

**DFAT Submission to the Productivity Commission's inquiry into Wheat Export  
Marketing Arrangements**

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**Declaration:** The Department of Foreign Affairs and Trade provides foreign and trade policy advice to the Government. The department works with other government agencies to ensure that Australia's pursuit of its global, regional and bilateral interests is coordinated effectively.

## **Key Points**

- The elimination of the single desk marketing arrangements for wheat exports has enabled Australia to strengthen its advocacy in favour of agricultural trade reform, in both the WTO and FTA negotiations.
- In the current WTO Doha Round of trade negotiations, there has been broad agreement among the WTO membership that export monopoly powers (such as those exercised previously by AWB International) should be prohibited by WTO rules. This will come into effect once the Doha Round is concluded.
- Under the provisions of the Australia United States Free Trade Agreement (AUSFTA), having eliminated the single desk marketing arrangements for wheat exports, Australia is precluded from reintroducing such arrangements in the future with respect to the United States.

The Productivity Commission has invited submissions from the public on its inquiry into Australia's wheat export marketing arrangements.

This submission, from the Department of Foreign Affairs and Trade (DFAT), provides background information on a number of issues which may be useful for the Commission during the course of its inquiry. However, the submission does not directly address specific questions raised in the Issues Paper, as they raise questions outside the purview of the Department's work. The Department welcomes the opportunity to provide any further information to the Commission as may be necessary.

### **Wheat export marketing arrangements in the context of the WTO negotiations**

The WTO provides a rules-based trading system that helps underpin Australian and global economic growth by providing legal certainty in the international trading environment. As a medium-sized trading nation which relies on access to overseas markets, Australia benefits significantly from international trading rules.

The Australian government's key trade objective continues to be the successful conclusion of the WTO Doha Round, as this offers the best potential gains in terms of global trade reform, including better access to global markets and improved certainty in international trading arrangements. The Doha Declaration mandates negotiations on a wide range of issues including agriculture, services, industrial products, intellectual property, anti-dumping and other WTO rules issues, dispute settlement, and trade and environment issues.

As the most heavily-protected sector in world trade, agricultural reform stands to deliver some of the most significant benefits in the Doha Round. The Doha mandate on agriculture calls for ambitious reform, with WTO Members agreeing to pursue "substantial improvements in market access; reductions of, with view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support."

Under the current version of the draft text in the Doha Round's agriculture negotiations, WTO Members have reached broad agreement on a number of reforms in relation to export competition, including the elimination of all forms of export subsidies by the end of 2013 and new disciplines on export measures. Export measures include export financing support, food aid and exporting state trading enterprises (STEs). Under the proposed new rules, exporting STEs – including export monopoly powers such as the single desk marketing arrangements previously exercised by AWB International (AWBI) – would be disciplined so as to eliminate trade-distorting practices. These proposed new rules would have required changes to the single desk marketing arrangements previously exercised by AWBI, had the *Wheat Export Marketing Act (2008)* not been introduced.

During the early part of the Doha Round negotiations, Australia's position on STEs reflected the export monopoly powers in place in Australia at the time. In particular, this included the defence of the single desk marketing arrangements for wheat

exports. Australia, with Canada and New Zealand, opposed the elimination of export monopoly powers, arguing that export monopoly powers conferred on STEs were not necessarily trade-distorting and that the outright elimination of export monopoly powers was not part of the Doha mandate. The US and the EU in particular pushed vigorously for the outright elimination of export monopoly powers. Australia's defensive position on STEs in the WTO agriculture negotiations weakened the impact and effectiveness of our advocacy in favour of strong reform in other areas of the negotiations, such as market access, domestic support programs and export subsidies.

The 2008 reform of the wheat export marketing arrangements ended AWBI's export monopoly power for bulk wheat exports. Since 1 July 2008, when the reforms were implemented, Australia has been able to adopt a different position in the WTO negotiations. We have agreed to accept the proposed new provisions that would eliminate export monopoly powers by 2013, and we have been able to argue – from a position of renewed strength – for significant reforms in other areas of the negotiations. Having adopted that position, it would be very difficult, at this late stage of the negotiations, for Australia to revert back to our earlier position opposing the elimination of export monopoly powers.

### **Wheat export marketing in context of existing WTO obligations**

Australia's existing international trade obligations contain disciplines on agricultural policies and export restrictions. Should the Productivity Commission's recommend amendments to the current wheat export marketing arrangements then these international obligations should be considered prior to the implementation of any recommendation.

### **Wheat export marketing arrangements in the context of AUSFTA**

In addition to relevant disciplines on trade in goods and on agricultural goods in particular, Australia's obligations on trade in services and in investment under the AUSFTA are relevant to wheat exports. A specific reservation under the AUSFTA excluded application of certain of these obligations to the wheat export marketing arrangements which Australia then had in place. This reservation was subject to both a stand-still commitment and a ratchet mechanism. The stand-still commitment meant that any amendments could not make the arrangements more restrictive. The ratchet mechanism meant that if the arrangements were liberalised in any way, they could not subsequently return to the original measure.

The introduction of the *Wheat Export Marketing Act (2008)* triggered this ratchet mechanism. This means that the previous arrangements cannot be re-introduced with respect to US service suppliers or investors.

### **Industry reactions to wheat marketing arrangements**

Earlier in 2009, industry overseas raised with DFAT's posts some concerns about the operation of the new wheat marketing arrangements in some Australian ports. This reflected a significant increase in the number of exporters which resulted in increased demand for shipping. In some cases, there were delays in wheat shipments to some of Australia's key export markets. We understand that steps were taken to clear the congestion at ports and limit delays.

This submission was originally submitted on 13 November 2009 and has been resubmitted to include a minor technical amendment.