

THE BEGINNING OF THE END?
The New Push for Trade Liberalisation in Agriculture
Address by Donald McGauchie
President, National Farmers' Federation, to the QBE Cairns Group Dinner

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Deputy Prime Minister, your excellencies, honoured guests, my fellow farm leaders, ladies and gentlemen

Maybe once or twice in our lifetimes, if we're very lucky, we experience a great moment in history

This is one of them

Our talks this week, and the informal relationships which have been struck between us, will steel us for the battle which lies ahead

Our Joint Communique, released on Tuesday, provides a blueprint for our unified campaign for further, genuine and transparent trade liberalisation - a battle plan

And - make no mistake - we have a battle on our hands

The foe is the kind of policies revealed most recently by the EU, with its "Agenda 2000" reforms for the Common Agricultural Policy

EU Agriculture Commissioner Franz Fischler established the battle lines, with his statement that the reforms would allow the EU to go into the next WTO round "with a more aggressive stance to defend the European model of agriculture"

What we have done this week is define our own aggressive stance for the Cairns Group model of agriculture, and we're all going to have to defend it

Tomorrow, we will go our separate ways, but I hope that we will take with us a greater sense of urgency than ever before about the need for comprehensive liberalisation in world trade - especially agriculture

That sense of urgency should burn within us, and what should fuel it is the enormous unfairness and waste represented by protectionist policies around the world

For every day that leaders of the protectionist countries of the world postpone the hard decision to let the market, finally, rule, new jobs will not be created, businesses will not open, opportunities will pass by, and economic growth will be hindered

As men and women in touch with the farmers of the world, and as farmers ourselves, it is going to be up to us to win more support from our own people for liberalisation, and to build and maintain the momentum for change

To do so, we all have an enormous armoury of facts and examples which demonstrate the sheer folly of refusing to end the corrupting influences of protectionist policies - and end it soon

In Australia, the NFF has been one of our country's most vocal and active proponents of reduced protection - it's sometimes made us unpopular with other industries and even a few of our own members, but we can wear that

Back in 1981, NFF sent an emissary to Brussels, to examine the feasibility of establishing an office in the heart of "fortress Europe"

This was a time when Europe was littered with "wine lakes" and "butter mountains" - which must have made the landscape very interesting!

The subsequent and inevitable export subsidy war between the US and the EC depressed world prices and caused serious collateral damage for fair trading nations around the world - especially developing countries

NFF's aim in 1981 was to lobby governments to reduce the impact of export surpluses on world markets and, as our emissary reported: "if by some odd chance we were able to gain improved access for farm products into Europe, we would not complain, but we recognise the near impossibility of this" (these remarks could have been spoken yesterday, instead of 17 years ago, for little has changed)

Ever the optimist, our emissary reported that "reducing export surpluses fundamentally required changing the Common Agricultural Policy so that farmers have less incentive to keep expanding production beyond the level of domestic consumption"

He completed his report - which led to an NFF decision that establishing a presence in Europe would be a waste of time - by noting that "one of the many paradoxes is the power and influence which Europe's 8 million farmers exert in a total population of over 260 million"

Our emissary in 1981 concluded his report with a small but prophetic paragraph headed "Linking with Other Countries"

He said "unfortunately, even assuming it could be organised, there would be different linkages in different countries for different commodities --it might be cumbersome and hard to organise, but it should be investigated"

It speaks volumes for the Cairns Group, established 5 years later, that the numerous specific differences between our countries have been swept aside by our common purpose

I would hate you to think, though, that NFF has only ever targeted the EU over its policies - we have been similarly trenchant in our criticisms of United States and Japanese policies (but there's been a little more impact in the U.S., with the de-coupling principles incorporated into the last US Farm Bill recognising the economic foolishness of protectionist programs)

As NFF President, I have had four visits to the United States, treading the same path as previous NFF Presidents - and chanting the same mantra

In September 1986, our former President, Ian McLachlan, detoured from the beaten path somewhat, with an informal swing through the American midwest

He visited almost 30 farms, literally turning up unannounced on their doorsteps for a yarn - and what he saw depressed him

Later, in New York, he had this to say: "We've long identified with the US farmer - thought him proud, resolute, independent. For that reason we found it very sad to find that this is not true. Most of them are on Government subsidy programs. US farmers tell us the system has failed them - they'd love to get off the gravy train, but they don't know how"

We were all greatly encouraged by Farm Bureau President, Dean Kleckner's statement to us this week, when he called for the next set of negotiations to eliminate quotas and export subsidies and, if tariffs must be set, they should be put at zero

Dean's support for the Cairns Group is a tremendous filip to us and it's come at just the right time, when those who'll sit down to the next round in Geneva next year will be attempting to gauge U.S. reactions

There can be no stronger direction from U.S. farmers than these words from Dean: "Any new treaty should treat all countries and all commodities fairly and equally, and agreements will no longer be acceptable if they exempt specific commodities from general agreements".

He also had this to say: ""U.S. farmers want all agricultural matters on the table. The goals we have in the next round will be to set specific time frames for the reduction and elimination of tariffs, with any agreement adhering to World Trade Organisation sanitary and phyto-sanitary rules".

In the U.S., we are seeing a better understanding of the damage caused by years of subsidisation, and a renewed enthusiasm for the future of farming once assistance is decoupled from production, as the US embarks on the same path as Australia and many of our Cairns Group colleagues

I said earlier that we are engaged in battle, and words and figures are our ammunition

Compared with industrial goods, where successive rounds of negotiations under the General Agreement on Tariffs and Trade (GATT) have reduced tariffs on manufactures to an average of just 3.8 per cent in rich countries, agriculture has barely a 'foot in the door'

There are many instances of protection distorting individual economies and global trade

NFF was recently visited by a Finnish farmer - over 52 per cent of his income derived from subsidies, and he complained that the proportion had been declining!

Another glaring example is the European, American and Japanese sugar industries

America uses import quotas to help US growers get high prices, the European Union (EU) uses production quotas, and Japan offers farmers guaranteed prices and direct grants

The burden of these policies falls on consumers

An OECD study found that, as a percentage of the average household bill for sugar, the consumer tax was 150 per cent

The effects of sugar protection do not end there - an industry making artificial sugar has evolved to compete with the one growing real sugar at artificial prices

Corn syrup and aspartame are two reasons why soft-drink manufacturers have given up using sugar and sugar's share of the American sweeteners market has fallen by half since 1970

For beef, the picture is brighter

Uruguay Round commitments to the year 2000 will see some cuts in tariffs to Japan, greater access to Korea and a 20 per cent decline in EU subsidised exports

All the same, the scope for further gains in beef is as big as those already achieved

Complete trade liberalisation in 2001 could increase the value of beef production in Australia alone by an estimated \$5 billion over the next 15 years

Protectionism doesn't just affect prices and market share

As Ian McLachlan found in America, ironically, most farmers have not benefited much from support, because it has not always raised their relative income position as a group

A high proportion of the gross benefits received in price support are dissipated in high land values

The buyer of the land gains nothing because he has already paid for the future subsidies in the price

Further, policies designed to stabilise domestic prices actually make world prices more volatile - as protection has grown, so has the instability of world markets

Tim, Your excellencies, my fellow farm leaders, ladies and gentlemen, let me make one thing very clear - our goal in the 1999 Round must be the total elimination of agricultural export subsidies

In October 1987, the then Prime Minister Bob Hawke gave this undertaking to the GATT in Geneva: "We are prepared to negotiate a broad package of measures to reduce overall levels of effective assistance to Australian industry - including tariffs - as part of a broad based multilateral approach. In this context, we are prepared to eliminate, over an appropriate implementation phase, all quantitative import measures designed to protect domestic industry. This means we would phase out all our quantitative restrictions, including tariff quotas, licencing and embargoes".

11 years on, the promise of the Hawke Government is almost complete, with the exception of the remaining import tariffs on motor vehicles and TCF (NFF, by the way, was one of the strongest critics of the retention of any form of tariffs in these areas, and will remain so until they are eliminated)

The campaign by Australian agriculture to be as good as its word, and eliminate tariffs in rural industries, has not come without pain, and some of our people have been forced to restructure to deal with such fundamental change

But change to farmers is part of the fibre of their business, and the fear of change is at the heart of the opposition to further and complete trade liberalisation around the world

In Europe and Japan and some other parts of the world, there is a widespread myth about what would become of rural areas if subsidies were abolished

Pictures have been painted of destitute farmyards, derelict rural communities, neglected townships - wrong pictures, stemming from old traditions which reject change

We can expect to see very vocal and possibly dramatic opposition on the streets of European cities - the forces against change will attempt to raise the barriers significantly, and introduce hurdles in the form of food safety, food security and the environment to stand in our way

Without subsidies, farming in those countries would not die - but it would be different

Together, we represent some of the best, most efficient farmers in the world

Together, the Cairns Group countries represent over 500 million people, and around a third of total global agricultural exports

Together, and with the invaluable support provided this week by the United States, the Cairns Group must succeed

Our goal must be reforms which will take the world progressively from massively distorted agricultural markets to a point where all subsidies and other government support measures having an effect on international trade are no longer permitted and domestic markets are open to effective competition from imports

This week has been a strengthening and heartening experience for me, and I hope for you all

The message we have transmitted to the world from Sydney has been one of strength, hope and unity

In 1941, the Atlantic Charter, which became the rationale for GATT, stated that its aim was to ensure that, after the War, all countries, "great or small, victor or vanquished" would enjoy "access on equal terms to the trade and to the raw materials of the world"

Today, that still seems to be a very big aim

I put it to you, my fellow farm leaders, to you the Ministers of the Cairns Group, to you, the Australian Government, that, together, we are more than big enough to see that aim realised

The Cairns Group is often described as the "third force" in international trade

As you leave our country to take the battle around the world - may the force be with you!

Thank you