

Reforming GATT

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Although it was no part of their intention to do so, United States Vice President Dan Quayle and our own Prime Minister between them showed us why current multinational trade negotiating procedures are unlikely to free agricultural trade.

When Vice President Quayle told the National Press Club that protection in the United States "was an emotional, visceral issue that politicians can conjure up almost at will" and that US politicians would put US farmers first, he revealed no secrets. We should expect United States Congressmen to listen more carefully to farmers in Minnesota and North Dakota than to farmers in Australia. After all, the plight of third-world textile makers barely enters the Australian textile-quota calculation. Prime Minister Hawke's pretended shock and horror was itself just an example of a politician playing to the home crowd. When politicians legislate against international trade, they do so in response to domestic pressures and only domestic pressures will cause them to remove the barriers.

Mr Hawke knows perfectly well that the trade barriers which do most harm to Australians are those which are kept in place by his own government. He also knows that it is not just the barriers which directly affect traded goods, such as tariffs and bans on uranium exports, that are making us uncompetitive, but also such matters as transport and power costs and the inflexible labour market. Instead of worrying so much about US policy he should be concentrating on the micro-economic reform he promised us, but which he is finding too politically difficult.

Vice President Quayle knows perfectly well that the Export Enhancement Program (EEP) costs US taxpayers and housewives even more than it is costing Australian farmers. Instead of directing his eloquence towards defending the indefensible in Australia, he should be explaining its cost to US audiences.

Because we are members of a smaller economic unit than are Americans, Australians have fewer opportunities for internal trade. We, therefore, depend more heavily upon

external trade than they do, and we pay a higher price than they do for both our own and other's barriers to international trade. Because our foreign debt is so excessive, any substantial impediment to trade would, almost certainly, bring our house of cards down about our ears. Other's trade barriers, therefore, do matter very much to us, nevertheless, Mr Hawke's political skills would be better directed towards those problems which have domestic causes.

To keep open markets for our rural produce, Australia has concentrated on the Uruguay round of multi trade negotiations (MTN) under the auspices of the General Agreement on Tariffs and Trade (GATT). However, a paper by two IAC ex-chairmen, Alf Rattigan and Bill Carmichael, and a one time officer of both the GATT and the IAC, Mr GR Banks, points to the failure of MTN procedures. As fast as anti-competitive practices were outlawed, 'new protectionism' sprang up and, so far, the US and EC have blocked agricultural trade reform.

The problem is basically that political decisions are made in a domestic setting. There, the public are misinformed about the cost of their own country's trade barriers by those interests which enjoy the privilege of protection. Consequently, at MTN meetings ministers and bureaucrats treat freer trade in their own country as a concession to foreigners. They try to 'give away' only the trade barriers that do least to protect inefficient industries. And they actually increase disparities in levels of protection, and hence the misallocation of their own country's resources.

The solution: measure the cost to each national economy as a whole of its own trade barriers, let the home side in on the secret, and give the politicians a economy-wide interest to play up to. Then MTNs will not be necessary.

Aware of its own failure, GATT established another body, with another acronym, to look at the functioning of the GATT system (FOGS). FOGS received the Long and Leutwiler reports, both recommending 'domestic transparency procedures'. These, however, raised another question: what was GATT to do? It should surprise no one that the bureaucrats in GATT proposed 'multilateral surveillance'---they are as skilled as American farmers are at protecting their own corner at the expense of system-wide goals.

The avowed objective of multilateral surveillance is 'to contribute to improved adherence by all contracting parties to GATT rules, disciplines and commitments...by achieving greater transparency in, and understanding of, the trade policies and practices of contracting parties'. This procedure offers a bright new career structure to GATT officers, but US Congressmen and other politicians are likely to be as unimpressed by them as they are by an Australian Prime Minister.

A better proposal was put to FOGS by New Zealand and supported by Australia. This called for criteria to assist contracting nations to develop their own domestic surveillance

bodies to measure the cost to their own whole economies of all anti-competitive government tinkering.

The domestic transparency procedures employed by Australia's IAC are the Archetype. Fifteen years ago Australia was probably the second most highly protected economy in the developed world---headed only by New Zealand. Not only were many import-competing manufactures and some rural products very heavily protected, but much of the service industry---transport, finance and communications, for instance---was uncompetitive, high cost and economically inefficient. So great was public ignorance then, that it was then possible to portray protection as patriotic. We have still a highly-protected high-cost economy, but today few people will defend the situation. Today, new protective measures are unthinkable and old ones are being dismantled, albeit slowly.

Our trading partners also are benefiting from our more liberal attitudes, but it was the benefits which we have to gain that brought them about. Respect for international rules had nothing to do with the case. Potentially, it is the same in every country. GATT's rules should simply require member nations to have their own domestic agencies which report publicly on their own trade barriers. Then self interest will do the rest.

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