

The Secretary
Inquiry into Australia's Relationship with the WTO
Joint Standing Committee on Treaties
Parliament House
Canberra. ACT. 2600

17th August 2000

Submission by Neville Cowan, 408 Mayers St., Edge Hill. Q'ld. 4870

Dear Sir,

With reference to our relationship with the WTO, I believe that the WTO has not helped Australian Agricultural Trade because of its agricultural subsidy policies in OECD Countries.

The Average Farm Subsidy as a percentage of total farm income

<u>Country</u>	<u>1990-93</u> <u>Percent*</u>	<u>1999</u> <u>Percent**</u>
USA	19%	24%
EU	47%	49%
JAPAN	58%	65%
CANADA	30%	20%
AUSTRALIA	8%	6%
NZ	2%	2%
OECD Average -		40%

Source: * OECD Report in New York Times 18/12/99

**** Agricultural Policies in OECD Countries:
Monitoring and Evaluation 2000**

Australia should recognise that for the EU, USA and Japan, agriculture is considered part of their social and cultural system. For them economic considerations are secondary to social issues, on the matter of agricultural protection. Further, as the table shows, our main trading partners are maintaining or increasing the substantial level of subsidies they give to agriculture, and they will continue to do so into the foreseeable future.

Submission 1:

In my opinion therefore, it is recommended that, realising Australia will always have only limited access to the major economic powers with agricultural products, Australia should shift its priority in agricultural trade negotiations from fruitlessly trying to achieve wide ranging multilateral cuts in agricultural protection, to refocussing on bilateral trade agreements with other nations.

I believe that Australia should be more cautious in its dealings with the WTO, the world's peak-trade-rules setting organisation, whose actions differ completely from the organisation it replaced in the mid-1990, namely the General Agreement on Tariffs and Trade (GATT).

Then GATT encouraged nations, in mutually beneficial ways, to reduce tariffs and other protection. It sanctioned customs unions like the European Union, and bilateral trade agreements between nations, e.g. where Japan would agree to buy

Australian coal and iron in exchange for Australia buying Japanese cars. The condition for the GATT sanctioning any trade agreement was that it did not disadvantage any third part nation.

However, the WTO does not in the same way encourage these types of arrangements. It aims at imposing free trade upon the world using strict and binding rules and dispute settlement procedures. In general, these work to the advantage of the large and powerful economies and to the disadvantage of smaller economies like Australia.

If a dispute occurs between two nations, the dispute goes to a WTO Disputes Panel. The WTO imposes no direct sanctions itself. Appropriate sanctions are left to the aggrieved nation in a dispute, subject to WTO approval. The powerful economies can press Australia not to use the WTO Disputes Panel on threat of substantially hurting Australia trade. In 1999 the then Trade Minister, Tim Fisher, announced his intention to take Japan to the WTO Disputes Panel over Japan's 390% tariff on imported rice. Immediately, scheduled negotiations on Australia's wheat export to Japan, worth \$350 Million , were cancelled. Within days Mr. Fisher had to withdraw his formal protest.

On the other hand, when we are threatened with WTO action by a large economy, we do not have the economic clout to deter a large economy from using the WTO disputes settlement system against us.

Submission 2:

It is therefore recommended that, of necessity, Australia should be very cautious about referring trade disputes to the WTO Disputes Panel, as generally this system of settlement does not serve Australia's national interests.

Submission 3:

It is recommended that should Australia have to become involved in the Disputes Panel process, it should do so aggressively. Our trade policy should be based on the principle of "Fair Trade" not just "Free Trade". We need urgently to have trained negotiators, skilled in commercial diplomacy involved with the WTO, and should not be reliant on theoretical economists in WTO trade negotiations and disputes. Universities in other nations have departments specialising in commercial diplomacy, something sadly lacking in Australia.

**From: Neville Cowan
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