



National Farmers' Federation

NFF House  
11-16 Brisbane Avenue  
Barton ACT 2600

PO Box E10  
Kingston ACT 2604  
AUSTRALIA

Tel 61 2 6273 3855  
Fax 61 2 6273 2331  
Email [nff@nff.org.au](mailto:nff@nff.org.au)  
Web [www.nff.org.au](http://www.nff.org.au)

Wednesday 19 July

Mr John Cosgrove  
Presiding Commissioner  
Productivity Commission  
PO Box 80  
BELCONNEN ACT 2606

  
Dear Mr Cosgrove

I refer to the Productivity Commission's ongoing *Review of Australia's General Tariff Arrangements* of which you are the Presiding Commissioner.

NFF has received a copy of the draft report and is in general agreement with the findings contained therein. In our initial submission to this inquiry NFF supported the removal of all tariffs on a unilateral basis. We suggested that the key issue to be considered by the Productivity Commission is whether the reduction in prices to consumer and reduces administration and compliance costs as a result of removal of nuisance tariffs outweighs possible reduced opportunities for new producers, and any resource allocation effects.

In discussing the deleterious effects of tariffs we noted that they were, together with other forms of protection, specific taxes levied on imports which, like all taxes, have the immediate effect of raising the price of imported goods and reducing the amount of those goods purchased, either directly in the case of quotas, or indirectly through higher prices.

By increasing the price, and restricting the supply of imports, protection allows a narrow base of local industries to charge higher prices and provide some additional jobs in protected industries. Maintaining the current tariffs therefore may be superficially appealing since the gains are visible, whereas the costs generally are not.

We also drew your attention to the impact of tariffs on the agricultural sector which included:

- Eroding rural export revenue through the upward impact on the exchange rate;
- Inflating farm costs, through tariffs on farm inputs and the flow-on effects of wage increases which originate in tariff-protected industries;
- Jeopardising the development of new rural export markets, especially in developing Asian countries; and
- By diverting scarce labour, capital and management resources to protected industries, they reduce the availability of these resources to other more efficient sectors of the economy such as farming.

We also urged the Productivity Commission to reject the so called "bargaining chip" argument as fallacious. This argument based on the misconception that trade is a win-lose negotiating game is a fundamental misconception since trade is a clearly a win-win situation.

In conclusion we noted that only by a continuing commitment to trade liberalisation can the Government ensure that Australian industry and farmers take advantage of the long term trend towards globalisation. Australia must continue to reduce and eventually eliminate all import barriers if we are to compete effectively with other countries.

We therefore strongly agree with the course of action suggested by Draft Recommendations 1 and 2 that the general tariff rates and the concessional arrangements on goods under reference by reduced to Free on 1 July 2001.

In order that the benefits that will flow from acceptance of these recommendations can be realised as soon as possible, we urge you to retain these draft recommendations as your preferred options in the final report.

Yours sincerely



**Wendy Craik**  
**EXECUTIVE DIRECTOR**