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Submission on Bilateral and Regional Trade Agreements

The mob has long ago made a decision about free trade and any arguments to say the effects on individuals should be considered or that it may not be a good thing will invariably fall on deaf ears but at least some comment must be made by those of us who have not yet been brainwashed by economists and the rubbish they peddle.

In consideration of the value of a free trade agreement there are five important basics that sum up the issue, what will be the nature of the free trade agreement, does it have only positive impact on Australia and on global trade conditions, does it have adverse effects on any individual group, is there any different or additional mechanism that should be considered that will provide more widely positive benefits and address any other trade related matters.

As a matter of simple logic one must accept that in order to have global trade there must be agreements of some nature in place about the way in which it will be conducted, what these agreements are called and arguments about outcomes are irrelevant to the need to have the agreements in the first place. To achieve globally acceptable and comprehensive agreements on anything has been historically impossible and there is No EVIDENCE to suggest that will change. We are left only with the option of things such as bilateral and regional agreements, to do nothing leaves local producers at a disadvantage to competitors that have agreements and therefore better access to markets. The important issue is what form these agreements should take and are other mechanisms required to deal with those things not covered by any agreement.

It is the nature and priority areas of our trade agreements that is currently lacking; they should represent fair trade and address all areas of trade between the parties. Agreements are too often biased in favour of natural resource exports, leaving manufacturing and agriculture to suffer the effects of, tariffs, subsidies and other protectionism, issues that seem to be escaping the attention of those responsible for our current trade agreements. The WTO does not, and is never likely, to do anything to resolve the issue of subsidies and protectionism, far too many of its members support their use and they are regarded as an essential part of starting or maintaining viable agricultural and manufacturing sectors. The EU, as an example, is hardly likely to abandon protectionism for agriculture if it knows farming can not survive without it, if the commission thinks otherwise I can not imagine why as there is no logical reason to think so. Trade agreements and or other measures need to address the problem of behind the border measures.

Australia is living in a dream world where our politicians pretend that protectionism and subsidies are going to disappear and we should be the only ones leading the way forward by offering our manufacturing and agricultural sectors up on an altar as sacrifices to the gods of free trade. This self sacrifice idea was also the nature of our grand plan of action to encourage cutting global carbon emissions at Copenhagen that has met with spectacular failure. I was, however, under the impression that sacrificing goods or members of the tribe to the gods to ensure good outcomes was no longer considered a civilised thing to do,. It also has the disadvantages of self harm while not being effective, perhaps the one suggesting the sacrifice should have to endure its worst negative effects, that should knock the idea on the head and move the debate to the next step. I find it very disappointing to hear our prime minister talking of the need to fight the rise of global protectionism (especially when it seems this is his only method of doing so) we he should be aware that the situation is not going to change. If the EU alone is spending 50 billion Euros (%46 of its budget) on the common agricultural policy, the majority in direct payments to farmers, this represents a major trade issue that should be specifically and directly addressed and is currently being ignored. The Prime Minister has publicly indicated he wants to fight protectionism therefore, as part of its report the commission should be providing some recommendations on what should be done, both when negotiating trade agreements and where one will not be in place. Specific consideration to the effects that protectionism, trade agreements, or the lack of them, have on Australia's agricultural sector should form a major part of the final report.

The ultimate result of our current inaction on protectionism and subsidies will be no Australian farmers or manufacturers, some areas such as beef production have been non-viable for some years. The effects of the EU Common Agricultural Policy (CAP), an artificially high dollar, the largest market (domestic) being grossly distorted by a lack of competition and poor quality misguided government overregulation are the major causes. The effects of the CAP and other foreign protectionist measures are relevant to this enquiry and, arguably, are the most significant trade related issues that agricultural has ever faced in Australia. The commission, and government, needs to realise that free trade does not currently exist and the inevitable outcome of our current policy course in virtually no agriculture and manufacturing will survive in Australia. The free in free trade stands for our competitors being free to sell Australians products that are subsidised and protected at home or produced with cheap labour to inferior standards, and with less regulation and tax.

If the commission chooses to support the inaction on protectionism and subsidies there should at least be an accompanying argument for common global standards, being mandatory. Who could legitimately think that it is in any way a good idea to enforce stringent standards on local products and then allow the importation of products produced to lesser standards, with exploited labour or the use of chemicals banned locally? Perhaps these are the same people that have convinced government that there should be some level of risk associated with Australia's quarantine policy, in the name of free trade, despite the fact that this could be the cause of utter devastation if anything went wrong and the poor standard of our inspection procedures.

Economists have a lot to answer for, they have convinced the decision makers that growth is essential and free trade is good for growth because it allows a country to specialise according to its competitive advantage. The problem is there is no conclusive evidence of this and a rising argument that this is indeed not the case. Economists are still debating the issue and searching for a model that can explain events so far but all still seem to be convinced they are right about free trade. When economists can reliably predict ANYTHING about FUTURE events I may start to listen to their opinions but given the evidence to date I should say that if most economists agree on something then it is most likely not correct. The simple fact that the debate is all about economic growth shows how out of touch with reality economists have become, even the press understand that we need to find another way for the world economy to function long term and that growth can not continue indefinitely.

Moving to another matter let us consider the response, to date, from the Australian government, in particular to the issues faced by agriculture.

The main response, so far, has been articulated as support for the multilateral WTO process but to also look at bi-lateral and regional agreements in the interval. This has left Australian agriculture with decades where it has suffered with no consideration and increasing numbers of farmers losing their livelihoods, or their lives, at the hands of inferior competitors and political expediency. The few agreements that have been signed usually have long phase in periods for agriculture and if you happen to be a beef producer then you can always hope your children may see some benefits, if they still have the family farm.

The large negative effects of global protectionism and subsidies on Australian agriculture seem to be widely accepted yet both sides of politics have refused to do anything about it. I suspect this is because farmers are less and less in number and a fair price for farmers will lead to price increases for consumers in the city, especially in our currently grossly uncompetitive retail market. If one wanted to put some very conservative estimates on the disadvantage farmers currently face then you could say -5% for the effects of the CAP and - 10% for the retail duopoly and we have - 15% just like that, with plenty of other factors left that contribute to the uneven playing field. In the cattle sector my view is that the price of top grade beef at the farm gate is around 25% below where it legitimately should be, the retail price in major cities is at least 50% above where it should be and no local beef producer has made a real profit for some years. If one applied the extra 15% the cattle producer could make some profit and may actually make a good one, with some ROE ,if something could be done about domestic retail competition.

Farmers are aware they are being handed a raw deal and have been abandoned by political leaders who think that growth is paramount and a few casualties do not matter. The commission, in its report, needs to consider how its findings will be viewed in a few years time if it does not recommend some immediate steps be taken to address this situation. Not only will farmers be wiped out but our balance of payments, employment, rural communities and food security will suffer. In the fullness of time the cheaper imports will become more expensive and Australia will be at the mercy of the world, with our natural resources are running out and no manufactured or agricultural products to export.

In summing up I believe the commission needs to consider more than just the never proven views of economists when making suggestions about how Australia should manage trade, or any other matter. Recent global events have highlighted how important it is to apply logic and morality when managing any economy. While economists may think their point of view is the only one that matters the reality is that the average Australian would not agree, a balanced view, with consideration for our way of life and values, would be more likely. The reason there is no ongoing support for free trade within the general population is the lack of fairness and morality and the damage that is caused to any losers. If the Australian government want support for free trade then, like the EU and USA, they should start with the attitude that no person or group should be unfairly disadvantaged and stop allowing some to be sacrificed for the cause.

To not fully address and take immediate effective action on standards, behind the border protectionism and export subsidies as a matter of urgency is outrageous stupidity and arrogance on the part of the Australian government. This should be dealt with before all other actions related to trade.