

Saul Eslake

Peter Corish

February 11th, 2010

The Hon. Simon Crean, MP
Minister for Trade
Parliament House
Canberra, ACT 2600

Dear Minister

We write on behalf of the Australians and New Zealanders involved in the Lowy policy brief, *Message to the G20: Defeating Protectionism Begins At Home*, and convey their thanks for your public support for its message. The New Zealand Trade Minister has also endorsed it, as have New Zealand business and industry organisations and trade policy bodies in Europe and the United States.

We believe its message should now be aired more widely, in order to strengthen the multilateral system against the domestic pressures that have stalled progress in opening world markets, and to provide a basis for G20 leaders to meet their commitment on protectionism. Those responsible for the Lowy paper proposal are forming an international study group, with membership drawn from private policy institutes in Australia, New Zealand, the US and the EU. A prominent US public figure with extensive experience in trade policy will be asked to chair the group. It will not focus on the Doha Round, but will concentrate on the longer-term options available to improve outcomes from future Rounds of multilateral trade negotiations and to counter the on-going threat of protectionism.

These issues are important for Australia's trade performance and for the future of the multilateral system. As recognised in your Parliamentary statement of 9 September, the domestic transparency proposal is especially relevant in dealing with 'behind-the-border' barriers to trade. The Doha Round is struggling to open markets for farm products and services, where these barriers are major obstacles to international competition. They are widely seen as belonging to domestic policy and therefore beyond the reach of existing WTO disciplines. Agriculture and services together account for over 80 per cent of Australia's gross domestic product, over 60 per cent of domestic investment and 85 per cent or more of employment. Australia therefore has a strong incentive to help the WTO address 'behind-the-border' barriers, and is well placed to argue the Lowy message. The gains at issue for Australia are substantial, as are the costs of doing nothing.

Diplomatic measure-by-measure negotiations can only be a small part of the strategy to persuade countries to relinquish their trade barriers. That approach never goes to the heart of the domestic causes of protection--the dominance of narrow interests over the domestic decision-making machinery which puts protective measures in place, and resists their removal.

The response proposed in the Lowy brief focuses on that domestic machinery. It is, we believe, the only one on offer that can address these non-border barriers. One important task for the study group will be to establish whether there are others. It will operate outside governments, in the same way as the Leutwiler and Long international study groups did in the 1980s.

The need to develop an effective response to the domestic pressures that have stalled progress in the multilateral system is confirmed by the recent report of 14 September to G20 leaders - by the OECD, UNCTAD and the WTO. It expressed concern that "measures taken temporarily to ... protect jobs and business profits now from the effects of the crisis ... will continue to generate protectionist pressures"

The response we propose reflects the approach to trade liberalisation that underpinned protection reform in Australia. The Australian government is therefore well placed to advocate the domestic discipline needed to underpin the existing international disciplines in the multilateral system.

An issue still to be decided is whether the Australian and New Zealand governments wish to support the study group's mission. We believe the G20 commitment on protectionism, a year after it was made, needs that support--as does the capacity of the WTO system to open world markets.

We are offering the Lowy policy brief as the basis for a submission to the Productivity Commission study on bilateral and regional trade agreements.

The purpose of this letter is to inform you of the study group and to invite your support for it. That, of course, would not commit you to accept responsibility for the outcome. The New Zealand government is being approached separately.

Yours sincerely

(Saul Eslake)

(Peter Corish)