



Australian Government

Department of Agriculture, Fisheries and Forestry

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16 September 2010

Ms Patricia Scott
 Commissioner
 Review of Bilateral and Regional Trade Agreements
 Productivity Commission
 GPO Box 1428
 CANBERRA CITY ACT 2601

Dear Commissioner

Patricia

The Department of Agriculture, Fisheries and Forestry provides the following supplementary information in response to the Productivity Commission's (PC's) Draft Research Report as part of the Review of Bilateral and Regional Trade Agreements (BRTAs). It responds to some of the recommendations and key themes of the draft research report from the perspective of the agriculture, fisheries and forestry portfolio.

As outlined in the department's initial submission to the PC, agriculture is the most distorted sector in world goods trade. Securing improved market access for Australian agricultural products is vital to the ongoing profitability of the sector. Aside from an outcome in the multilateral Doha Round of negotiations, one of the best avenues for maintaining and improving the prospects for Australian agriculture and indeed all our portfolio industries is via BRTAs.

The department notes the Commission's support for WTO-consistent BRTAs. In our view the wording of Recommendation 2 of the report is open to some misinterpretation. As written, it appears to support sector-specific BRTAs which may exclude the agriculture sector and would be inconsistent with Article XXIV of the General Agreement on Tariffs and Trade. This possible misinterpretation is exacerbated by the Commission's advocacy in the draft report of sector-specific agreements, such as critical mass agreements, or even *services* only agreements.

The department has strong concerns about any proposal that would see agriculture excluded altogether from any of our trade negotiations. Although a range of mechanisms could be pursued that could lead to greater liberalisation, we must be mindful of the risk that some mechanisms could effectively see agriculture excluded from future arrangements for markets of interest to Australia for a long period of time, if not indefinitely.

Australia's agriculture trade landscape is already highly open, with low or no applied tariffs on agriculture imports. This leaves the sector with limited 'bargaining coin' to negotiate tariff

commitments with trading partners. Being able to engage in cross-sector negotiations provides opportunities for Australia to offset gains in one sector against concessions in another part of the agreement—whether agriculture, manufactured goods, services, investment or cooperation. The department's view remains that the maximum benefits for Australian agriculture—and other sectors—will come from providing liberalisation across all parts of the economy.

In response to the PC's finding that there is limited evidence of commercial benefits in the BRTAs we have already agreed, we assess that in many cases this may be because the agreements have been in force for less than five years and phase-ins for tariff reductions or quota access are yet to be fully realised. It is important therefore to consider the long-term implications of BRTAs, particularly in bringing economies closer together.

While BRTA outcomes may not be quantifiable in dollar terms immediately, the cost of not pursuing BRTAs can be very high if our competitive position is eroded. Other countries are working hard to secure their own agreements and it remains imperative that Australia not lose market access in favour of other preferential arrangements which may only become apparent in the longer term. There are indications that this scenario is occurring as competitors such as New Zealand (dairy, meat, wool, wine), the United States (meat, dairy, horticulture) and Chile (horticulture, wine) have secured preferential agreements with some of Australia's major export markets.

The department agrees that there should be greater scrutiny of potential benefits prior to negotiations, but equally, assessments of the actual benefits of agreements require a longer term view. At the same time, the department is not convinced that a post- negotiations "full and public assessment of a proposed agreement" (Key Points and Recommendation 6) as recommended by the PC would be beneficial. There would be a risk that such an assessment could destabilise years of negotiation and deter trading partners from committing to negotiate or sign agreements with Australia. However, we acknowledge this is an issue that deserves closer attention.

Australia has championed the importance of widespread trade reform for many years. Shifting toward sector-specific negotiations—or away from BRTAs altogether—could be detrimental to Australia's overarching trade agenda, including multilateral trade policy. As BRTAs are the stepping stones to broader multilateral reform, the department has strong concerns that the pursuit of less comprehensive agreements (such as Critical Mass Agreements) could be seen as endorsing a lower ambition for multilateral liberalisation.

The department supports a trade policy agenda that seeks to improve the opportunities for Australian agriculture, fisheries and forestry industries to compete effectively in the global market. Negotiating and concluding the Doha Round of negotiations remains the central mechanism for achieving this goal. In the meantime, the department will promote and pursue comprehensive and liberalising BRTAs.

Yours sincerely



Conall O'Connell