

# **National Civic Council Submission to Joint Parliamentary Committee on Treaties**

## **Public Hearings into Australia's Relations with the WTO**

**Brisbane, October 19, 2000**

### **EXECUTIVE SUMMARY**

- Excessive influence of WTO on trade policy in Australia.
  - Concentration of WTO philosophy has led to current account problems and has destabilised the currency.
  - Agriculture has been destabilised by deregulation.
  - Dispute settlement procedures not helping Australia.
  - Gains from tariff reductions not commensurate with costs.
  - Have the expected gains for agriculture from Uruguay round been realised?
  - Quarantine procedures now seem to have been melded into trade policy and are being administered, not by government, but by the quarantine authority.
  - WTO considerations seem to be driving our trade policy towards excessive multilateralism
  - Underestimating the importance of regionalism – especially our position in Asia.
  - Is our expectation of improvements in agricultural access unrealistic, given that even the WTO recognises it as special?
  - What about getting some of our special needs recognised.
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### **INTRODUCTION**

We are concerned about the direction of trade policy in the era of the WTO. For whatever reason WTO considerations appear to be driving rather than serving Australia's interests.

### **GENERAL**

The WTO absorbed the former GATT rules and added to them. The reason given for the change at the time was that the GATT rules were not being obeyed. (One might consider it odd that if a body of international rules were not being observed, the solution was to make them even more stringent!)

In the final outcome of the WTO negotiations a different set of reasons appeared; comprehensive trade liberalisation would advance the cause of globalisation, contribute to trade flows, stabilise currencies and the international financial environment, and smooth out trade imbalances. At least so far as Australia is concerned, almost the opposite has occurred.

We now have a structural and significant current account deficit, a declining dollar and a manufacturing industry - in terms of output - now significantly below the OECD average. Agriculture is being buffeted by deregulation. And, we seem to be involved in an ever-growing list of trade disputes with trading partners.

### **DISPUTE SETTLEMENT**

At the very least the procedures seem to be encouraging disputes, whereas their purpose should be to encourage WTO Members to settle disputes privately. Also the procedure seems to have been captured by excessive legalism.

For example, the US won a case against the EU, as importer, in respect of Ecuadorian produced bananas. The EU did not, as a result, open its market to the Ecuadorian fruit, but instead absorbed US restrictions on imported EU car batteries and perfume. How such an outcome served the purpose of any interested party or advanced the cause of free trade, remains to be explained.

Neither does the process seem to be helping Australia. We have a Government and an opposition committed to removing all tariffs without matching benefit or credit. Yet we have only been able to settle a dispute with the US which went against us

(without harming other export industries) by resort to reducing some remaining non-protective tariffs. Where would we have been without those remaining non-protective tariffs?

Can we afford to continue wholeheartedly supporting such a one sided mechanism? What are the offsetting benefits which induce us to do so?

### **MANUFACTURING INDUSTRY**

The WTO cannot be blamed for the protection -- cutting measures Australia has adopted and which have reduced the scope of our industry to a degree way out of line with the OECD average. But why, when faced with challenges to our own trading practices, do we continue to offer lower than contracted levels of tariff to members of the WTO who challenge our practices, especially when doing so delivers no offsetting benefits for us, and damages our own industries?

### **AGRICULTURE.**

At the time of the settlement of the Uruguay Round, the then government made extravagant claims about the benefits of the Uruguay outcomes for Australia's farm sector.

In fact these had always seemed without strong foundation. Whatever advantages were negotiated were heavily qualified. In the case of the EU, the settlement came with the proviso that we not question EU subsidies for some years ahead.

Does the committee have before it the estimated gains publicly announced at the time of the Uruguay settlement? How do these compare with the actual gains in trade for our farmers arising from the Uruguay outcomes?

WTO considerations, at least in part, have been behind the deregulatory pressures imposed on our agriculture. The almost certain outcome is that pressure will mount on Australia - including through quarantine - to admit cheap agricultural imports. We may or may not be able to control this through the anti-dumping provisions of the WTO. Usually the benefits of anti-dumping action come, if at all, too late. And judging from the examples we already have, it would be unwise to trust to the mercies of the dispute settlement procedures.

It is at least possible that deregulation may induce a decline in Australian agricultural production levels similar to those affecting manufacturing. The effect of that would impact further on the current account and the strength of the dollar.

It is also true that, in an open economy as small as ours, that almost nothing we produce here that cannot be imported more cheaply.

### **QUARANTINE**

In terms of commitment, the WTO agreements appear to impose no more onerous obligations upon us, as to substance, than did the GATT. There has, however, been an elaboration of some rules, including that relating to risk assessment.

For whatever reason, however AQIS seems to have taken a much more permissive attitude towards the importation of infected animal and plant life – apparently in the belief that it was obliged to do so for WTO reasons.

It appears willing to relax previous attitudes unless overwhelmingly good reasons exist to do so otherwise.

Yet, if, quarantine rules are relaxed and diseases previously non-existent in Australia are introduced, that outcome can never be reversed.

Apples are a case in point. AQIS appears to favour introduction of fire blighted apples from New Zealand- under what it believes are suitable conditions- to serve WTO interests.

As far as we know fire blight exists in forty-one country; once infected fruit has been introduced, the disease has never failed to take hold.

We seem prepared to run what appears to be an almost certain risk for highly questionable trade policy reasons. In any event why is AQIS taking trade policy decisions properly the responsibility of government?

It has already opined in another quarantine case where its decision actually precipitated a trade policy problem with Canada.

AQIS found in favour of allowing imports of unprocessed Canadian salmon in response to a Canadian request almost certainly mischievously conceived; perhaps out of pique because of Australia's genuine complaint about import of Australian canned fruit into Canada.

Canada had almost no exports of salmon to Australia, and has no intention of exporting the product.

## **INTERNATIONAL**

WTO rules (along with IMF and World Bank considerations) also appear to be driving trade policy to a disproportionate degree towards multilateralism. There is at least a likelihood, which Australia should certainly not discount, that the world may divide into trading blocs. The EU, the Americas and Asia.

The only place Australia could fit is Asia, and yet we seem unwelcome there, and worse, are actually doing things to increase our unacceptability.

We have persisted with pushing the wholly unrealistic idea of 'open regionalism' upon the Asians. They know only too well what we seem incapable of grasping, that they don't need a regional agreement or gratuitous advice from us to open their markets to the world. They just aren't inclined to do so.

And when the idea of an Asian Monetary Fund was advanced by Asians at the time of the Asian economic crisis a few years ago, we opposed it, jumping in behind the US and the IMF.

Now the IMF gives tacit support to the idea.

And the Asians are making it clear they don't want us in any regional trade grouping because we are seen as a country which would be a mouthpiece for the US.

There is another consideration. If tying into Asia becomes a necessity, we will need to adjust the pattern of our trade. At the moment we export most to Asia, and import most from Europe and North America. This is the kind of imbalance would make any accommodation more difficult.

Are the onerous WTO commitments really delivering Australia outcomes -- in terms of trade gains -- to justify the level of sacrifice?

What scope is there for diminishing the level of our commitment? Under the old GATT, countries could and did to undertake less than full commitment.

The GATT, in particular recognised Europe's claim, that agriculture embraced social as well as economic considerations and the rules were adjusted accordingly. Still are. Does not Australia too have special social considerations that could be taken into account?

Also, is it not time to recognise that the battle for market access for agriculture is never going to be won - at least in our terms? That it will always be subject to separate rules, if only because that is all the big players are prepared to concede.

To accept this would probably cost us nothing in terms of access, and would allow us to maintain better relationships with Europe- if that is important.

Far more important, it would be a major bargaining chip in having accepted over-riding social conditions of our own. That, in effect, is what we did under the old GATT.

It might also help us in any efforts we might make to get closer to Asia.

Above all, it is time to decide upon our trade policy objectives - and alternatives - and not to commit ourselves further in the WTO, except in the direct service of interests we consider important.