try to achieve a comprehensive round, and I am fairly optimistic we will get that. But it is really vital. I think it is also absolutely essential that we have strong US leadership, as we have had in the past—to which I think you have alluded. I do not think we yet have that. The administration at the present time does not have fast track authority from Congress. But, again, I think there are some signs that the Americans are starting to move and to prepare for next year. So there I am a bit more optimistic now than I was six months ago. But, again, it is vital that Australia and the Cairns Group can stand beside the US with an ambitious, comprehensive set of objectives for the next negotiations.

I think Mr Wonder referred earlier to Minister Anderson’s recent visit to Europe and the OECD. This was a meeting of agricultural ministers of the OECD; I think 22 out of 29 could be put in the recalcitrant camp, as far as agricultural reform was concerned. I also think that while Australia, the US, New Zealand and so forth held the line very well on attitudes toward further reform—the extent to which reform has occurred and what has to be done, and so forth—Mr Anderson certainly ran into some very strong opposition from other agricultural ministers in Europe, Japan and Korea.

CHAIR—You are saying that the French were not cooperative?

Dr Gebbie—Not exactly, I think you will find. These countries are gearing up with a number of fairly innovative devices to put in the way of further reform. If it were left to agricultural negotiations only, I think Mr Anderson's visit would demonstrate that the few countries around the world that are committed to further reform have a very tough job ahead of them. Again, what we are hoping is that we will not be standing alone with agricultural ministers but will have the full comprehensive set of sectors and issues out there that will allow the agricultural difficulties to be submerged and balanced by all these other things. But it is not going to be an easy task.

Also, the mandate set for the negotiations next year fully incorporates phrases like 'taking into account non-trade concerns'—such as food security, and this wonderful new device which the Europeans and Japanese are calling 'multifunctionality of agriculture'. That, in very simple terms, means that it does not matter if you cannot produce food and fibre economically, as there are a multitude of other things out there which justify continued high levels of support. These sorts of things are going to be thrown at us in a big way next year, I can assure you.

Mr ADAMS—What sorts of resources have we put aside, and how many people do we have there who are starting to look at the next round and starting to put our arguments together as to where our interests lie, including our national interest? Do we have resources working in that area already?

Mr Wonder—We certainly do have. Dr Gebbie heads a branch in the Corporate Policy Division of the department, which would involve around 20 people who are engaged in the sorts of issues that we are discussing here today. We have other parts of the portfolio that are also working on these things. Obviously, where Mr Roberts is involved in ABARE, there are several people engaged in the sort of research that Mr Roberts has already spoken of. There are also those in our commodity areas of the department which is where Mr Loudon comes from. Specifically, Mr Loudon is from the Livestock and Pastoral Division; but there would be others in the Crops Division, and the like. That would probably bring the numbers we have working on these matters—and I am talking approximately—to around 30 people or so.

Mr ADAMS—We have received evidence that the Asian food markets especially would be best suited for big corporations with significant financial staying power; that they would be the organisations which it would be in our interest to support. This comes back to the farmers' community supporting export orientation. Simplot is giving my spud farmers in Tasmania quite a caning—and also with their peas. When somebody such as the National Farmers Federation gives us evidence to that extent, that big corporations are the way to go, what are your views on that? How do we get smaller home-grown capital into the processing side of things?

Mr Calder—I am not sure that there is necessarily one single solution to this. Certainly, the bigger corporations, and particularly multinational corporations, have had a fair amount of experience which they can call upon in working across national barriers. But there are also a number of smaller Australian enterprises which have been quite successful in their own way in accessing markets in Asia. We produced a book late last year on competitive performance, which highlighted a number of firms that could be held up as being close to best practice examples.

Mr ADAMS—What is the name of that book?

Mr Calder—It is called *Competitive Performance Book*, and it was launched by the minister in September of last year. That includes examples of chicken meat processors, for instance, who are exporting into Asia. We will make copies of that book available to the committee. I think there are a number of other alternative models which can be used in Australia. I touched briefly on the prospects of networking people together; certainly, that has proved to be successful. We are also working with some cooperatives at the moment to help them establish alliances offshore. But we are also learning that sometimes the focus of some of our firms and industries needs to improve to perhaps catch up with world's best practice. That is being driven home to us through some benchmarking studies we have been doing in terms of comparing how some of our firms are moving into Asia—particularly Japan—with some Dutch and American firms. Also, the importance of supply chain management type issues are really coming to the fore in that area.

Mr ADAMS—What about packaging, and things like that?

Mr Calder—It picks up issues such as packaging, but it also picks up the issue of developing a different sort of relationship with the customer. It also picks up issues such as the ones we are quite familiar with: reliability of supply; the notion that, in this day and age, it is the competitiveness of your supply chain versus another country's supply chain which is important—not necessarily the price of the product back here at the farm gate which is only quite a small proportion of the final costs. It is those sorts of issues which it is highlighting. But there are certainly very good examples around of Australian people who are doing it well.

Mr ADAMS—I will peruse certain issues in that book. I would just touch on the networking and resources. The certification which would enable us to be on a world level or certify our product and go back to the farm to say, 'This batch came from there,' if there are any problems: how do you see Australia going in this regard? Is it more of a state issue in the certification of—

Mr Calder—There are also other initiatives being driven through the Supermarket to Asia initiative whereby they are developing a quality food Australia program. They are starting from the premise that there are a number of well developed quality assurance programs already in existence. Basically, what they are doing is reviewing those programs with a view to grading them into certain categories, if they meet certain types of requirements.

I think we have to be conscious of the fact that, ultimately, the product which we produce has to meet the requirements of customers. They do not all necessarily see that ISO9000, or some other quality assurance scheme, is what they necessarily want. So there is room in the food industry for a number of different types of quality assurance schemes. But having a means to classify them into certain type groups in that they meet certain type of criteria, is quite a useful exercise.

Dr Gebbie—Rice and sugar have lived on this reputation for years. Reliability has been blown—

Mr Calder—Yes, meat has had a few problems.

Mr ANDREN—I just want to talk a bit about the beef industry. You say in your submission that the value of beef exports to Japan increased from \$1,062 million to \$1,408 million between 1992 and 1996. Given the Asian downturn, I just wonder whether you have any of the latest figures on what the trend is

looking like.

Also, there is a real concern out there amongst cattle producers that they have no control over their return from their product post farm gate. They see a vertical integration of the industry largely that certainly is not operating in their interest. Are you aware of any manipulation of the market to the benefit of US exporters into North Asia at the expense of Australia? I ask you that in the climate of the recent shutdown of an abattoir in my electorate. There is a very strong suspicion there that a foreign operator with Japanese interests has been asked to back off on supply from Australia to satisfy American demands into a lessening demand market? What is your intelligence about this sort of issue?

Mr Wonder—There are a number of us here who might want to comment on different aspects of that. Mr Loudon is from the Livestock and Pastoral Division, and he might wish to comment on particular aspects of the beef market of which he is aware. Also, Mr Roberts might want to comment on what our assessment now is, if you like, of the beef outlook, given the Asian situation—and that is probably the best place to start.

Just before he does comment, let me say that the experience, I suppose, is not a uniform one in the context of the Asian markets. Clearly, it is the case that some markets are having different experiences there in comparison with others. The obvious example to choose would be live cattle, and the facts are that basically the live cattle trade with Indonesia, say, has just about collapsed off what were some really significant achievements in recent years. That is of real concern. On the other hand, if you look at a country, say, like the Philippines, it seems that the trade, whilst not unaffected, still is maintained.

So I just make that observation that there is no sort of single answer that says, 'Here's the case for Asia.' It is actually a sort of economy by economy situation. But I would like to turn to Mr Roberts to see whether he has anything to say in terms of how ABARE sees the outlook—and perhaps you might be interested in this—with respect to what is our assessment of what is going on in those economies, the Asian economic situation, in terms of its impact both on trade and, in particular, on beef.

Mr ANDREN—Yes, and I am interested too in the degree to which these markets now, as things are even tighter, can be manipulated.

Mr Wonder—Yes, I will come back to that.

Mr Roberts—To start, I would say that there has been substantial growth in our exports to Japan for beef up until the present stage, as shown from the figures that are there. We have looked broadly at Japan's imports of food. It is very interesting to see that their income growth has slowed greatly since about 1991—that is, after the bubble economy burst. But, interestingly, although their income growth has been relatively slow, their import growth has been sustained up to now. With their own production levels of agricultural products being relatively constant, it is fairly clear that the degree of trade liberalisation has been a very important element in the growth of their imports for food generally, for beef in particular, and for food and beef from Australia. So that is the history where they have had relatively slow income growth over that period.

Now it is expected that income growth is going to continue slowly in Japan over the next couple of years. But their own production levels are very sluggish; they have not been able to increase them, largely because of land constraints. Also, the changes in exchange rate have tended to be in Australia's favour, relative to major competitors such as the United States. So there are some factors there whereby, although income growth is expected to continue to be relatively slow, we are expecting some further growth in demand. Also, Australia is reasonably well positioned, at least from the exchange rate perspective, to be able to compete effectively there. I cannot comment about anything there which may be happening commercially behind the scenes with the pressures that you are speaking about in relation to individual companies; we have not been able to get any such intelligence.

Mr Loudon—And I have not heard anything on that commercial aspect.

Dr Gebbie—I can just add that the latest information available to me suggests that the Japanese market is holding up pretty well, particularly because of the exchange rate impacts that Ivan has mentioned.

Mr ANDREN—South Korea was—

Dr Gebbie—In Korea things have come to a complete halt. The problem there is credit. The national interest cover that the government has provided will assist there. But there is a further problem in that there are foreign exchange regulations in Korea which prohibit the import of product on credit where the tariff level is 10 per cent or above. We are currently attempting to negotiate a waiver from that foreign exchange regulation. The Americans have received a waiver on a whole range of products, and we are fighting hard to get equitable treatment with the Americans.

Mr ANDREN—How do we address the loss of market share if the export insurance system that America might put in place to sustain their producers prevails for three years? They get the jump on us, don't they?

Dr Gebbie—Yes. The GSM programs have very concessional credit tied to them. They contain terms that we have not been able to match in the past and which we are indeed fighting hard in international negotiations to effectively have prohibited. So the government is really pushing hard with the Americans bilaterally to try to see that some of these Asian markets which are in difficulties do not become battle grounds for competitive concessionality in the credit area. It is something, again, that we just have to persevere with and fight hard. But the \$300 million credit facility for Korea, in principle, should be available to beef, as long as we can get this waiver from the Korean government.

Mr KATTER—All of these documents for reading and all of the representations or hearings that we have had are very long on generalisations and macro-figures. But, to me, there has been just a total dearth of specifics. Can I ask a question: what increase in what product has occurred as a result of the World Trade Organisation/GATT round implementation—which I understand came into effect in 1991; is that correct?

Dr Gebbie—It came into effect in 1995.

Mr KATTER—It was written in 1991.

Dr Gebbie—It was negotiated from 1986 through to 1994, and the full implementation of it—and it actually varied over a period of six months or so, depending on the country's market cycles—was, by and large, 1 January 1995, the whole thing.

Mr KATTER—So you would not say that any benefits flowed prior to 1995.

Dr Gebbie—Not from the Uruguay Round outcome, as such, except to the extent that some provisions may have been implemented ahead of the final outcome. I think there were some that were put into place a bit earlier than that as sort of a down payment. But if you want one particular example, just to illustrate something that is there post-round that was not there before the round, I guess the best example anybody could come up with probably is rice into Japan. There was a complete embargo. We estimated, I think, in the first year of the Japanese market opening there returns of about \$65 million. That is an estimate because we do not have the exact prices received by our—

Mr CAUSLEY—It was a typhoon that opened up that market; a typhoon wiped out their rice, and they allowed Australia into the market.

Dr Gebbie—They have had problems with climate—certainly drought as well as typhoon—which, I guess, illustrates the futility of their attempt to close off their market, because they do have to rely on outsiders. But, certainly, it is indisputable, I would say, that the Uruguay Round has not resulted in that sort of benefit for rice into Japan. It simply was not there before, and it is now. Japan has very fixed commitments on rice in the round, and I do not think you can explain the rice benefits by any means other than the round outcome.

Mr CAUSLEY—They came to me cap in hand actually when I was Minister for Agriculture in New South Wales, because the only people they could deal with were those of the rice board in New South Wales.

Mr KATTER—Are there any specific examples that you can think of?

Mr Wonder—Yes, perhaps I could just add to Dr Gebbie's comments. Those figures he referred to with respect to rice and the like—I do not know whether you have them in front of you there—are, in fact, contained in the submission. They are in attachment 1, headed 'Key Uruguay Round outcome for Australia'.

CHAIR—Starting on page 362.

Mr Wonder—It goes through commodity by market.

Mr KATTER—What I am after actually is what Dr Gebbie gave me. I am after specific examples. I represent a number of very big industries, obviously; with two of them, I probably represent a significant proportion of Australia's production. They are very aggressively complaining that there are no benefits flowing to them at all. I also represent a number of big horticultural industries; they are also claiming that no benefit is flowing to them. I would like some specific examples that I can point to—if not for those industries, at least for some other industries. I do not mean to be rude, but \$65 million in rice is pretty small beer.

Mr Wonder—Earlier on in this meeting I did refer to some numbers, which had been estimated originally by ABARE, concerning the benefits of the Uruguay Round outcomes. But I believe that, if you look through these commodity by market numbers that are with us here right now, there are very significant achievements noted there. Just eyeballing it, you will see where we have highlighted particular achievements.

Mr CAUSLEY—Dairy was the big performer—

Mr KATTER—Yes, but that is on a base at 1991-92.

Dr Gebbie—I think the best area to look at—and this is just for purposes of illustrating the sort of picture you are looking for—would be the full extent of what are called the ‘minimum access commitments’ resulting from the round. These were areas like rice where, prior to the round, there was either no access or imports into a given country that amounted to less than three per cent of domestic consumption. These are cases where, in other words, there were almost no imports prior to the round; and the minimum access commitments flowing from the round established fixed commitments that must be adhered to by those countries concerned. And there are a range of products for which the minimum access commitments are applicable.

Mr Wonder—We can supply you with some further information on that, if you would like.

Dr Gebbie—Yes. They are probably the best set of indicators I can think of that illustrate the specific benefits that would not get confused by a whole lot of other factors that might have occurred at the same time.

Mr KATTER—Just harking back to the rice, if I throw that up to my sugar producers, they would say, ‘Yes, well, we’ve lost \$40 million in one hit with the removal of the tariffs; we get \$40 million less now for our crop than we got before. So we are not particularly impressed with \$65 million into Japan that was not there before, when we have already taken losses of \$40 million.’ If that benefit had flowed on to the consumers in Australia, you could argue that what you had done was for the good or benefit of consumers in Australia. But, of course, as you are well aware, the retail price for sugar and sugar products has gone up, and not down.

Mr Wonder—I do not think we would maintain, by any means, that there are not further achievements that are yet to be realised. So we do not disagree with your point that there is still much to be done; we see that as the challenge ahead. Nevertheless, in terms of the minimum access numbers that Dr Gebbie is referring to, we are happy to give you some further information, if you like, about what they have translated to in terms of opportunity; we will make those available. We do believe that there are a some numbers in our submission here that go some way towards answering your point.

Mr KATTER—I am speed reading the thing here. But I am still lacking; I would not like to stand behind any of these things. Dr Gebbie’s example was a good one. That is what I am specifically after—something that is hard and unequivocal. But I am not seeing anything here that is both hard and unequivocal.

CHAIR—I am just aware of the time. Mr Roberts, do you want to add something?

Mr Roberts—Perhaps I could add a little to what has been said here. There is a document that was brought out by the Department of Foreign Affairs and Trade and written by Elizabeth Young that indicates the various measures that have been negotiated in the Uruguay Round.

Mr KATTER—How do we get hold of that?

CHAIR—We have it, actually.

Mr Roberts—There is quite a wide range—

Mr KATTER—What is the name of the document?

Mr Pyne—It is entitled ‘The Uruguay Round outcomes: agriculture’. It was in a series of publications by the Department of Foreign Affairs and Trade; this was the one specifically on agriculture.

Mr Roberts—There are a range of measures in the market access and minimum access area, and in the export subsidy areas, which contribute significantly to the gains that can be expected to Australian agriculture from the Uruguay Round. The rice into Japan was just estimated. But the European Union, for example, has undertaken to import, by the end implementation period, more than 100,000 tonnes of cheese extra. That is almost a doubling of their imports of cheese.

Mr KATTER—How much is that worth?

CHAIR—I would just interrupt at this stage. I am acutely aware of the time. Mr Katter, all committee members have a copy of that, but they got it before you came onto the committee. So I will make sure that you get a copy of that today. I will have to start wrapping this morning’s proceedings up.

Mr KATTER—Our beef market to Canada, which is a very important market to us, has been restricted under the Uruguay Round. As far as the majors go—that is, wheat, meat and sugar—we probably never have seen worse prices. If you include wool, we almost certainly have never seen worse prices. We are allowed 7,000 tonnes of beef into Europe, yet they are allowed free access to our market. We are allowed very restricted access to the United States—albeit it has improved a tiny bit.

As far as sugar goes, the world market price is 9c, 26c in Europe, and 24c in the United States. If I stood up in my electorate and seriously said, ‘This has been a good thing for Australia,’ I would be a laughing stock. Mr Wonder, I am afraid that a lot of the papers that are going from you people to your ministers are making them look very bad out there. We know the reality of the situation. Twenty-six cents a pound for sugar into Europe, 24c to the United States, and the world market price is 9c—and we remove the tariff here? How can anyone stand up to that sort of criticism and that sort of logic?

Mr Wonder—Earlier in the meeting today we discussed the determination of world prices. They are not solely determined by trade liberalisation; they are determined by all sorts of developments, in terms of both the supply of the product, as you are aware, and the demand for the product. You have to disentangle from all of that what sort of impact trade liberalisation has had. The reality, for argument’s sake, is that if

prices have been falling they probably would have fallen a hell of a lot more without trade liberalisation. It is very difficult to explain.

Mr KATTER—They are 24c and 26c when the world price is 9c. Clearly, that is tariffication of subsidies.

Mr Wonder—There is a lot more still to be achieved—I do not disagree with you.

CHAIR—I will follow up the question I want to put to you, Mr Wonder. It has been put to us by industry representatives at several of our meetings that in our negotiations, both for market access and in general negotiations on behalf of our producers, there is a need for a high level negotiation team with commercial experience. What are your comments on that suggestion?

Dr Gebbie—That is a perfectly sensible suggestion and one that we follow anyway to the maximum extent. During the Uruguay Round we had all sorts of numbers of industry people in Geneva for long periods of time. As I said before, it is difficult when negotiations go on from 1986 through to the early 1990s.

CHAIR—Are the industry representatives from peak industry bodies, or are they people with really hard-nose commercial experience?

Dr Gebbie—In the main they would have been from the statutory marketing authorities.

CHAIR—The suggestion that has been put forward, and why I raise it with you, is that people are looking for really hard-nose commercial operators to be part of a team. As you said in your submission, you are looking at partnership between department and industry. I am asking for your comments on that.

Mr Wonder—We hear what you have to say. I am sure we would offer the same view as you are putting—that is, commercial experience on any team is going to be invaluable. Dr Gebbie has indicated that we have been adopting that as a strategy. It is not to say we do not need to look hard at how we do it in the future. Certainly, we agree it is an important focus.

CHAIR—The final point I want to raise with you, Mr Wonder, is New Zealand's development of a biosecurity council. If there is a problem, whether it be a quarantine issue—usually a quarantine issue, I must say—the minister who administers that can call upon the expertise of people within the departments, the research areas and especially research experts outside of government organisations. What do you think of that idea?

Mr Wonder—I have to be frank: I am not familiar with the biosecurity council. I do not know whether any of my colleagues are able to help.

CHAIR—I ask the question given that biosecurity these days is an integral part of any trade issue.

Mr Wonder—If it is a mechanism that enables the New Zealand government to acquire the information that it needs from other ranges of sources that are available, then that obviously proves useful for its purpose. In terms of how our government has gone about acquiring such information, there is an ongoing

dialogue with all the necessary points. So I do not really quite understand what gap you are getting at with respect to the advantages offered by their arrangement vis-a-vis what we do.

CHAIR—It gives them the flexibility and the ability to move very quickly on an issue. Already today Mr Fitzgibbon has mentioned the cooked chicken meat issue and the fire blight issue—the sorts of issues where our response is seen by industry to be moving very slowly.

Mr Wonder—I do not have any further comment.

CHAIR—I thank you all very much for appearing before us today. It has been a long hearing and very worth while.

Mr KATTER—I apologise for being late, Madam Chair.

CHAIR—The committee is adjourned.

Resolved (on motion by **Mr Andren**)

That, pursuant to the power conferred by paragraph (o) of standing order 28B, this committee authorises publication of the evidence given before it at public hearing this day.

Committee adjourned at 11.47 a.m.