

EXECUTIVE SUMMARY

1. THE GLOBAL AGRIFOOD TRADE FRAMEWORK

The new Doha Round

Australia's key trade objective over the next three years will be the completion of the new round of multilateral trade negotiations in the WTO, launched at Doha in November 2001. The potential benefits of the new round are enormous, for both developed and developing economies. These new multilateral negotiations offer the prospect for Australian agricultural exporters to achieve market access gains and secure more favourable trading conditions. But a great deal of work will need to be done to bring these negotiations to a successful conclusion.

Continuing market distortions in agriculture

The WTO Agreement on Agriculture started the process of bringing agriculture into line with the WTO rules-based disciplines for industrial goods. The most important elements were the moves to impose rules to enhance market access, and to reduce domestic support and export subsidies. But many distortions and barriers remain – tariffs on many agricultural products are higher than for other goods, quotas restrict access to markets, many developed countries continue to subsidise their farmers heavily, and export subsidies are still used (primarily by the European Union).

WTO agriculture negotiations in the new Doha Round

It will be essential to make agriculture a central issue in the comprehensive new Doha Round of global trade negotiations, in order to achieve more real gains. The final Doha Declaration achieves several important goals, chiefly:

- It confirms the commitment to the long term objective, set out in the WTO Agreement on Agriculture, of fundamental reform to correct and prevent market distortions in global agricultural markets; and
- It sets out a mandate for the negotiations to address the 'three pillars': (1) substantial improvements in market access for all agrifood products; (2) reductions of, with a view to phasing out, all forms of export subsidies; and (3) substantial reductions in production and trade distorting support.

Several other developments since the Uruguay Round will also change the negotiating dynamics for agriculture in the new Doha Round. To ensure our agrifood trade interests are protected as the WTO agenda expands, Australia must continue to be active in all fora of the WTO. Issues like agricultural trade and the environment, geographical indications, food safety and the globalisation of the agrifood industry will influence the final outcomes of the Doha Round. And developing countries' interests and roles will be significant factors in the negotiations.

2. ASIAN AGRIFOOD MARKETS – MARKET ACCESS ISSUES & TRADE REGIMES

Trade liberalisation trends

The Uruguay Round delivered some modest improvements in market access for agrifood products in the Asian economies since the mid-1990s. Apart from Japan, Asian economies are still in the process of phasing down to their final bound WTO tariff levels (mostly by 2004). Despite the modest tariff cuts, there are still many high barriers for agricultural products in most Asian countries.

Different Asian markets' agrifood trade regimes

The developed economies of Japan and Korea both have highly complex and detailed tariff and non-tariff systems. Both have high border protection and domestic support for their agricultural industries. At the same time, Japan is one of the world's largest food importers, importing about 60 per cent of its food requirements. Korea's agrifood trade regime exhibits the same high tariffs as Japan in many product sectors – at nearly 50 per cent, Korea's average applied tariff in agriculture is probably the highest in Asia. Korea has quotas on more than 60 product categories and suffers from similar quota administration problems and complexities to Japan.

ASEAN's more developed economies (Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand) hover between continued protectionism in some key agricultural sectors, recent substantial liberalisation in others and complete openness. Malaysia and Indonesia both have very low tariffs for most items (0-5 per cent) but Indonesia has reintroduced higher tariffs for some products in recent years. Thailand and the Philippines have the highest tariffs among the ASEANs, with Thailand's average applied tariff in agriculture over 30 per cent and more than 20 tariff quotas, while the Philippines also uses a number of quotas and has high tariffs over 50 per cent for some products.

Both China and Taiwan are in the process of making major adjustments in their trade regimes, following their WTO accessions at the end of 2001. The key issue in the short term will be how their WTO commitments are implemented in each market. China's agrifood trade regime will be arguably more liberal, once implemented, than Taiwan's. China's tariffs will generally be lower and Taiwan has a large number of tariff quotas.

The South Asian economies have relatively similar agrifood trade regimes, with most applied tariffs in the 20-30 per cent range. Each of them is also breaking away to varying degrees from the old self-sufficiency approaches. The removal of quantitative restrictions in India should contribute to a gradually more open agrifood sector. The smaller South Asian markets are also becoming more open, have no import quotas, and exports of a few key agricultural products are significant to their economies.

Developing country issues in the WTO agriculture negotiations

The majority of the Cairns Group and WTO members are developing countries, which need increasing agricultural trade opportunities to assist their economic development. Many developing countries complain that their exports still face high tariffs and other barriers in developed countries' markets and they want to see substantial cuts in these barriers.

Food security is an important issue for many developing countries. There is a clear role for international trade liberalisation in helping to improve food security – the opposite of policies to promote national food self sufficiency.

General positions of Asian economies on further liberalisation

Among the developing East Asian economies, the Cairns Group members (Indonesia, Malaysia, Philippines and Thailand) are strong advocates of liberalisation and critical of the policies of the more protectionist countries. China's role will be important as the negotiations proceed, given the global scale of its production in most agricultural sectors and its significant and growing agricultural exports.

Japan and Korea have been among the most vocal opponents of further liberalisation in the negotiations, reflecting the views of some domestic agricultural lobby groups which want to see their current protection strengthened against further imports. Countries such as Pakistan and India have argued for exemptions from reduction commitments for 'food security' reasons, that tariffs should be able to be increased, and for the introduction of special import safeguards for use by developing countries to prevent import surges.

Choices for Asia

Agriculture is so important to developing countries that they cannot afford to cut themselves off from global markets and turn their agricultural industries into burdens on their economies as some developed countries have done.

Developing countries have to continue their agricultural policy reforms. An important focus for developing countries in WTO negotiations should remain on seeking reductions in the trade-distorting support and protection for agriculture provided by developed countries.

3. AUSTRALIA'S INTERESTS IN AND APPROACHES TO AGRIFOOD TRADE

Agricultural exports remain vitally important to Australia – the sector is crucial to much of regional Australia, where exports are the principal generator of income. The rural sector provided \$28 billion of Australia's total merchandise exports of \$110 billion in 2000 or 27 per cent of the total, about the same share as a decade ago. Food and beverage exports passed \$20 billion in 2000, and reached nearly \$25 billion in 2001. While processed food exports have increased substantially in the last two years, they have not performed as well as unprocessed food exports over the last decade.

The Australian agricultural sector has performed relatively well in riding out the Asian economic falls and in diversifying to non-Asian markets. Japan is still our biggest agricultural export market but now takes less than one-fifth of our exports, down from one-quarter a decade ago. Other key markets include ASEAN (16 per cent of agricultural exports), the EU 10 per cent, Middle East 10 per cent and China/Hong Kong 8 per cent.

A key element of the success of Australian food and agriculture has been its increasing adjustment to liberalisation and global competition, and its increasing diversification in response to changing global demand. Newer and formerly minor subsectors have become significant areas of production and exports – for example rice, cotton, oilseeds, aquaculture, and wine.

Australian agriculture is relatively unprotected – virtually all of Australia’s applied agricultural tariffs are between 0-5 per cent. Australia must import as well as export agrifood products for a number of reasons – as inputs to our food processing industries, counter-seasonal products when ours aren’t available, products which we don’t produce at all or don’t produce competitively, and where import quality levels are different to those of our exports. A key point is that while our food imports have roughly doubled in value terms over the last 10 years, so have our exports. Thus, we still export about four times as much food as we import.

Australia pursues better market access for its agrifood exports on several fronts simultaneously. Open markets remain crucial to Australian and global economic prosperity. The WTO remains the primary vehicle for Australia to achieve greater market access and secure trading conditions for Australian exporters. Support for a multilateral, rules-based trading system under the WTO will continue to be the fundamental basis of Australia’s trade policy.

Australia uses WTO accession negotiations to gain new advantages for export industries and has secured market access commitments in all agricultural sectors. And WTO dispute processes have brought important wins for our food exporters, notably lamb to the US and beef to Korea.

APEC has been a catalyst for the promotion of trade and investment liberalisation in the region, while its business facilitation agenda is providing tangible benefits to business. The AFTA-CER linkage facilitates trade and investment flows between the two regions, which are now working towards economic integration through a Closer Economic Partnership.

Australia will continue to pursue bilateral market access through the WTO, APEC and free trade agreements (FTAs). Australia has entered into negotiations for an FTA with Singapore and agreed with Thailand in May 2002 to begin negotiations for a closer economic relations free trade agreement. Meanwhile, Australia is exploring ways to strengthen economic relations with key North Asian economies Japan, China and Korea.

Regular high-level bilateral political contacts support the government’s trade and investment agenda by building the people-to-people links to cement our relationships. The government undertakes a strong advocacy role for agrifood businesses through joint government and private sector bilateral committees and/or councils in most Asian economies, and through supporting major trade promotion events.