

JOINT STANDING COMMITTEE ON TREATIES

Inquiry into Australia's relationship with the World Trade Organisation

Submission by CSR Limited

CSR Limited would like to thank the members of the Committee for the opportunity to make a submission to this inquiry.

Founded in 1855 as a sugar refiner, CSR is one of the world's largest building materials groups. With sales of over A\$6 billion a year and cash flow over A\$1 billion, it is a leader in its markets in the United States, Australia, New Zealand and Asia. It also has sugar and aluminium businesses in Australia.

CSR's interest in the WTO and the trade liberalisation process stems from its international perspective as an Australian multinational, and particularly, its interest in the sugar industry.

CSR is the largest cane sugar milling company in the world, producing over 2 million tonnes, or 40% of Australia's raw sugar production each year.

Introduction

The international raw sugar market is regarded as one of , if not the, most distorted market in the global economy. Of the 130 million tonnes approx. of raw sugar produced each year, only about 37 million tonnes, or 28% is exported.

The arguments to de-regulate the raw sugar market are clear:

- both advanced and developing countries would have greater access to markets
- the demand/supply balance would ensure that the international traded price for raw sugar would increase - benefiting many producer nations. Overall, however, the elimination of distortions and massive subsidies to protect inefficient industries in the world raw sugar market, would result in significant savings for the global economy. For example, the ABARE interim report *Policies affecting market expansion of sugar*¹ concluded that

¹ ABARE project 1689 (1999) *Policies affecting market expansion of sugar*. P 2

the overall net welfare gain to the United States of removing its support measures is estimated to be almost US\$300 million a year. The study confirmed that successful achievement of APEC trade liberalisation objectives has the potential to generate significant payoffs to APEC members and to the world as a whole.

The WTO is clearly the major international organisation involved in ensuring these markets are deregulated, and it has made significant progress in some others areas of international trade deregulation - outside the agricultural sector. Very little has been done to date by the WTO to deregulate the world sugar industry, although there are some glimmers of hope with China's "commitments" to open up its markets as part of its admission to WTO membership, and with the current EU review of its sugar market.

CSR Ltd believes there are ways that Australia - on its own account and together with other organisations - can encourage the WTO to more actively seek deregulation of the international raw sugar market.

Background

The economic viability of the raw sugar industry in Australia depends on exports, which account for around 80% of the production volume, and earn around \$1 billion in foreign income each year .

There are almost 7,000 Australian cane growers and their families, together with thousands more employees in the milling and export industry - and major areas of regional north Queensland are significantly economically dependent on raw sugar production and exports.

For this reason, the industry has a vested interest in enhancing the relationship between Australia and the WTO, and encouraging the WTO to meet its trade liberalisation objectives, so that the sugar industry as well as the nation as a whole can benefit from increased access to markets and lower import barriers.

Already, the Australian government and sugar industry have linked with the world's major raw sugar producing nations who export into the free market, to further the arguments for sugar trade liberalisation, and policy reform in the current WTO agricultural negotiations.

Groups such as the Cairns Group and the *Global Sugar Alliance for Sugar Trade Reform and Liberalisation* have liberalisation high on their agenda and have argued strongly for this.

What has happened?

The WTO has certainly not helped, and possibly hindered, the progress of sugar liberalisation in several different ways:

- failing to launch a new round of multilateral trade negotiations in Seattle after the Uruguay Round
- neglecting the needs of raw sugar producers in formulating the Agricultural Agreement
- not incorporating the views of developing countries who are pro - industry liberalisation

The sugar industry remains the most distorted of all commodity markets, even after the Uruguay Round of negotiations. Export suppliers face high tariff and non-tariff barriers in penetrating key markets. There is also competition from domestic exporters and producers in some nations who are benefiting from export subsidies and domestic price supports.

CSR's view is that the sugar industry has not been given the priority it should have received in these trade liberalisation rounds to date, and this needs to be rectified.

What can Australia do?

Any recommended change is going to be difficult and time-consuming, given the complexity of the WTO, its relationships and the processes involved in trade liberalisation. However, there are several ideas that may help in aiming to liberalise the raw sugar industry:

- The Australian government must continue to develop its ability to influence and monitor the WTO processes and outcomes. The government must endeavour to build relationships with other WTO member countries, with the help of the Cairns group. A closer alliance between industry and the government will also help in the long-term goals of liberalisation
- Australia could also seek to encourage APEC to help lead international market reform, and involve this grouping in seeking further WTO action. Some of the world's largest importers and exporters of sugar are APEC members. In 1998-99 APEC sugar production and consumption were around 30 per cent and 35 per cent of their respective world totals. APEC members imported almost 15 million tonnes of sugar in 1998-99, about 40 per cent of estimated total world imports. Shipments of sugar from APEC

members in 1998-99 were about 8.4 million tonnes, some 23 per cent of total global markets

- Countries must assign more resources to the dispute settlement system, in order to pursue cases in their interest (and also to defend their position when necessary). The recent announcement by Agriculture Minister Mark Vaile at the World Economic Forum in Melbourne that the Department of Foreign Affairs and Trade will devote more resources to Australia's legal rights in the WTO is a very positive move, and will help to ensure that we make use of the WTO system to pursue Australia's trade and commercial interests
- Ensure continuing support for the Cairns group as they seek to improve trade conditions for the agricultural trade industry. Australia is in a position to benefit significantly - in a number of areas - from the trade liberalisation being pushed by the Cairns group. Australia is also in a position to support this group strongly. It is an effective and legitimate voice. Australia should also seek proactively to expand the membership of this grouping, and to develop alliances with other groups, in order to further widen the support base and level of influence represented by the Cairns group
- The WTO must also be encouraged to keep the pressure on the EU as it plans the reforms to its sugar regime. At this stage, initial reforms may be restricted to abolishing the minimum stocks requirement, and small cuts in production quotas designed to bring the EU into line with WTO commitments, however the WTO must be vigilant in ensuring that these requirements are met.

NB:CSR Limited supports the joint contribution on this subject submitted by Queensland Sugar Limited, Canegrowers and the Australian Sugar Milling Council. We acknowledge their expertise and experience, and respect the views expressed in their submission.