

## **The WTO Agricultural Negotiations - Cairns Group Aspirations**

Speech by Minister for Trade, The Hon Mark Vaile MP, to the IFAP Family Farmers' Summit on International Trade

Seattle, 29 November 1999

(Check Against Delivery)

### **Introduction**

Here in Seattle, over the next few days, some key decisions will be taken that will shape the direction of international trade into the new millennium.

Australia, like many other countries in Seattle, is supporting the launch of a new round of WTO trade negotiations. These negotiations stand to deliver huge potential for growth, higher living standards and technological advance well into the 21st Century.

It is clear to us that agriculture must be one of the key elements of this new round. And it is important that farmers such as yourselves know exactly what the intentions of the trade negotiators are and how they could impact on your lives. That's why I want to thank IFAP, the voice for farmers in 60 countries, for hosting this family farms summit.

As chairman of the Cairns Group, I welcome the opportunity to share with you our hopes for the agriculture trade negotiations. And I also want to explain our views on food security and other non-trade concerns.

### **Cairns Group and its Aims**

But let me start by telling you who we are. The Cairns Group is a coalition of diverse countries united by our wish for freer and fairer agricultural trade.

Today we welcomed three new countries - Bolivia, Costa Rica and Guatemala, which takes our number to eighteen.

Together, the Cairns Group accounts for a third of the world's exports in agriculture. And we're united in our goals for these negotiations. This gives us real leverage and responsibility in the negotiations. It's a responsibility we take very seriously.

Our position is, it is only fair that trade in agriculture be put under the same rules as trade in other goods.

We have clearly set out the essential elements of this vision in the lead-up to the negotiations. We want significant gains in market access. We want the elimination of all export subsidies and trade-distorting domestic support.

### **What is our motivation?**

What is the cost of having trade rules that are so much weaker for agriculture?

Agricultural trade is the most distorted sector of world trade in goods.

- In no other areas are trade barriers as high with average tariffs more than 3 times higher than in non-agricultural goods, and peak tariffs unmatched at 800 per cent.
- In no other area does domestic support distort international markets to the extent that it does in agriculture.
- In no other area do we tolerate export subsidies. For manufactured goods, export subsidies were recognised as the most harmful form of subsidies very early on under the GATT negotiations.

The big losers from this are efficient farmers that don't get government support. They don't get a fair return for their efforts, they face high tariffs, and compete against subsidised rivals.

Developing country members make up half your membership in IFAP. These farmers, many of whom are small-scale or family farmers, can't compete with the \$US362 billion of support given to farmers in the wealthier countries last year.

Other big losers from agricultural protection are consumers and taxpayers as well as exporting industries in protectionist countries.

Last year, OECD consumers and taxpayers handed out billions of dollars to support less than 3 per cent of their economy.

It's now also becoming clear to us just how agricultural protection cripples downstream industries.

With sugar, for instance, prices in the EU are at least 3 times that of world levels. Because sugar is a major raw material cost to the food industry in the EU, the sugar regime bites deep into the food industry's profits. The EU is stifling the gains for a major growth industry.

I have seen the reference by Mr Fischler this morning concerning Australia.

Let me get some facts on the table.

According to the most recent OECD study

- Australia's average tariff is 4.2%
- The EU's average tariff is 7.7%

90% of all tariff lines in Australia now bear duties of between zero and 5%.

I think these figures speak for themselves, unlike the EU, Australia has no quantitative restrictions

- The EU continues to maintain absolute quotas on textile items and high tariff rate quotas
- Australia has no quota restrictions

EU consumers and taxpayers pay \$US140 billion per year to support their agricultural sector

- in Australia the equivalent number is \$US2 billion

The EU spends \$19,000 per farmer on support each each year

- Australian farmers receive about \$3,000 per year.

The EU's out-of-quota tariff for barley, sugar and beef are well over 100%

- their mean out-of-quota tariff on agricultural items is 45%

On beef we can fly an Australian cow by first class to Brussels and still sell it below the cost of a cow in the EU.

Mr Fischler pointed to Australia's quarantine restrictions:

- all our quarantine measures are based firmly on WTO provisions which require measures to be based on science

I might add that Australia imports \$839 mill in food from the EU compared with Australia's exports to the EU of \$ 584 mill

In conclusion let me quote the chairman's concluding statement at the end of the most recent WTO review of Australian trade policy:

".....WTO members have much to learn from Australia's process of reform and liberalisation".

### **Concerns about liberalisation**

I now want to deal with two often expressed concerns about agricultural trade liberalisation.

First, the allegation that trade liberalisation is likely to reduce food security.

At the world food summit in Rome in 1996, 186 countries agreed that to achieve world food

security, we need to eradicate poverty and achieve a fair and free world trading system.

- Poverty is the root cause of food insecurity. By boosting income, trade will help alleviate poverty.
- Fewer trade restrictions will also reduce the risk to supply. The Cairns Group is pushing for better disciplines on export restrictions and sanctions that will help assure countries of their ability to access food on world markets.

Second, some countries have recently emphasised the so-called multifunctional objectives of agriculture. I'd like to outline the strong concerns of the Cairns Group on this.

- First let me say that non-economic goals are as legitimate as the goal of free trade. Indeed, the WTO agriculture agreement explicitly acknowledges non-trade concerns.
- But some countries are using these legitimate concerns to do something that's not .... to hold back much needed reform.

They want to make agriculture "special" so that they can block the process of getting a fair go for agriculture, and putting it on par with other goods.

- We recognise that family farmers have a role to play in achieving non-trade ends. But the policy experience of the last 30 years has taught us that the best way to address a concern is fixing the problem directly. And not linking farm production to social problems
- Production-linked measures can be totally ineffective or even make things worse. For instance, in recent years, eighty per cent of farm support in the EU has gone to the richest 10 per cent of farmers. So much for equity concerns.
- Using the wrong kinds of policies is also hurting farmers in other countries trying to achieve the same aims. Rural development, food security, and other aims can only be achieved if farmers have a fair income for their efforts.

### **Conclusions**

Let me sum up. The Cairns Group is approaching these agricultural negotiations with a set of clear, unambiguous and well-defined goals.

The costs of agricultural trade distortions are rising hunger, losing out on global prosperity and unstable markets, and that's what's driving us.

We also think that with the right policies food security and non-trade benefits can be reaped alongside the benefits of reform.

Our goals for agriculture are easily stated and easily argued, but we are under no illusions that they will be easily achieved. As you've seen today, other countries have significantly different perspectives.

But family farmers can play a key role here. You can support an international policy environment that is both conducive to agricultural development and helps you meet your other concerns. We welcome your support for these important goals.

Ends