



REVIEW OF BILATERAL AND REGIONAL TRADE AGREEMENTS

NFF SUBMISSION

March 2010

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The National Farmers' Federation

The National Farmers' Federation (NFF) was established in 1979 and is the peak national body representing farmers, and more broadly, agriculture across Australia. The NFF's membership comprises of all Australia's major agricultural commodities. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF has recently implemented a re-structure of the organisation. Through an associate category this has enabled a broader cross section of the agricultural sector to become members of the NFF, including the breadth and the length of the supply chain.

Each of NFF's members deal with state-based "grass roots" issues or commodity specific issues, respectively, while the NFF represents the agreed imperatives of all at the national and international level.

Introduction

Trade continues to be a major focus for NFF as Australian farmers export around two thirds of all domestic production. Agriculture globally remains the most distorted area of international goods trade with average tariffs more than three times higher than in non-agricultural goods. Agricultural tariffs on some commodities face prohibitive tariff barriers of as much as 800%.¹ Agricultural exports such as sheepmeat, dairy and beef also face restrictive tariff rate quotas into markets such as the European Union.

Because of this, it is therefore worth restating the logic behind the critical importance of trade policy to the profitable survival of agriculture.

1. Australia is already a well-fed, prosperous nation with a slow growing population. Domestic food demand can only rise slowly.
2. It follows that for Australian agriculture (and the supporting regions and industries) to expand and prosper, we must export more.
3. This goal is not unrealistic, Australia is already a large successful agricultural exporter — in fact, we could be the most export dependent agricultural sector of major developed countries (64% in volume of production and 75% by value of production).
4. Global demand for food and fibre is also set to expand on the back of an increasing world population, changing diets driven by increasing consumer

¹ Department of Foreign Affairs and Trade, www.dfat.gov.au, accessed on 21/11/07

affluence in developing countries, the emergence of energy related demand for agricultural goods, and escalating natural resource scarcity.

5. But agricultural trade is among the most protected and restricted of all goods and services in world trade.
6. There are large gains to Australia from successfully addressing agricultural trade barriers that would be far in excess of the effort we put in. And we have no choice: we simply have to make the export side work if we are to remain sustainable and prosper.

Globally, agricultural protectionism remains an acute trade problem. Overall levels of agricultural protection remain near record levels despite the liberalisation of much of the global trading system in previous General Agreement on Tariffs and Trade (GATT) rounds.

As demonstrated by increasing responses by international leaders, particularly in light of the Global Financial Crisis, the fundamental question for the future of trade policy has moved on from *whether* trade should be liberalised – but rather *how*.² The difficulties faced in bringing the Doha Round to a conclusion and the proliferation of Free Trade Agreements (FTA's) has brought this question to the fore.

While the economic principles in favour of the multilateral approach are well known, the political and pragmatic reality of the important role that FTA's and regional trade agreements can play is ever increasing. This comes not only from a desire to open up new markets and improve economic welfare but also derives from defensive reasons.

It is clear that FTA's must be managed carefully to avoid pitfalls and developed with sound principles in mind, however it is no longer realistic or fair to simply classify them as being counterproductive or a distraction to gaining real positive outcomes. Governments must ensure that bilateral and regional trade agreements continue to play a critical role in Australia's trade objectives, while never losing focus on the major goal of multilateral reform and the important trade liberalisation benefits to be derived on the unilateral scale.

NFF trade policy

As outlined above, the negative impact and extent of trade distorting measure in the trade of agricultural commodities is widespread and extremely destructive for farmers everywhere. The level of distortions in agricultural markets is clearly outlined by the producer support estimates (PSE) derived by the OECD. The PSE expresses the gross monetary transfers from consumers and taxpayers to agricultural producers as a percentage of gross farm receipts. Although the average of such

² Humphries, J & Stoeckel, A, (2005) '*Free*' Trade Agreements - Making Them Better, Prepared for Rural Industries Research and Development Corporation

subsidies to OECD producers has fallen from 37% in 1986–88 to 21% in 2008, levels remain high in many countries. Australian farmers receive only around 6% of their gross earnings from transfers, the second lowest (behind New Zealand) in the OECD.³

As another demonstration of the level of distortion within the trade in agricultural goods, agriculture remains the only sector where export subsidies are still permitted under international trade law. Despite agreement during the Hong Kong WTO Ministerial Conference in 2005 to eliminate agricultural export subsidies by 2013, farmers continue to see the effects of these destructive policies, with both the EU and United States of America implementing export subsidies for their dairy sectors during 2009.⁴

By depressing world prices and therefore the prices Australian farmers receive, trade distorting policies of protectionist countries through market access barriers, domestic subsidies and export subsidies⁵ have led the NFF to view trade liberalization agenda as one of its key priorities.

Unilateral trade liberalisation has been a key component of Australian agricultural policy since the 1970's, with average Australian tariffs falling from over 30% to less than 5% in this period. Imports of most agricultural products are now tariff (and quota) free.⁶ The NFF has been a key supporter of this unilateral reform to reduce domestic trade barriers in the recognition that they only acted to increase the price of vital farm inputs such a fuel, fertilizer, tractors and machinery.

Yet trade distorting policies are not just confined to developed countries and many developing countries have also adopted protectionist policies. Despite this, the economic research finds that the protectionist measures of the United States, Japan and the European Union distort global markets far more than those of developing countries.⁷

The benefits accruing to Australian farmers from elimination of global agricultural support through subsidies and barriers to access are significant. For this reason, the NFF trade policy to open markets and remove distortions has been a priority for the organisation, focussing on three major planks:

1. The WTO Doha Round of negotiations

³ OECD Agriculture Statistics (2009) *Producer and Consumer Support Estimates: Producer support estimate and related indicators by country*

⁴ OECD Agriculture Statistics (2009) *Producer and Consumer Support Estimates: Producer support estimate and related indicators by country*

⁵ Ag and Food Policy Reference Group, (2006). *Creating our future – agriculture and food policy for the next generation (the Corish Report)*, Canberra, February

⁶ Productivity Commission 2000, *Review of Australia's general tariff arrangement*, Canberra, July

⁷ Ag and Food Policy Reference Group, (2006). *Creating our future – agriculture and food policy for the next generation (the Corish Report)*, Canberra, February

- The NFF will not waiver in our campaign for delivery on the Doha mandate;
- The NFF remains committed to reaching agreement on a Doha agreement that will deliver substantial and commercially meaningful improvements in market access on all products through deeply cutting tariffs with the highest tariffs being cut by more and through significantly expanding tariff rate quotas;
- The NFF remains committed to achieving the elimination of export subsidies on all products and improved disciplines on commercially displacing food aid, subsidised export credit programs and trade distorting practices of export state trading enterprises, and;
- The NFF remains committed to achieving significant cuts to current spending on trade-distorting domestic subsidies, an outcome that cannot be delivered through the bilateral or regional approach to trade liberalisation.

2. Bilateral and regional free trade agreements.

- The NFF remains committed to the pursuit of high quality bilateral and regional trade agreements under strict principles. These principles include:
 - They must be comprehensive
 - They must lead to genuine commercial opportunities
 - They must avoid 'new protectionism' (e.g. Policies regarding intellectual property, competition laws, labour market regulations and the environment).
 - They must be a transparent process with constant consultation supported by detailed analysis.
 - They must not undermine the Government's commitment to a new and more comprehensive round of WTO negotiations.
 - They must not undermine the process of unilateral reform.
 - They must not compromise public policy (e.g. quarantine)

3. Unilateral reform.

- The NFF remains committed to its pursuit of unilateral reform of the domestic economy in dissolving protectionist measures that erode the margins of Australian farmers and the economic welfare of the Australian consumer more generally.
- The NFF remains committed to its pursuit of domestic transparency arrangements in individual countries, to provide public advice about the economy-wide costs of domestic protection.

A successful outcome from the multilateral negotiations in the WTO remains the NFF's number one trade policy priority, and has the potential to result in billions of dollars in extra income for rural and regional Australia. There are a range of estimates as to the potential gains because there are still many uncertainties about the shape of the final agreement.

ABARE projects an increase in the value of Australian agricultural exports for all products of between 3%-15% over the no-Agreement 'baseline' outlook. The increase in gross producer incomes in Australia would range from 2%-8% over the no-Agreement 'baseline' outcome.

Even the bottom of this range represents a meaningful positive change in the outlook for NFF members, especially when you take account of the expected distribution of increased benefits that favours producers in industries like sugar that have suffered most from unfair trade and production practices in the past.

Of course, it's impossible to be certain what the outcome will be until we get there. But ABARE's analysis is like every other expert analysis, confirming that Australian farmers will be among the biggest 'winners' from an agreement.

As a result, NFF believes a continuing focus on multilateral trade negotiations coupled with a pragmatic and focused policy on bilateral and regional trade negotiations and ongoing unilateral reform must remain the main trade policy focus of the Australian Government.

In addition, the NFF remains committed to its international NGO engagement through our leadership of the Cairns Group (and Cairns Group Farm Leaders' forum) in the Doha negotiations. The NFF will continue to monitor and, where necessary, realign its alliances so it is responsive to change and continues to have an influential voice in the WTO.

Multilateral trade negotiations

As most economists will reiterate, multilateral liberalisation has the highest potential benefits for Australian farmers and indeed the broader domestic and international community. Not only are the gains larger than unilateral, bilateral and regional trade reform, but by internationally coordinating the reform process, the adjustment costs and domestic political opposition of multilateral reform can be lower.⁸ Multilateral reform is also the only negotiating forum that deals with all forms of trade distorting policies, while bringing agriculture more fully under international trade rules. The benefits of multilateral reform through the WTO should not be understated in terms of providing a binding and enforceable mechanism to resolve international trade disputes, making trade more secure and predictable.⁹

⁸ Humphries, J & Stoeckel, A, (2005) 'Free' Trade Agreements - Making Them Better, Prepared for Rural Industries Research and Development Corporation

⁹ Ag and Food Policy Reference Group, (2006). Creating our future – agriculture and food policy for the next generation (the Corish Report), Canberra, February

The WTO negotiations are therefore the NFF's top trade priority. In our view—expressed many times to the Australian government at the highest level—regional and bilateral 'free trade' agreements are at best a second option.

Although three or four markets account for about half of our export trade, prices for our produce are set in global markets, not in any bilateral or regional exchange. Only global reform can deliver the increase in demand—as a result of reduced market access barriers—that would underwrite sustained improvements in price levels and stability.

However, with 153 members, progress on more far-reaching trade liberalisation through the WTO, Doha Round has been frustratingly slow. By attempting to overload the WTO with non-trade issues that are not directly relevant to its objectives (e.g. environmental, animal welfare and labour standards, landscape management, food security and the socioeconomic viability of rural areas), some members are not helping this situation. These elements only act to distract the WTO mandate and weaken its capacity to deliver on trade reform.¹⁰

In addition, despite strong evidence from agencies such as the World Bank showing that developing countries would gain most from the multilateral trade reform process, developing countries have become a real obstacle to concluding the round.

The future of multilateralism is clearly in question. Not only as a result of the difficulties being faced by the WTO, but also demonstrated more recently by the failure of the United Nations Framework Convention on Climate Change (UNFCCC) to deliver a legally binding treaty in Copenhagen.

The above reasons are all hurdles for the multilateral process that have forced the NFF to commit to looking at pragmatic alternatives to obtaining trade liberalisation.

Bilateral and regional trade agreements

The NFF believes that the Australian Government should continue to pursue bilateral and regional trade agreements under strict principles. The political reality of the important role that bilateral and regional trade agreements can play is ever increasing. This comes not only from a desire to open up new markets and improve economic welfare but also derives from defensive reasons.

It is no longer realistic or fair to simply classify bilateral and regional trade agreements as being counterproductive or a distraction to gaining real positive outcomes. Governments must ensure that they continue to play a critical role in Australia's trade objectives, while never losing focus on the major goal of

¹⁰ Ag and Food Policy Reference Group, (2006). Creating our future – agriculture and food policy for the next generation (the Corish Report), Canberra, February

multilateral reform and the important trade liberalisation benefits to be derived on the unilateral scale.

As discussed earlier, the slow pace of multilateral reform has been a key driver for many countries turning more towards bilateral and regional trade agreements as a means of attaining trade access, and deriving additional benefits from trade.

The NFF recognises that bilateral and regional trade agreements can also be more politically palatable than multilateral reform. As noted by a Centre for Independent Studies survey in 2004, in Australia, while only 20% of people supported trade liberalisation, over 50% indicated their support for the Australia-United States FTA.¹¹ Messages such as these are clearly not lost on Australian politicians and indeed by politicians in other countries, particularly those in highly subsidised countries – subsidies that cannot be eroded under bilateral and regional trade deals.

Yet most importantly for the NFF, the key driver of bilateral and regional trade agreements is the risk of being left behind. While often referred to as Free Trade Agreements (FTA's) by definition, joining bilateral or regional agreements to reduce trade restrictions for member countries is preferential rather than free. This is because they discriminate against countries that are not members of the agreement. Australian farmers now face a raft of examples where, due to the vast number of bilateral and regional trade agreements now in place, they face a situation where they are or will be discriminated against due to trade agreements of which they are not a participant.

For example, a study undertaken by the Centre for International Economics (CIE) reveals Australian agricultural and food exports to Korea could be slashed – in real terms, down 12.4% (\$162 million) by 2030 – should Korea and the United States (US) ratify their Free Trade Agreement (FTA). The report highlighted the risks to Australian farmers should the Korea-US FTA be ratified – and reinforced the need for Australia to secure our own bilateral agreement with South Korea.

According to the CIE analysis, liberalisation of trade between the US and Korea would see Australian agriculture and our food exports lose their commercial advantages in Korea, particularly for beef, dairy, wine and horticulture. The analysis indicates that Australian agriculture and food exports to Korea could flow on to reduced accumulated agricultural and food output of nearly \$800 million over the 23-year period from 2007 to 2030, in net present value terms.

However, the study also found that the competitive position of Australia's agriculture and food sector could be bolstered should an Australia-Korea FTA, with equivalent terms to the US deal, be finalised. According to the CIE, a completed

¹¹ Humphries, J & Stoeckel, A, (2005) 'Free' Trade Agreements - Making Them Better, Prepared for Rural Industries Research and Development Corporation

agreement would increase Australian agriculture and food exports to Korea by 53.3% by 2030 (\$696 million), even if the US deal is ratified.¹²

The Korea-US FTA example is becoming more widespread in other markets as well where our competitors have existing deals in place. Key examples of particular relevance to Australian farmers include:

- The Korea-US FTA will give the United States preferential market access in South Korea.
- The Korea-EU FTA will give the EU preferential market access in South Korea.
- The NZ-China FTA has given New Zealand preferential market access in China.
- The NZ-GCC FTA will give New Zealand preferential market access in the Gulf Cooperation Council (GCC) countries.

These issues highlight a broad trade policy dilemma. While NFF recognises that Australia, and the world, would be infinitely better off with a successful multilateral trade deal from the Doha round, we cannot afford to avoid pushing on with bilateral and regional deals. It is therefore a self-perpetuating phenomenon creating trade for those inside the agreement and diverting trade away from those left out.¹³

Negotiating Principles

It is clear that bilateral and regional agreements must be managed carefully to avoid pitfalls and be developed with sound principles in mind. The NFF believes that these principles must include the following:

1. *They must be comprehensive*

Due to the high levels of global protection of agricultural goods, the NFF recognises that it can often be challenging to deal with the sector during a trade agreement. Such sensitivities are not merely isolated to agriculture, but can include a variety of sectors such as automotives and services. Nor are these sensitivities only felt by other countries.

There will always be temptations for Governments to omit these sensitive sectors in the realisation that doing so would make it much easier to finalise a deal. However, reform in these industries can also often be the most beneficial, with the potential to lead to significant price reductions, encourage new innovation, better management techniques and quicker adoption of best-practice production. Excluding these sectors from trade agreements can instead entrench the protection of these groups making it more difficult to achieve future reform of those industries.

¹² Davis, L. Hanlow, K. Stoekel, A. (CIE), 2007. *Impact of KORUS on Australian agriculture... and what an Australian-Korea FTA could mean* Canberra & Sydney

¹³ Humphries, J & Stoekel, A. (2005) 'Free' Trade Agreements - Making Them Better, Prepared for Rural Industries Research and Development Corporation

Importantly, omitting specific sectors from trade agreement distorts resource allocation away from the sensitive products and towards the included sectors. For example, excluding agriculture from a deal would remove any trade and competition benefits for the sector while other sectors attain these benefits. The result would see a shift in the allocation of resources such as labour and capital away from agriculture and towards other sectors.¹⁴

Finally, when particular sectors or commodities are carved out of trade deals for whatever reason it impacts negatively not only on the agreement in question but on future agreements where other countries seek similar carve outs. On this note, the NFF was extremely disappointed by the exclusion of sugar from Australia's FTA with the United States. Australian sugar producers were justifiably disappointed and frustrated by this outcome and the NFF is determined that future bilateral and regional trade agreements do not sway from the need to cover all agricultural products.

2. They must aspire to full and open access for all Australian agricultural products.

The NFF is strongly of the view that bilateral and regional trade agreements must pursue the removal of all tariffs and quotas between two countries. Clearly the NFF believes that any commitment to improved market access 'up front' and not subject to long phase-in timelines. It is a priority for the NFF that this principle is not easily abandoned by Government trade negotiators, particularly considering the long timeframes that have been included in existing trade agreements. For example, in the AUSFTA, Australian beef producers were only granted a 70,000 tonne increase in the beef quota and the total time to implement this increase was locked in at 18 years. Similarly, in the ASEAN-Australia-New Zealand FTA, it is not until 2025 that the mango tariff for exports to Indonesia is reduced from 25% to 12.5%.

For these reasons, in the NFF's view the 'free trade agreement' term is used too readily in reference to existing trade deals.

3. They must lead to genuine commercial opportunities

The Australian Government must ensure that bilateral and regional trade agreements are committed to delivering substantial and commercially meaningful improvements in market access on all products through deeply cutting tariffs with the highest tariffs being cut by more and through significantly expanding tariff rate quotas. The NFF recognises that at times this can be difficult to ascertain and/or prove due to the multitude of factors that are associated with the trade of goods and services. E.g. exchange rates and supply and demand variables.

4. They must avoid 'new protectionism' (e.g. Policies regarding intellectual property, competition laws, labour market regulations and the environment).

¹⁴ Humphries. J & Stoeckel. A, (2005) 'Free' Trade Agreements - Making Them Better, Prepared for Rural Industries Research and Development Corporation

The NFF is keen to ensure that Australia's bilateral and regional trade agreements keep to trade-related matters only. We recognise that there is increasing pressure to use these forums to attain bilateral outcomes and commitments in other areas such as the environment, labour market regulations, intellectual property and competition policy. The NFF believes that by expending the negotiations along these lines merely acts to convolute and distract the negotiation process away from the core intent of the agreement, often with an intent to restrict trade. These issues are only tangentially related to trade policy, and it is not worth risking the potential benefits of freer trade (and investment) liberalisation by including these complex issues in bilateral and regional trade agreements.¹⁵

That is not to say that these issues are of global significance, however, the NFF believes that such issues are better addressed in their own specific forums. For example, the United Nations Framework Convention on Climate Change (UNFCCC) is a more appropriate forum to address global climate change mitigation and adaptation needs and strategies. Similarly, the World Intellectual Property Organisation (WIPO) is a more appropriate mechanism to be dealing with intellectual property issues.

5. They must be a transparent process with constant consultation supported by detailed analysis.

A transparent, independent, detailed and public process of trade negotiations is important to ensure public scrutiny as to whether political motivations align with the economic benefits and costs of a trade deal. It also helps the public to become more aware of the potential gains and losses that may eventuate.¹⁶

On the most part, the NFF has been very pleased with the engagement by the Australian Government's trade agencies in liaising with the Australian agricultural sector in preparation for, and during bilateral and regional trade negotiations. The NFF is committed to its role in coordinating and conveying industry views, interests and concerns into the negotiation process. It is also clear that successive Australian Governments respect the vital importance of trade liberalisation for Australian farmers, and understand the need to have close dialogue with the sector in driving its trade agenda. Long may this continue.

Similarly, it is important that this negotiation process is supported by analysis to help foster transparency in the trade related policies adopted by those countries with which we engage. The NFF encourages domestic transparency arrangements in individual countries, to provide public advice about the economy-wide costs of domestic protection. We believe that the resulting increase in public awareness of

¹⁵ Humphries. J & Stoeckel. A, (2005) *'Free' Trade Agreements - Making Them Better*, Prepared for Rural Industries Research and Development Corporation

¹⁶ Humphries. J & Stoeckel. A, (2005) *'Free' Trade Agreements - Making Them Better*, Prepared for Rural Industries Research and Development Corporation

those costs is helpful to counter the powerful influence protected domestic interests exercise over national trade policies – interests that can often convolute and distract the delivery of ambitious trade outcomes.

6. They must not undermine the Government's commitment to a new and more comprehensive round of WTO negotiations.

The NFF strongly believes the WTO provides the most effective forum to achieve tangible cuts in agricultural protection globally. This is particularly important given bilateral deals are not effective at breaking-down harmful domestic subsidy programs.

Given this, and Australia's role in the WTO, not only as a strong advocate of trade liberalisation but leadership position as Chair of the Cairns Group, NFF would be extremely concerned if bilateral and regional trade agreements undermined Australia's efforts in the WTO. The NFF has seen no evidence at this time that it has.

The NFF believes the Australian Government must continue to devote resources to the WTO agriculture negotiations and the Cairns Group in particular.

7. They must not undermine the process of unilateral reform.

The NFF is determined that bilateral and regional trade agreements to not deter countries from their process of discovery of the great economic benefits of opening up their own markets and their implementation of unilateral trade reforms.

There is evidence, particularly with some developing countries that they are increasingly aware of the benefits of unilateral reform. For example, China is a poor country by international standards with low levels of annual income and output per head of population. It is also a country heavily dependent on agriculture for employment: more than half of its workers are farm workers.

But China is already the world's second biggest economy, measured by the purchasing power of its currency, thanks in large measure to dramatic economic reforms that it began in the 1980s. Among those reforms has been the opening of its markets to supply and competition from abroad. Yet the transformation of China's economy based in part on trade liberalization was established well before its accession to WTO.

The consequences for Australian farmers have been dramatic. Over the period 1990-91 to 2007-08, China's share of our agricultural exports tripled to 10% making it our second largest agricultural trading partner behind only Japan.

It would be a very disappointing outcome if this unilateral reform process that has delivered such positive outcomes for Australian farmers was to stop as a consequence of their engagement in international trade negotiations. As stated by

Professor Ross Garnaut, “the worst thing you can do is engage them [China] in bilateral discussions and have them thinking that their own liberalisation is a concession to us.”¹⁷ This is a potential outcome that must be avoided.

8. *They must not compromise public policy (e.g. quarantine)*

The NFF is aware that some international farm groups argue that Australia uses quarantine as a non-tariff trade barrier. The NFF strongly rejects this view.

The NFF supports a transparent and science-based quarantine system as stipulated under the WTO Sanitary and Phytosanitary (SPS) Agreement. The NFF would completely reject and oppose any undermining of Australia’s science-based quarantine system or the diminution or reducing of these standards when negotiating trade agreements. Doing so in any trade agreement would not be in the interests of Australian consumers, Australian farmers, or indeed farmers everywhere, who all recognise the importance of strong, science based efforts to ensure that agricultural production systems and consumer supply chains remain free of contamination.

Unilateral reform

As already highlighted, the NFF remains committed to ensuring that the unilateral reform process continues both at home and abroad. We believe that this has already delivered and has the enormous potential to deliver further tangible benefits to both Australian farmers and the wider economy. The benefits for other countries, as demonstrated by the China experience, are also significant.

Improving policy transparency will play a key role in delivering this task. Through transparency and the resulting increase in public awareness of the costs of domestic policies, Governments will be better able to counter the powerful influence protected domestic interests exercise over national trade policies. The NFF is therefore supportive of proposals to encourage individual governments to introduce domestic transparency processes to raise community awareness of the consequences for their domestic economies of accommodating protectionist demands.¹⁸ There are opportunities to do so through regional and multilateral forums such as the G20, APEC, the East Asia Summit, the OECD, the Food and Agriculture Organization of the United Nations (FAO) and the World Bank.¹⁹

¹⁷ Garnaut, R. 12 November 2008 Address to the joint FADT 1 FOREIGN AFFAIRS, DEFENCE AND TRADE

¹⁸ Carmichel, B. Eastlake, S. & Thirlwell, M. (Sept 2009), *Message To The G20: Defeating Protectionism Begins At Home*, The Lowy Institute

¹⁹ Ag and Food Policy Reference Group, (2006). *Creating our future – agriculture and food policy for the next generation (the Corish Report)*, Canberra, February

The NFF remains concerned that countries can lose sight of the benefits of unilateral reform following the significant growth in bilateral and regional trade agreements. It is important that the merits of unilateral reform are not forgotten.²⁰

Existing Trade Agreements

Australia's completed bilateral and regional trade agreements are far from being perfect outcomes for Australian farmers and indeed the Australian economy. As outlined previously, there are a number of examples where successive Australian Governments have not abided closely to the trading principles outlined above and this is extremely disappointing for the NFF. We are unapologetic for having such ambitious expectations on what Australia should expect from its trade negotiations outcomes. In many instances, these expectations have not been achieved. Furthermore, it is clear that there is increasing pressure on the Australian Government to lower its ambition in the ability for future trade agreements. The NFF encourages the Australian Government to resist this pressure.

In saying this, the NFF acknowledges that for many agricultural commodities, commercial opportunities for trade have improved as a result of existing bilateral and regional trade agreements. Market conditions must still be favourable (e.g. exchange rates and demand and supply factors) in order to realise these opportunities, but the reality is that in many cases, tariffs have been lowered and quotas have been increased.

The role that Australia's existing trade agreements have attained in building confidence for doing business in those markets should also not be underestimated. As demonstrated by Australia's FTA with the ASEAN countries, removing 'water' from the tariff can remove some of the sovereign uncertainty associated with exporting – uncertainty that has been increasingly prevalent since the global financial crisis hit in the second half of 2008.

Clearly there are a multitude of views within the Australian farm sector in relation to the specific outcomes of Australia's existing trade agreements and the NFF would encourage the Productivity Commission to seek these specific views from individual agricultural commodity councils.

Conclusion

While multilateral trade reform remains the priority trade policy objective for the NFF, we remain committed to the pursuit of high quality bilateral and regional trade agreements under strict principles. The NFF will continue to drive these agreements on both offensive and defensive grounds.

²⁰ Ag and Food Policy Reference Group, (2006). *Creating our future – agriculture and food policy for the next generation (the Corish Report)*, Canberra, February

These principles that should be adopted by the Australian Government in negotiating bilateral and regional trade agreements should include the following:

- They must be comprehensive,
- They must lead to genuine commercial opportunities,
- They must avoid 'new protectionism',
- They must be a transparent process,
- They must not undermine the WTO negotiations,
- They must not undermine the process of unilateral reform; and
- They must not compromise public policy.

Australia's existing agreements have been far from perfect and have not always abided by all of these principles. However, they have led to some improvements in the trading opportunities available to many farmers and lifted the net welfare of Australia's agriculture sector. These improvements have been welcomed by the Australian farm sector, which relies so heavily upon its export markets.

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