TRADE POLICY AT THE CROSS-ROADS

It is now widely agreed that the World Trade Organization (WTO) is in trouble, struggling to deliver the national rewards available from liberalising through multilateral negotiations. Prime Minister Howard and President Bush have committed to help restore the ability of the WTO system to deliver those rewards. This paper examines the contribution of domestic transparency procedures, introduced by and operating within participating countries, in dealing with the domestic causes of the problem facing the multilateral system. It explains the relevance of the proposal, prepared for Prime Minister Howard, in meeting the commitment he has taken. The Hong Kong Ministerial Meeting in December 2005 provides an opportunity to advance such a proposal and, in doing so, enhance our own trade performance.

The author was involved, with Alf Rattigan and John Crawford, in establishing the Industries Assistance Commission and was its chairman from 1985 to 1988. He was a member of the international study group — chaired by the former Director-General of the GATT, Olivier Long — which drew attention during the Uruguay Round of multilateral trade negotiations (1986–1994) to the need for domestic transparency in trade policy. He co-authored a review of trade policy conduct of industrial nations, which was published by the National Centre for Development Studies in 1996. He and Professor Ross Garnaut prepared a domestic transparency proposal for Prime Minister Howard in February 2004 to provide the basis for an Australian initiative in the Doha Round. This paper explains how this proposal would contribute to restoring an effective WTO system by enabling domestic economic welfare to replace domestic political pressures as the driver of multilateral trade negotiations.

Overview

Prime Minister Howard has described Australia’s relationship with the United States as a shared opportunity to promote a more liberal world trading environment. Both he and President Bush have recognised that this will involve restoring progress in the World Trade Organisation and both have committed to help do that. To succeed, any approach will have to come to terms with the developments that have brought the WTO to its knees.

The first of those developments is the change occurring in the forms of protection in use — a change from tariff to non-tariff, and from border to non-border, forms. International negotiations and agreements achieved a great deal in opening world markets in early GATT Rounds, due to the relatively