



ITS Trade Reporter

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Edited by Tom Westcott
Level 1, 34 Queen Street
Melbourne VIC 3000
Australia
Tel + 613 9654 8323
Fax + 613 9654 4922
ACN 007 307 342

<http://www.itsglobal.net/>

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Trade politicking is endangering Australia's regional relationships

Commentary by Alan Oxley

- **Opposition accused of playing politics with trade**
- **Problems for Government trade policy**
- **Risk of escalation of trade problems**
- **Who is shaping trade and foreign policy?**

Whenever trade becomes a domestic political football, there is usually a real cost to pay. It usually does not emerge until later and takes time to fix.

If the issue gets any public resonance in the exporting economy, it can infect the relationship at large, becoming a foreign policy problem as well.

That is exactly the situation facing Australia right now with three and possibly four important neighbours.

Opposition accused of playing politics with trade

The Government has accused the Opposition of playing politics with protectionism for disregarding Australia's international trade obligations and disregarding the interests of neighbours.

- It pointed out the Opposition toyed with threatening to overturn the WTO ruling that imports of NZ apples could not be blocked (the Opposition resiled from that).
- Craig Emerson resoundly attacked it for supporting in the Senate a Xenophon/ Greens bill for compulsory labelling of products containing palm oil from Indonesia and Malaysia. A key ground was it breached Australia's obligations under the WTO not to impose random trade restrictions.
- And the Government has criticized the Opposition for toying with protectionism for contemplating assistance to manufacturing.

While the Government is trying to breast the high ground of sound trade policy to show up the Opposition, it needs to straighten out unsoundness in a couple of its own policies.

Problems for Government trade policy

The rash decision to halt live cattle exports to Indonesia still rankles in Jakarta and will continue to do so until the policy gives Indonesian importers confidence the meat supply will not be interrupted at will again.

For the record, the Government's first ban on exports also breached WTO rules. It then aligned controls on exports with international trade rules.

Indonesian officials had prepared retaliatory restrictions on other Australian agricultural exports. It didn't use them, but expect to see them rolled out if there is more fiddling with trade with Indonesia.

That trigger might be the palm oil labelling bill in the House of Reps or Senator Ludwig's illegal logging bill in the Senate.

The Ludwig bill would halt imports of any timber product unless proof is shown it was legally produced in the exporting country. The amount of imported illegal product is unknown, but considered small. This is another random trade restriction, not permitted under the same WTO rules to which DFAT drew the Senate's attention.

The Gillard Government is stuck with this policy because Greenpeace, WWF and the unions manoeuvred it into ALP platform.

The NZ and Malaysian Government have formally pointed out problems with the bill. There are also objections in Indonesia and PNG. The Government, as DFAT has noted, is already providing considerable assistance to improve forestry practices in the region. That is the civil way to address this matter, not trade bullying.

Labor can ignore its platform if policy is unimplementable, as this is. Labor's problem is the Greens insist it be adopted. The WTO is not a problem for them. Their policy is to amend or scrap it.

Risk of escalation of trade problems

The seeds for escalation of these trade problems into bigger ones have been sown.

The Government is urging the Opposition not to support the palm oil labelling bill in the Reps, fully aware this will cause friction with Malaysia and Indonesia. It will not matter to those Governments or their people which party supported or oppose the bill if it is adopted by the Australian Parliament.

There is already public complaint about the bill from palm oil smallholders in Malaysia.

The impact of the decision by the High Court on the asylum agreement with Malaysia should also not be discounted for being seen in Malaysia as unfriendly towards the country.

Trade officials in both Malaysia and Indonesia can also be expected to do their homework. They will note the Opposition changed its position when the Government criticized it for toying with legislation to overturn compliance with the WTO ruling preventing an Australia ban of NZ apples imports.

They will wonder why they are treated differently if the Opposition decides to support the palm oil labelling bill in the Reps and the Government proceeds with the illegal logging bill in the Senate.

We should not forget that it was not so long ago that it was official Malaysian Government policy under Dr Mahathir to limit opportunities for Australian business in Malaysia because he perceived that Australia did not pay enough regard to Malaysian interests.

Who is shaping trade and foreign policy?

None of these issues would be in play if it were not for the Government's tenuous hold on power and the Opposition's determination to exploit its weakness.

In the process, independents and minority parties –in particular the Greens – are playing politics with our trade and foreign relations to advance issues which do not enjoy widespread support in the community.

They may not care about preserving the integrity of international trade rules or the preservation of sound and amicable relations with our neighbours.

Yet this is what enables Australian companies to export and create jobs.

Our mainstream parties have traditionally taken preservation of our trade and foreign relations seriously. We need them to continue to do so.

Alan Oxley is the Principal of ITS Global and a former Ambassador of Australia to the GATT, the predecessor of the WTO.

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Level 1, 34 Queen st Melbourne 3000 Victoria, Australia ACN 007 307 342
Telephone: 61 3 9654 8323 Fax: 61 3 9654 4922
Email: a.ilchenko@itsglobal.net

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