



ITS Trade Reporter

Special Edition - April 2011

Edited by Tom Westcott
Level 1, 34 Queen Street
Melbourne VIC 3000
Australia
Tel + 613 9620 3400
Fax + 613 9614 8322
ACN 007 307 342

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

ITS Trade Reporter is a monthly round-up of trade developments from around the world. It is published by ITS Global, Australia's leading consultancy on international trade and environmental policy developments in the Asia-Pacific region. Information on ITS Global activities and current projects is available at www.itsglobal.net

Comments by Alan Oxley, Managing Director of ITS Global

The Gillard Government's trade policy is sullied by bowing to Green demands that Australia become an environmental trade bully.

The policy statement released today by Trade Minister Craig Emerson sets out a welcome re-declaration that the Gillard Government will continue to follow a clean free trade philosophy in its trade policy. Unfortunately the politics of the Labor alliance with the Greens has sullied that ambition from the outset.

The policy statement sets out the fundamental position that trade controls should not be advanced for any non-trade purpose. That is welcome. But unfortunately it is immediately undermined by making an exception in the case of illegal products, citing specifically illegal timber products.

This is presumably to accommodate Labor's long standing and politically opportunist commitment at a party conference several years ago to impose trade controls to block imports of illegal timber products. A bill for that purpose has just been introduced into the Senate.

This results from pressure by Australian Green groups to have Australia join a global Green campaign to restrict timber imports from countries suspected of high incidences of illegal logging. The real aim is to use trade coercion to restrict forestry in those countries in the same way Australian Greens want to stop all native forestry in Australia.

This bill is an outstanding example of how trade policy can be misused. The evidence suggests very little illegal timber is imported into Australia and the data about illegal timber is mostly from anti-forestry NGOs.

When the Rudd Government commissioned Canberra economic

consultants, The CIE, two years ago to assess the impact of imposing such a trade ban, The CIE reported the level of imports was so low that the cost of regulating trade would be greater than the cost of that product entering the Australian market. That did not suit the Rudd Government. The Department of Agriculture, Forests and Fisheries had ABARE produce numbers which disputed that finding.

The bill proposed by the current Minister, Joe Ludwig, ludicrously makes the import of any product that may contain illegal timber a criminal offence with a five year jail penalty. It places the onus on the Australian party to demonstrate the product was legally produced in a foreign market.

Because WTO rules don't permit this type of trade restriction, the Gillard Government is proposing that parallel restrictions be imposed on Australian producers.

Saw millers would face stiff fines under the new law if they do not ensure the timber they sell is legally certified under new procedures to be mandated by the Federal Government. Yet there is no evidence there is illegal logging in Australia. All producers abide by the existing laws. Now they will be required to pass on the cost to consumers of complying with a new onerous regulation which tells them what they already know.

The only reason this unnecessary, costly, and highly undesirable precedent has been set is because the Rudd and now Gillard Governments have not corrected it with sound, economically rational policies – such as working with foreign governments. Instead they have gone along with Green demands that Australia become a Green trade bully.

Issues like illegal logging should be addressed by working with Governments in other countries where illegal logging is suspected, to improve their procedures. In countries like Indonesia a high percentage of illegal logging is caused by poor people. This is a development problem, not a trade problem. The Australian Government already has arrangements to work with Indonesia to address the root cause of the problem. That is the correct approach with a friendly neighbour.

This legislation illustrates abundantly the cost and impact of misuse of trade measures in this way.

The cost to consumers of timber products both imported and produced in Australia will rise. It creates the ugly precedent of Australia behaving,

for the first time since the process of reducing tariffs was introduced, like the trade bully; something for which it has consistently criticised the US Congress and the European Commission in the past.

The Bill also creates a precedent which uncompetitive agricultural producers in Europe will seize with alacrity. For several years the European Commission has proposed new restrictions on agricultural imports on the ground they protect the environment. This is just disguised protectionism. The aim is to erect new trade barriers against competitive producers like Australian farmers. If this bill is enacted, Australia will not have moral grounds to object to the use by the EU of measures purportedly aiming to protect the environment which simply erect new trade barriers against Australian farm exports.

12 April 2010

If you do not wish to receive the ITS Global Trade Reporter click [here](#) and unsubscribe. You have permission to forward this email newsletter to other interested persons provided it is passed on in its entirety.

ITS Trade Reporter is published by [ITS Global](#).

Level 1, 34 Queen St, Melbourne 3000 Victoria, Australia ACN 007 307 342

Telephone: 61 3 9620 3400 Fax: 61 3 9614 8322

Email: a.ilchenko@itsglobal.net

Comments are welcome by visiting us at our [website](#).

© 2011. All rights reserved