



PACIFIC ECONOMIC COOPERATION COUNCIL

**Agriculture in RTAs**

Christopher Findlay

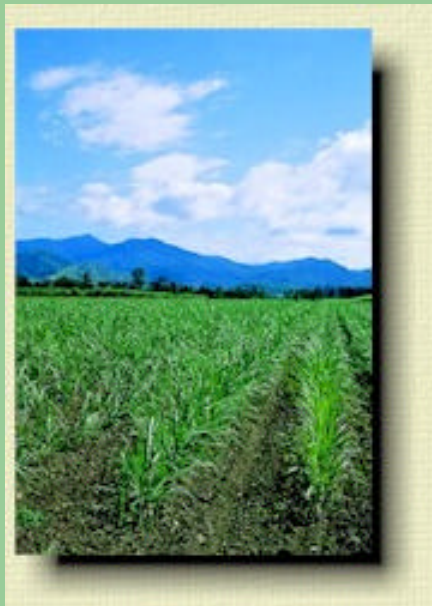
PECC Trade Forum Seminar

**RTAs and the Future of Regional Integration in East Asia and the Asia Pacific**

Function Hall South, Kunlun Hotel, Beijing

16 April 2004

# Agriculture in RTAs



Christopher Findlay

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# Outline

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- Reference points
- Agriculture in the Australia-US FTA
- Assessment
- Talking points
- Implications – WTO focus

# Treatment in Australia-US FTA

- Reference points
- Coverage and treatment

## Does it help reach Bogor?

- Free trade by 2010 for developed countries
- Contribution to the facilitation agenda

## Is it WTO consistent?

- Substantially all trade
- Reasonable time for implementation (10 years?)
- No increases against other parties

## Is it WTO plus?

- WTO potential is not 'zero'
  - So refer to the agriculture proposals before Cancun

# US offer

- US had on the table (in part)
  - Export subsidies – eliminate over 5 years
  - Tariffs - cut by formula (high more than low) to a maximum of 25% in 5 years
  - TRQs – expand quotas by 20% and cut in-quota tariffs to zero
  - Agricultural safeguards - eliminate (no time frame)
  - Trade distorting support - cut to 5% of the value of production

# Checklist

- Export subsidies
- Tariffs
- TRQs
- Agricultural safeguards
- Trade distorting support

# Export subsidies

- Not to be used in each other's markets
  - Affects some subsidies on dairy product exports to Australia
  - No effect on US export subsidies in other markets

# Tariffs

- Eliminated over time

- Time frames

- Lamb, oranges, tomatoes, cut flowers, cotton seeds, some horticultural products are zero from the start.
- Others to zero over 4, 10 or 18 years
  - 75% of tariff lines at zero within 4 years.

- Two exceptions

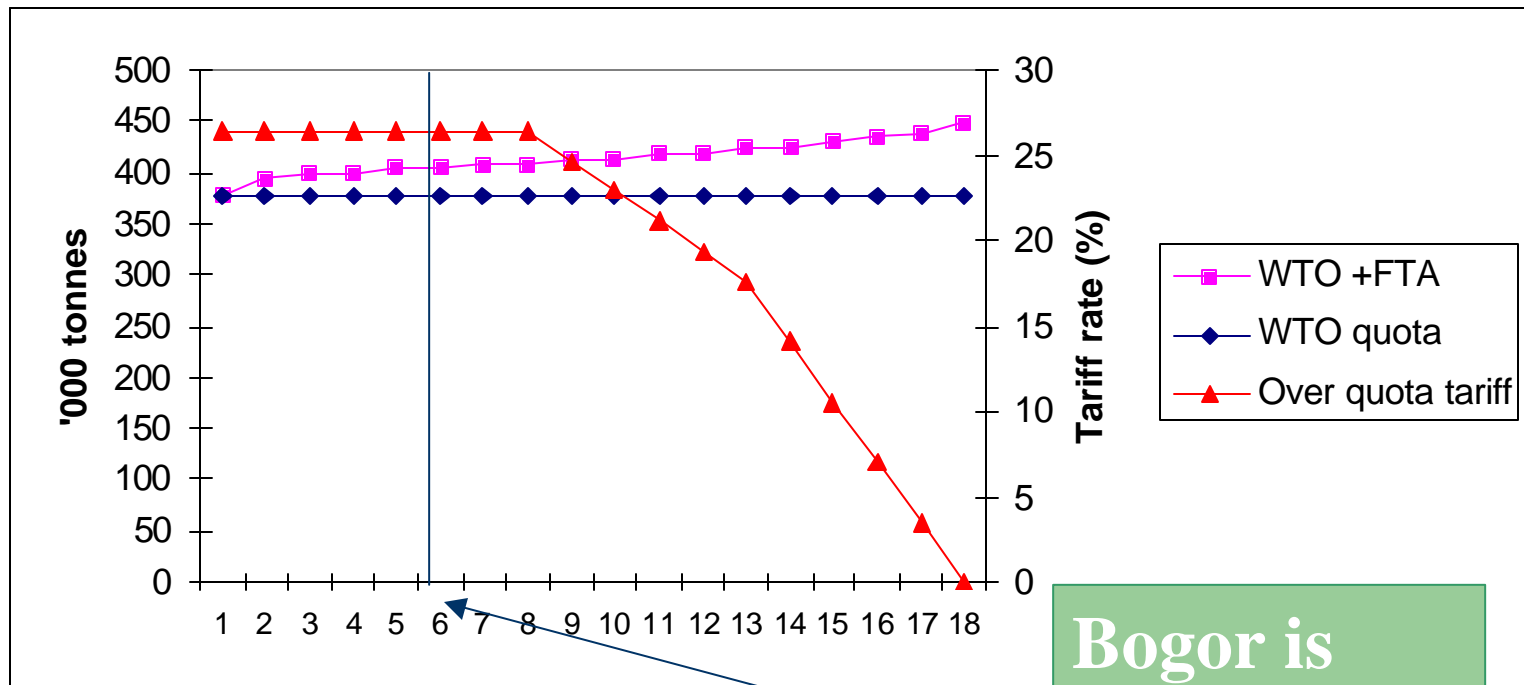
- Dairy (no change in over-quota tariff)
- Sugar (no change at all)
  - In modelling work, these provided the largest items of gain to Australia



## TRQs - Beef

- Australia's quota increased by 4% in year 1 rising to 18% in year 18
  - Some exceptions in beef included in the addition (carcasses and 'fancy cuts' for retail)
- Current in-quota specific tariff is removed
- Out-of-quota tariff stays at 26.40% till year 8 then falls to zero by year 18
  - But affected by a safeguard

# Zero US tariffs on Australian beef by 2023



**Bogor is  
Year 6!**

## TRQs - Dairy

- Additional FTA quota on top of WTO quota for milk, butter, cheese, etc.
  - Significant increases plus annual growth
- Zero in quota tariff but no change in out-of-quota tariffs (for TRQ dairy products)
- Further consultations in about 2024 eg on out-of-quota tariffs

# Safeguards (additional duties)

- Beef
  - quantity trigger during the 18 year implementation period
    - Applied to imports which exceed 110% of the WTO+FTA volume
  - price trigger safeguards from year 19
    - applied to imports in excess of the final WTO+FTA volume plus 420 tonnes a year
- Horticulture
  - price-based trigger
    - where Australian price is less than the trigger for 33 products (defined at 10 digit HS codes)

# Trade distorting support

- Not changed

# Assessment

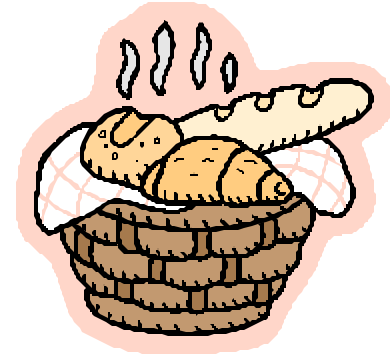
- With respect to reference points
  - Coverage incomplete
  - Slow implementation
  - Safeguarded
  - Extensive administrative processes

## Other aspects

- Impact on world prices
  - imports from Australia lead to more subsidised US exports?
- Facilitation progress?
  - eg quarantine etc, but only an agreement to consult
- Rules of origin and the costs of doing business
  - change of tariff chapter, but more detail for some processed products

# Sample rule of origin

- Eg for flour, bakers' wares:
  - Origin is met if there is a “change to (this) subheading from any other chapter provided that the products containing over 10% by weight of milk solids do not contain non-originating dairy products”
  - Australia therefore now has to worry, eg, about NZ content in its exports to the US



## Other aspects (cont.)

- Trade deflection
  - Eg export high cost local product to get quota access and import local consumption from third parties: so take 'appropriate actions'
- Rent seeking motivations
  - sugar producers in Australia asked for compensation for disappointed expectations and the politicians did not say no!

## Other aspects (cont.)

- Not only the US had sensitivities
  - ‘(F)or wheat, sugar, rice and barley industries, the government was able to preserve all single-desk marketing arrangements’ (Trade Minister Vaile)
- Modelling challenges
  - capturing the effects of incomplete coverage (estimates now being re-run)

# Talking points – contributors to the outcome

- The politics of it all....
  - a) Not enough benefits available to offset the resistance of the sensitive sectors at home
    - Expectations and delivery is higher in the WTO
  - b) Sensitivity to reactions by third parties
    - Who else might claim the same access?
  - c) At the same time, it corrupts the interest in multilateral reform of export sectors which do get access
    - Question now for example about dairy in Australia
    - Which undermines the capacity to return to the WTO
      - And that is critical for these sensitive sectors

# Implications for consistency

- Each bilateral will be different
  - Sensitive sectors vary in the bilateral relationships
    - Eg US deals with the Caribbean countries and with Chile
  - Implications for the dynamics of ‘competitive liberalisation’ and ‘accession’

# Next steps

- Progress in the WTO
  - Push the Bangkok declaration on starting again from the Chairman's text
    - Leadership from China and the rest of East Asia in that respect
  - APEC to declare a moratorium on FTAs
    - Which could be welcomed in the rest of the world if MFN liberalisation is preferred to fragmented regionalism

Based on R. Garnaut and D. Vines, 'Putting Doha Back on Track', February, 2004



**Thankyou**

