



Sponsored by



Australian Government
Australian Centre for
International Agricultural Research

Pro-Competition Reform: Observations for Australia and Opportunities for India

Scott Davenport

Paper prepared for:

International Workshop

Agricultural Trade Liberalisation and Domestic Market Reforms in Indian Agriculture

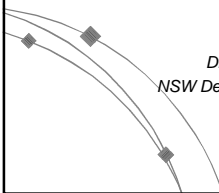
June 5, 2008

The Claridges Hotel, New Delhi, India

Agriculture & Pro-Competition Reform

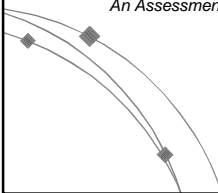
Observations from Australia Opportunities for India

Scott Davenport
Director Industry Analysis
NSW Department of Primary Industries



Presentation Outline

1. Pro-Competition Developments in Australia
2. More Recent Developments
3. NEW PROJECT: Facilitating Efficient Agricultural Markets in India:
An Assessment of Competition and Regulatory Reform Requirements



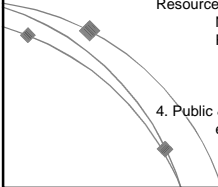
Pro-Competition Developments in Australia

- Australia's National Competition Policy
 - National and State Government agreement to a legislation review program
 - Economy-wide 'public benefit' analysis
 - legislative objectives clearly based on addressing instances of 'market failure'
- CP Institutions & Processes
 - the National Competition Council
 - the Australian Competition and Consumer Commission
 - the Productivity Commission



Current Government Intervention in Agriculture

1. Anti-Competitive Behaviour
 - Trade Practices Regulation
 - Countervailing power measures
2. Information Asymmetry
 - Provision for industry to fund 'industry goods'
3. Externalities
 - Resource pricing
 - Nil input subsidies
 - Resource access pricing
 - Research & Development
 - Limited Regulation
4. Public & Industry Goods
 - eg. Disease control



More Recent Developments

1. COAG - Regulatory Best Practice
2. Australian Wheat Board
3. FTA – Australia/India
4. 'Behind-the-Border' Barriers to Trade

'Behind-the-Border' Barriers to Trade

- Progress in liberalising world markets through the WTO is determined by two separate, and often conflicting, processes
 - International trade negotiations between countries; and
 - Negotiations at home about what access to domestic markets should be included in their negotiating 'offers'.
- When governments individually succumb to pressures at home to minimise adjustment for their own protected industries, they cannot collectively (through international trade negotiations) increase export opportunities for their world competitive industries.
- Longer Term Focus – Reducing negative pressures of protected domestic interests that limit the capacity of multilateral trade negotiations to deliver nationally rewarding outcomes for participating countries.

'Behind-the-Border' Barriers to Trade

- Outcomes from multilateral trade negotiations depends on decisions taken by individual governments at home (WTO 2005).
- The major gains for the US would have come from cutting its own farm subsidies because it is Americans not foreigners, who ultimately pay for them (TTG 2008).
- Any solution to the problem facing the WTO must therefore recognise that its source is in the domestic policy environment of participating governments. The challenge is to tackle the problem, while respecting the autonomy of individual governments over domestic policy.

Restoring an Effective Multilateral System

1. Domestic transparency = building a coalition of domestic 'winners'.
2. Focus on the 'public' not the 'private' domestic gains and losses at issue in liberalising through the WTO
3. In the absence of public information about the economy-wide gains at issue for the community as a whole and in view of the quite visible costs to prospective 'losers', the latter have naturally found sympathy at home .

New Project

Facilitating the Development of Efficient Agricultural Markets in India: An Assessment of Competition and Regulatory Reform Requirements

Project Collaborators

- Australian Centre for International Agricultural Research (S. Hearn)
- NCAER (S. Bery, R. Chadha & K. Elumalai)
- NSW Department of Primary Industries (S. Davenport)
- La Trobe University (S. Jayasuriya)
- University of Melbourne (D. MacLaren)
- Australia & New Zealand School of Government (A. Fels)

Project Aim

Gains from international and domestic market reforms translate into real income gains to Indian farmers by facilitating the development of appropriate pro-competition policy settings.

Project Objectives

- *Policy comparison across a selection of developing countries.*
- *Undertake 2-3 policy case studies*
 - *wheat in Punjab*
 - *horticulture products in West Bengal.*
- *Formulate policy recommendations.*