



Speech

The Hon Simon Crean MP

Minister for Trade

To

The ABARE Outlook Conference

Panel Session

“Trade and Agriculture: Is Doha Dead?”

Draft as at 4 March 2008

5 March 2008, Canberra

(Check Against Delivery

Introduction

Thank you very much Peter O'Brien.

I'm very pleased to be here at the ABARE Outlook Conference.

I've had a long association with – and commitment to – our agriculture sector. And I was last here as Primary Industries Minister in the last Labor Government.

It's good to be back.

Today I want to talk about what Government and industry can do together to maximise opportunities at home and abroad.

We are now taking what we call a twin pillars approach to trade policy – trade liberalisation at the border complemented by economic and trade reform behind the border.

I want to talk about how we intend to apply this twin pillars approach to agriculture.

I want to argue for a broader view – a broader view of trade *policy* for agriculture and a broader view of trade *negotiations* for agriculture.

First, trade policy for agriculture is more than trade negotiations, as important as that is.

It is also ensuring the sector is competitive and productive.

I've consistently advocated the need to value-add in the sector – and to ensure we are building on our traditional strengths to promote more innovative and diversified agriculture.

And the interests of our agriculture sector in trade negotiations go beyond the narrow prism of agriculture tariffs and subsidies.

The Economic Imperatives for Trade Reform

There's now a strong economic imperative for making progress on trade reform.

In the past five years world trade has been growing twice the rate of world output.

The message is clear – progress on trade liberalisation would be a boost for the global economy.

The Doha Round is this Government's central trade policy priority.

With growing uncertainty about the direction of the global economy, a successful conclusion to Doha would provide some much-needed certainty.

We have also seen in recent months the trend of higher world food prices globally, due to a range of developments, such as the trend towards biofuels.

Higher world food prices present us with a real opportunity for trade reform.

That's because the best policy response to global food price rises and fears of food insecurity is open markets.

Open markets – not ad hoc protectionist responses or higher subsidies – will foster the stability and security of supply that populations need.

And higher world food prices can also help with the politics of subsidy reform.

When farmers are making good returns, it should be easier for subsidising governments to phase out export subsidies quickly and to make deep cuts in their distorting farm subsidies.

This is why there's a strong economic imperative now to secure trade reform in agriculture.

Building Agri-industry competitiveness

Australia's agriculture and food sector contributes around \$30 billion each year to our global export performance.

Of this, in recent years – aside from the dip associated with the drought – the majority of this export value has been commodity exports.

There's no doubt Australian agriculture is among the most efficient in the world – so we need to take what we're naturally efficient at and add more value to this sector.

We can and should be adding more value at all stages of production.

I recognise that adding value doesn't just entail increased processing.

For instance, developing a new strain of wheat is an example of adding value to basic commodities.

The viability and competitive advantage of Australian agricultural industry will require greater emphasis on R&D beyond the farm gate.

Although our agriculture and food exports make an important contribution to world food supply, we are not keeping up with market growth.

For example, the annual value of Asian food and beverage expenditure today is around USD 1.5 trillion, and it's growing by at least 5-10 percent per annum.

But based on Australia's current level of agri-food exports to Asia, of between AUD 12-15 billion, we are supplying just less than one percent of the value of that market.

This is part of the Howard Government legacy which has seen net exports making a positive contribution to Australia's economic growth in only two of the past 11 years.

The figures released yesterday by the Bureau of Statistics showed that net exports actually detracted from GDP growth by 1 percentage point for the December quarter.

This is a picture of squandered opportunity.

This Government believes we need work together to turn this situation around through building better value in our agriculture sector.

First, we need to capitalise on our reputation for quality and food safety to strengthen all the Australian stages of the food supply chains into our overseas markets.

We need to convince our markets about what we in this country take for granted – producing the cleanest, best quality and most nutritional food the world demands.

Second, we have to better understand and anticipate new consumer demands and add value by differentiating our products from the competition.

That might mean, for example, better adapting the characteristics of our milk powder to meet the precise needs of Asian consumers or adjusting the way fruit and vegetables are processed, packaged and shipped to maintain their freshness.

It might also mean capitalising on the counter-seasonal production we offer our markets to our north.

Third, we must use our knowledge and experience in agricultural development - in areas such as dry-land farming - to much better effect.

These skills are valuable assets that we can do more to package effectively and market as services abroad.

Underpinning this effort is the need to lift our overall competitiveness.

Australia has slipped in the World Economic Forum's Global Competitiveness Report index, where we are now 19th place, down from 12th place in 1996.

Enhancing productivity and international competitiveness will be key themes of the **Review of Export Policies and Programs**.

It will be a review for the future.

I am also looking to the review to recommend an integrated and comprehensive strategy for opening up and exploiting new market access opportunities, including in agriculture.

For instance, I would like it to look at how we can position Australian investment overseas to ensure we are part of emerging global supply chains.

The review will include provision for consultations with all major stakeholders including the agriculture and food sector.

Getting a handle on the drivers of productivity growth in the agriculture sector will be important.

I look forward to receiving the review's recommendations at the end of August and I would encourage you to communicate your views and perspectives to the review panel led by Mr David Mortimer.

Agriculture and the Doha Round

No negotiation is more critical or fundamental than multilateral agricultural reform.

The next few months will be crucial before other developments, such as the US presidential elections, make it increasingly difficult to get progress in the second half of the year.

In recent weeks there has been further momentum through the release of revised negotiating texts in the three key areas of agriculture, industrials and services.

Discussions I have had with many of my ministerial colleagues since the texts were released give me some hope that a window of opportunity is there to be used, provided the political will exists.

Unlike the last Government we will not take a narrow view of Australia's interests in these negotiations.

Australia's key objective is to secure commercially meaningful new opportunities for our exports across all three areas: agriculture, industrials and services.

As Chair of the Cairns Group, I will not settle for an outcome that does not include a strong result on agriculture.

Market access continues to be the part of the negotiations that lags behind.

The key challenge now is to ensure that the various flexibilities in the agriculture text are properly circumscribed and don't undermine the overall outcome.

I am also determined to press the Cairns Group's interests in the rapid phase-out of export subsidies and deep cuts to trade distorting domestic support.

As critical as this part of the negotiations is to agricultural producers, the fact is we won't get ambition in agriculture without ambition in industrial goods.

And we won't sign off the single undertaking unless it includes a strong outcome on services.

Substantial reforms in industrial goods and services can provide huge advantages to the diversification of our traditional agriculture base.

This does not mean moving away from our strengths in agriculture commodities, but building on our strengths in that base and doing more with it.

The Prime Minister yesterday spoke of the challenges and the opportunities presented to the agriculture sector through climate change.

Undoubtedly there will be costs – and ABARE has done some good work recently outlining the nature of these.

There will also be some misguided ideas in our overseas markets about responding to increased emissions – such as the spurious 'food miles' concept – and we need to be engaged in those debates.

But I am convinced that Australian agriculture should also be looking carefully at the opportunities that will arise in helping others adapt to climate change.

We should be promoting to the world the expertise we have developed in managing agriculture in Australia's unique climate.

This is a perfect example of how we need to broaden our view of the benefits to our agriculture sector from a good result across-the-board in the Doha negotiations.

By liberalising trade in environmental and agriculture services, we will open up opportunities for our agriculture sector to export its skills and knowledge to the world.

The agriculture sector will also have a critical interest in the way in which the trade and environment policies intersect at the WTO and in other trade forums.

As Trade Minister, I am strongly committed to ensuring that multilateral trade and environment policies are mutually supportive.

I understand that climate change will be discussed in more detail during this conference and I will have more to say on this issue in the weeks ahead.

Free Trade Agreements

Our trade negotiating ambitions go beyond a successful conclusion of Doha.

We have an opportunity to go further in bilateral free trade agreements.

In many cases they are able to deliver market access gains more quickly than is possible through the multilateral system.

But it is important that such agreements support the multilateral system.

Where we do agree to an FTA, it will have to offer more than we could get through the WTO in terms of scope, coverage and the depth of commitments.

We are pressing this point in all of our current FTA negotiations.

And of course FTAs have to be comprehensive – all sectors must be on the table with no carve-outs.

Conclusion

Agriculture has always played a crucial role in the Australian economy and in our international trade.

In my view it's time to take a broader view of the opportunities and challenges in trade policy agriculture – both at home and abroad.

That means taking:

- **a broader view** of how to build competitiveness in our economy and innovation and value-adding in our agricultural sector; and
- **a broader view** of the benefits that will flow to agriculture from gains across the negotiating agenda in the Doha Round.

The Government's Review of Export Policies and Programs will help us establish the base from which achieve the first goal.

And our renewed commitment to the multilateral round will drive our determination toward the second.

And I am no Pollyanna optimist about the road ahead.

But we should capitalise on the political momentum that I think is now there. The challenge is daunting but I believe it is doable.

So for me the effort on Doha is very much alive.

And it will be my central priority to make it succeed.