



## AUSTRALIAN CHAMBER OF COMMERCE AND INDUSTRY

**Opinion Piece by ACCI Chief Executive Peter Hendy for the Australian Financial Review – “Protectionists Will Trade On Weakness” – 12 December 2005**

### **Protectionists will trade on weakness**

**By Peter Hendy – Chief Executive, Australian Chamber of Commerce and Industry**

The World Trade Organisation ministerial meeting in Hong Kong this week will be an important test of the commitment of the 148 members to multilateral trade liberalisation.

This policy has delivered substantial benefits over the past half-century: average tariffs have fallen from more than 40 per cent in the 1940s to just 5 per cent today, and the value of world trade has increased 22 times.

The dividends are huge. The long-running Uruguay round (1986 to 1994) liberalised trade in agricultural products and manufactures and added an estimated \$4.4 billion annually to Australia's real national output. A bold and comprehensive outcome from the Doha round could be worth a further \$7 billion a year to Australia, or 0.8 per cent in extra real economic growth annually - excluding gains in areas such as services, intellectual property and investment.

For the Hong Kong meeting to act as a platform for a bold and comprehensive outcome to the Doha round, it is important that the agenda be kept lean and manageable. An overloaded agenda - one with, say, more than three critical issues requiring ministerial decisions - would set the meeting up for failure.

Yet the Hong Kong agenda already looks heavily laden, with meaningful outcomes needed across agriculture, manufactures, services, rules (trade remedies and regional agreements), trade facilitation and intellectual property.

Bold and comprehensive agricultural trade liberalisation is vital for the Australian economy, given that, on average, around two-thirds of Australian agricultural production is exported. Agricultural trade is probably the most distorted global trading market (with the possible exception of aviation). Tariffs on farm products are, on average, well over three times those for manufactures, with some as high as 800 per cent. Rich countries pay more than \$335 billion a year in protection and support for their (often affluent) farmers.

Australia must also push hard in manufactures. Key elements must involve substantial reductions in tariffs on all industrial products, with the greatest cuts being to tariff peaks and to often rapid rates of tariff escalation. Decisive action is also needed on non-tariff barriers to trade. Reductions in tariff barriers must not be offset with expanded non-tariff barriers.

In services, Australia, with business support, has made challenging requests for market openings, ranging across finance, telecommunications, professional services, education and transport services. Unfortunately, other WTO members appear reluctant to match this, and many of the offers on the negotiating table fall well short of expectations.

Though trade facilitation may attract less attention, reforms are integral to realising the benefits of trade liberalisation. Good trade policy has to be complemented by good trade practice. In the WTO, improving trade facilitation means simplification and harmonisation of trade procedures to reduce red tape at national borders.

Australia has appropriately targeted initiatives to clarify and improve existing WTO rules on the publication and administration of trade regulations, and on fees and formalities related to import and export procedures.

The intellectual property agenda centres on geographic indications of origin of product, such as wines and spirits. The best that can be said for these talks is that they are deadlocked. The European Union wants a mandatory regulatory model for multilateral registration of geographical indications. Australia, among others, strongly opposes this on the grounds of the substantial costs and adverse impact on our competitiveness.

Trade ministers must make hard decisions to realise the massive benefits of genuine multilateral trade liberalisation. Failure would erode support for the rule of law in international trade and be a lost opportunity to lift tens of millions out of poverty. It would be a manifest failure of political leadership, and of political will, if a narrow-minded, protectionist agenda is again allowed to prevail.