

## Question 28.

Trade has become an important part of the global economy. It is ~~growing~~ growing much faster than the global economic growth, it's 16 times its level half a century ago. Trade is the key part of the global economy. International ~~trade agreements~~ trade agreements have played a key role in expanding free trade both through the WTO ~~development of trade is formed under the World Trade Organisation~~ and through regional trade agreements. Low levels of protection may offer substantial benefits to countries however, low protection level is also ~~too~~ difficult to achieve.

Protectionist policies makes free trade difficult to achieve because countries ~~are~~ generally only willing to reduce trade barriers ~~if~~ if other countries ~~it~~ also do so, few countries are willing to act alone in reducing trade barriers.

While all economists agrees on the positive role the WTO plays in reducing trade barriers, there are still debates whether regional trade agreement are a help or a hindrance in freeing

up world trade. The most significant achievement in the trade history is the establishment in 1995 of the World Trade Organisation (WTO). <sup>The</sup> WTO has the power to enforce trade agreements, resolve trade dispute and acts as a permanent forum for trade negotiations.

After a false start at the 1994 Seattle conference, a major breakthrough was achieved in the Ministerial Conference of the WTO in Doha in 2000. The conference agreed to embark on the new trade deal around, the new trade deal agreed to abolish around \$700bn. worth of tariffs and subsidies of agricultural protection. Importantly, it concludes proposals to reduce protections on agriculture permits environmental standards to be imposed on trade and grant specific ~~on~~ trade ~~ease~~ concessions for developing nations.

Regional trade agreement vary between relatively opened trade bloc (APEC forum) and relatively closed (EU). The open trade bloc is more likely to

contribute to freer trade.

The European Union (EU) has created a single internal market in 1992 and from 2002, 12 of the 15 EU members will fully replace their national currencies with a single currency, EURO. EU is regarded as a relatively closed trade bloc and is expanding eastwards, expecting to include 25 members over the next decade.

The US, ~~and~~ Canada, Mexico and Chile belongs to the North America Free Trade Agreement (NAFTA) which was established in 1993 and is expanding to form the Free Trade Agreement of Americas (FTAA) from 2005, covering ~~25~~ 34 countries in the Western hemisphere.

The Asian Pacific Economic Cooperation (APEC) forum (~~is a relatively opened trade bloc, its~~) member nations agreed to reduce trade barriers among themselves by 2020, Developed countries agreed to ~~re~~ reduce protection levels by 2010, and newly industrialised countries by 2015. APEC is a relative

opened trade bloc but has lost its momentum since the mid 1990s and there are doubts whether it will achieve its objectives.

Tariffs and Subsidies have been reduced and in some cases abolished through trade agreement especially in EU and NAFTA. However, these trade blocs retain barriers to trade outside the bloc.

Protections have been concentrated in traditional areas like agricultural and farming. The ~~research~~ research from the Australian Bureau of Agricultural Resources Economics suggests that the Japanese ~~and~~ European and US have increase their agricultural protection ~~or~~ now exceeding ~~\$29 bn~~ US\$29 <sup>m</sup> per year. Such levels have not been seen since the mid 1980s. The US Farm Bill will provide US\$180m ~~to US farmer~~ worth of subsidies to the US farmers over the next ten years alone, around double the ~~previous~~ level.

Despite WTO's ~~of~~ obligations in reduce protectionist policies. The US ~~has~~ has actually

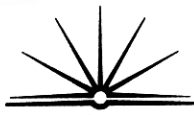
increased ~~put~~ its agricultural and steel protection level, prompting retaliations from other WTO members and undermining momentum for free trade.

Australia risks being left out if the closed trade bloc EU, and the proposed FTAA and ASEAN do not invite Australia into their trade negotiations.

Low protection levels can offer substantial benefits for Australia especially because ~~we - it's a policy~~ ~~benefit~~ ~~on~~ trade is a large proportion of its economic activity. <sup>The overall effect of high protection is low economic growth, low exports and low rural incomes.</sup>

The Australian Bureau of Agricultural and Resources Economic estimated that a 36% cut in global protectionist policies could increase Australian exports by \$1.0 bn. per year and further more, it's estimated that a 50% cut in the global agricultural protection can increase Australia's terms of trade by 4.3%.

Low level of exports can result in the low level of economic growth. Trade Minister, Mark Vaile estimate that the reduction in the current



protectionist policies at a global level could increase Australia's GDP by \$7bn per year.

At a global level, protectionist policies reduces the integration of ~~go~~ global economies and therefore impeded the development of ~~gbo~~ globalisation.

Protectionist policies have a mixed impact on both the domestic and global economies. The impact on Australia is ~~great~~ significant and at a global level, it impeded the process of globalisation.