

Productivity Commission Study on Bilateral and Regional Trade Agreements

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Submission to the Productivity Commission on Bilateral and Regional Trade Agreements

IN CONFIDENCE

Note: This submission by the Office of Horticultural Market Access (OHMA), a committee of Horticulture Australia Ltd (HAL), on the topic of Bilateral and Regional Trade Agreements is provided to the Productivity Commission in confidence, excepting where the OHMA may authorise the Commission to release specific content. The views in this submission are those of the industry members of OHMA. The submission was presented to a wide range of the horticulture industry in its preparation.

1. Introduction to this Submission

Horticulture is a major Australian agricultural industry which has a GVP of approximately A\$7.8 billion and covers produce including fruit (but excluding wine grapes), nuts, vegetables and nursery. Horticultural exports, in this submission defined as both primary and processed produce, are significant at A\$1,168 million in 2009. Market access, for example as achievable through bilateral and regional trade agreements, is a key area of interest to the industry and is expected to be a major contributor to the industry's future. The OHMA is pleased to provide this submission to the Productivity Commission on the topic of Bilateral and Regional Trade Agreements. OHMA is a skills-based committee with an independent industry chair, which provides market access advice to horticulture stakeholders and formulates horticulture industry positions on key market access topics. It was established in 2009 to address market access issues and build upon the work of its predecessor, the Horticultural Market Access Committee (HMAC).

Horticulture covers a wide range of commodities, each with specific interests in bilateral and regional trade agreements. The industry has in the past identified priority commodities and markets for reference in priority tariff line lists which it has advised to government for use within the multi-lateral Doha Round negotiations as well as for tariff liberalisation under bilateral or regional trade agreements. Horticulture currently lists top priorities for tariff liberalisation as 11 commodities, namely almonds, apples, cherries, macadamias, mandarins, mangoes, nectarines, peaches, onions, oranges, potatoes and table grapes, into 7 markets, namely India, China, Korea, Indonesia, the EU, Japan and Taiwan. Australia is yet to finalise a bilateral trade agreement with any of these markets. However Indonesia is covered under the recent regional agreement known as the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA). A more comprehensive access priority list also exists, covering 153 horticultural tariff lines into 17 countries. Information on priority tariff lines is supplemented from time to time by detailed analysis and submissions as might be required for any particular negotiation.

Table 1 in Attachment 1 identifies Australia's top 10 horticultural export markets in 2009, and also some others which are currently smaller but potentially significant for future trade, and identifies the status of bilateral and regional trade agreements, if any, in respect to each.

Zero tariffs and reduced or reducing tariffs are already in place under several negotiated agreements. These agreements are with New Zealand, Singapore, Thailand, the USA, Chile and the

ASEAN 10 countries. While a range of zero tariffs is already in place under these agreements, horticulture's focus is on improving non-zero tariff outcomes where desirable and possible, in line with maximum tariff liberalisation objectives. It has the same objectives of maximum liberalisation of tariffs and other border measures in markets where agreements are currently in negotiation or under study. These countries are Japan, China, Korea, India, and the GCC as a group of 6 countries. The EU as a group of 27 countries can be added to this list although there has so far been no announcement of intention to study or negotiate a trade agreement with this group. All these countries are important markets for horticulture where tariff regimes are trade constricting.

It is probable that successful conclusion of current and future negotiations may be more difficult than in the case of those negotiations concluded so far. Horticulture acknowledges the complexities of negotiations which can present barriers to speed and acceptable outcomes from bilateral and regional trade agreements. These complexities may for example be influenced by negotiating partner country policy towards trade liberalisation, apparent or claimed industry or commodity sensitivities of negotiating partners, or political or other impacting issues.

This submission addresses the Productivity Commission's Terms of Reference by answering specific questions raised in the Commission's Issues Paper which expand upon its Terms of Reference. Comments in this submission are headline points of horticulture's thinking for which horticulture seeks greater recognition. This submission seeks to facilitate superior approaches for future negotiations, so leading to enhanced horticultural exports.

2. Productivity Commission Study Objectives

The Terms of Reference for the Productivity Commission's Study are provided in **Attachment 3** and require that the Commission provides advice on the effectiveness of trade agreements in responding to national and global economic and trade developments and in contributing to efforts to boost Australia's engagement in the region and evolving regional economic architecture.

This submission address detailed issues under the Terms of Reference, which are contained in the Paper entitled 'Bilateral and Regional Trade Agreements: Productivity Commission Issues Paper December 2009'. The particular issues selected are those believed to be most pertinent to the situation and interests of Australian horticulture.

3. Headline Horticulture Points on Trade Agreements

Horticulture follows closely the outcomes from Australia's bilateral and regional agreements and is conscious of the gaps between full and actual tariff and other border liberalisation, as well as likely implications for trade. The gaps are significant in many cases. The recommendation below of the Joint Standing Committee on Treaties (JSCOT) is an independent recognition of this situation and the desirability of greater focus by the government agencies on horticulture in context of bilateral and regional agreements.

Observation: In June 2009, the JSCOT, in its findings and in response to the HMAAC and other horticulture submissions on the AANZFTA outcomes, recommended that 'the Australian Government pursue all possible bilateral and multilateral avenues to secure improved tariff outcomes for the

horticulture industry’.

Horticulture’s specific focus in respect of agreements, whether bilateral, regional or multi-lateral, is on preferential or general liberalisation of tariffs and other border measures faced by horticultural produce and products.

Observation: With respect to agreements, a principal focus for horticulture is on the maximum removal of tariffs and other border measures affecting and disadvantaging Australian horticultural exports.

The picture for negotiated outcomes on tariffs and other border measures varies greatly between each horticulture commodity and each market and between each agreement. While tariff outcomes under bilateral and regional trade agreements are nearly always superior to Most Favoured Nation (MFN) tariff rates and are expected to be also generally superior to Doha Round outcomes, these outcomes are often below those required to maximise competitive position and export growth.

Observation: The outcomes from negotiations with respect to certain tariff and border barriers need to maximise horticulture’s trade and competitive position.

Most agreements do not achieve immediate trade liberalisation by elimination of all or even a substantial proportion of tariffs faced by Australian horticultural exports into partner countries. This submission makes recommendations arguing the importance of closer focus and improved approaches to maximise tariff and other border barrier liberalisation.

Observation: Horticulture observes the growing number of trade agreements in recent years, and views that further agreements and improvements to existing agreements need to be vigorously pursued, provided negotiated outcomes bring maximum benefit to Australian horticultural exports.

Maximum benefit is best defined by the achievement of full liberalisation of tariff and border measures, or at least outcomes close to it. It is possible to quantify the extent to which liberalisation under any particular agreement falls short of full liberalisation. To the best of horticulture’s knowledge, there are likely to have been various reasons for such shortfalls in each particular agreement and case.

Observation: It is important that Australia does not fall behind our competitors in negotiation of such trade agreements. Otherwise our industry is faced with competitive disadvantage by reason of lengthy negotiations or differentiated tariffs and other border protection into key markets as given outcomes.

To avoid Australia exporting in the long term under inferior border access conditions, negotiations need to be pursued vigorously. Negotiated outcomes need to be at least as good as, and preferably better than, those negotiated by our competitors. In respect of horticulture Australia is currently negotiating agreements over some lengthy time lines and on occasions does not achieve trade liberalisation outcomes at least equivalent to those achieved under agreements involving major competitors. **Attachment 2**, which provides a snapshot of tariff liberalisation outcomes under

Australia's concluded bilateral and regional agreements in recent years as relevant to the top 10 Australian horticultural export commodities into these markets as of 2009, evidences these points.

4. Snapshot of Current Agreements Impacting Horticulture

A picture for horticulture with respect to existing and potential trade agreements can be summarised as follows.

Category A: Hong Kong, New Zealand and Singapore are three of Australia's major horticultural export markets, taking A\$379M or 32% of Australia's horticultural exports in 2009. While two of these markets are covered by bilateral agreements, all three are long standing open markets with minimal, if any, tariff or other border protection. Horticulture's concerns over liberalisation of tariff protection lie principally elsewhere.

Category B: Of our remaining major export markets, Australia has bilateral or regional agreements in place with the USA and the 10 ASEAN nations namely Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam, and also with Chile. The agreements with certain of the ASEAN nations currently await ratification. Trade with Thailand is subject to both the AANZFTA and also to the Thailand-Australia Free Trade Agreement (TAFTA). Category B countries accounted for A\$323M or 28% of Australia's horticultural exports in 2009. Tariff and border access outcomes may be improved under current negotiations for a country specific FTA with Malaysia and also with Indonesia where an agreement has been under study but negotiations have yet to commence.

Category C: A further group consists of potentially major future horticultural export markets with which Australia is currently negotiating or studying trade access liberalisation agreements. These are Japan, China, Korea, the Gulf Cooperation Council countries which comprise Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates, as well as India where an Australia-India FTA has been under study. Category C countries accounted for A\$301M or 26% of Australia's horticultural exports in 2009. This figure is likely to be a substantial underestimate of future potential, for example as much of the horticultural exports to China currently pass through Hong Kong. With new and improved phytosanitary access, more of this trade would enter China directly in future. It is important to note that these Category C agreements are and will be a primary future focus for the horticulture industry. The EU is currently missing from this list.

Category D: A further group of regional trade negotiations or proposed negotiations would appear to be influenced by government guided 'regional architecture' considerations. A motive may be to support and enhance the strength of the regional trading architecture, for example by pulling together partners which support access liberalisation and may already have substantial trade agreement links, to perhaps encourage others to join. A prime example is negotiations' for the 'Trans-Pacific Partnership' (TPP) Agreement which would expand upon the current Trans-Pacific Strategic Economic Partnership Agreement between Brunei, Chile, New Zealand and Singapore by the addition of Australia, the USA, Peru and Vietnam. A range of other proposals might be included within this category of 'regional architecture' agreements, such as those raised at APEC and in other venues. The extent of any resulting trade generation which may be achieved by such approaches appears inadequately researched and is not discussed in detail in this submission. This TTP group of

countries accounted for A\$327M or 28% of Australia's horticultural exports in 2009. It can be noted that Australia already has FTAs with all the above identified country members of the TTP group, excepting with Peru. Australian horticultural exports to Peru in 2009 were only around \$100,000 and are not expected to be augmented by Peru's membership of the TPP Agreement.

Possibly another example of negotiations to support 'regional architecture', is where there may be strong regional considerations led by factors additional to trade generation. A prime example is the Pacific Agreement on Closer Economic Relations (PACER) Plus negotiations. Pacific island partners in this negotiation comprise the Cook Islands, the Federated States of Micronesia, Kiribati, Niue, Palau, Papua New Guinea, Marshall Islands, Solomon Islands, Tonga, Tuvalu and Vanuatu. This group of countries in total accounted for merely A\$10M or 1% of Australian horticultural exports in 2009, mostly to Papua New Guinea.

5. Specific Issues Identified by the Commission

The issues in the following text have been selected from the Commission's Issues Paper, as relevant to horticulture. The numbering of the issues here are those of the author.

I1: What are the prospects for further multilateral liberalisation through the Doha Round? How broad or deep is such liberalisation likely to be?

Observation: Trade liberalisation outcomes under most of Australia's bilateral and regional agreements are viewed as most likely superior to any future outcomes under the multi-lateral Doha Round. The Doha Round does not therefore appear to offer superior alternative outcomes to trade agreements. Its pace of negotiations is recognised as slow, although it is said to be '80% completed at the technical level'. This perspective emphasises the importance of key bilateral and regional agreements.

Most major Australian horticultural export markets are already either covered by trade agreements in place or potentially by agreements under negotiation or under study. Any Doha Round outcomes are most likely to be 'supplementary' to outcomes under specific bilateral or regional trade agreements. Benefits under Doha would be realised where the Round covers horticultural markets not covered by existing Australian trade agreements. The Round's outcomes would to an extent substitute in the meantime pending conclusion of certain of Australia's bilateral and regional agreements currently in process.

Observation: As currently under negotiation, there are two notable factors of concern which will limit trade liberalisation in respect of tariff and other border protection under the Round.

Round tariff negotiations concern bound but not applied tariff rates. In the case of certain countries there is substantial difference between the two, usually described as 'water in the tariff'. Extra trade could be generated once bound tariffs are reduced below applied rates, requiring that applied tariffs also need to reduce. It is unclear whether bound tariff reductions under the Round will be adequate to impact specific applied tariff levels and therefore assist to generate additional trade.

Also, there is a multitude of access liberalisation concessions, under so-called 'special and differential treatment', which would be available to developing and least developed countries under the Round. This is in line with the aspirations of these countries to use the Round as a vehicle to

meet their perceived need to enhance their economic development through securing more substantial tariff and border liberalisation by developed countries and lesser liberalisation by themselves. Many of horticulture's markets are 'developing countries'.

I2: What factors have lead to the growth of trade agreements? Is ongoing growth of trade agreements inevitable?

The growth of trade agreements appears to be pushed by a number of factors of which the slowness to date of multi-lateral negotiations may be one. Perhaps more important are commercial and other imperatives to grow trade between countries. Continuing growth in the number of trade agreements is inevitable, although some slowdown may also be seen as 'more easily negotiated' trade agreements are finalised and harder negotiations need to be addressed. Resolution on 'agriculture' appears at the forefront of most negotiations.

Observation: Extracting from quality of agreements, as shown by **Table 2** in Attachment 1 some of Australia's major trading partners and competitors such as EC (28) China (18), USA (11), Japan (11) and China (8), have more trade agreements in force than Australia (7), and more are under negotiation, for example Korea has 6 in force and 7 more are under negotiation.

I3: What developments within our trading partners' economies or the regional and global economic architecture, more broadly, have implications for Australia's approach to trade agreements?

Observation: From the viewpoint of horticultural exports and in order to support trade generation and Australian horticulture's competitive position, Australia's approach to trade agreements needs to focus on Australia's competitive position in key markets, as influenced by the growing number of bilateral and regional agreements involving competitors.

The growth of bilateral and regional agreements will greatly influence the current and future competitive position of Australian industries in markets. The speed with which Australia's trading partners develop trade agreements with Australia's competitors should be a major determinant of Australia's choice and speed of approach towards pursuit of trade agreements.

Agreements attempting to foster 'regional architecture' through trade agreements appear more questionable as to rationale, likely outcomes and trade relevance. For example, the parties to the TPP Agreement already have a number of FTAs between themselves, and in this context additional trade generating impetus is difficult to foresee. Also the ability of a TPP Agreement to attract additional members would need careful review as conclusion of current bilateral negotiations for free trade agreements already faces difficulties.

I4: Apart from trade agreements, what are the key elements of the regional economic architecture? How do these currently impact on Australia? How are they likely to evolve and what are their implications for Australia in the future?

While independent of bilateral and regional agreements, phytosanitary access is a key element of 'regional architecture' which impacts on horticultural exports. Competitive access across the border must, in the case of fresh/primary produce be supplemented by phytosanitary access under

commercial conditions. Phytosanitary access is negotiated at official bilateral level in the case of each commodity or group of commodities under the terms of the World Trade Organisation's (WTO) Sanitary and Phytosanitary (SPS) Agreement. From the viewpoint of achieving commercial outcomes there are excessively long backlogs of requests from one country to another for their specific phytosanitary access requirements to be assessed. Also the process of assessment itself is very often unacceptably lengthy.

Observation: While global horticultural exports in 2009 were at a level of just over A\$1.1 billion, the full achievement of current top priority phytosanitary access requests could enhance horticultural export performance by around an additional A\$250 million per annum within the medium term.

Tariff and border access liberalisation under bilateral and regional agreements will, to a significant extent for horticulture, remain unrealisable unless improved phytosanitary access is also achieved. Liberalised border access is negotiated under bilateral and regional agreements whether or not phytosanitary access is in place.

15: What liberalisation of trade in goods can be attributed to countries' involvement in trade agreements? How has this varied across products or sectors?

16: What has happened to trade flows- both goods and services- and investment flows between Australia and partner countries with which it has entered trade agreements?

In response to the above two issues, negotiation of trade agreements is intended to result in liberalisation of trade but other, often more weighty factors such as exchange rate movements, differences in costs of production, and seasonal and climatic factors, and phytosanitary access, also impact on trade generation.

Observation: As shown by the export movements in **Table 3** in Attachment 1, judging on the basis of agreements in force, it is generally difficult to attribute historical movement in horticultural exports to specific liberalisation under these agreements.

- Horticultural exports to Thailand have increased greatly over the past 5 years since the commencement of TAFTA, by 191% to A\$41M million in 2009. A major component of this increase has been recent growth in table grape exports. Under TAFTA, the table grape tariff is continuing to reduce from 30% in 2005 to zero in 2015, however imports over a small volume trigger level cause a snap back of the tariff to the MFN rate or base rate, whichever is the lower, for the remainder of the particular calendar year where the volume trigger is breached, effectively every year to 2015.
- Horticultural exports to the US have fallen over the past 5 years by 14% to A\$82 million since the commencement of the Australia-USA Free Trade Agreement (AUSFTA). Initial zero tariffs under AUSFTA covered a much larger proportion of the Australian horticultural export trade than under TAFTA, 93% in 2005 compared to 4% respectively. 4 of the 5 major Australian horticultural exports to the US achieved tariff elimination on entry into force of the agreement, with oranges at around half of the total, or 60% in citrus terms when including mandarins. While these small tariffs were removed on both citrus commodities under the

FTA, neither commodity has recorded any sustained export growth over the 5 years for other reasons.

I7: To what extent have agreements resulted in liberalisation of non-tariff barriers to trade, such as: quarantine and other health, safety and environmental measures and standards that can be utilised at the border to protect domestic industries; and administrative procedures, various customs or other border requirements and clearance processes that can be used to delay import shipments and discourage competition by increasing transaction costs?

Horticulture is unaware that bilateral or regional agreements have resulted in liberalisation of non-tariff barriers to trade in either sanitary or phytosanitary areas. The existence of unsuitable or non-existent sanitary or phytosanitary access is sometimes loosely described as a 'non-tariff barrier'. Whether they merit this description would be a separate question for individual cases.

I8: Have there been cases where the effects of an agreement to liberalise have not be fully realised because of: the retention, or more stringent application, of non tariff import barriers and behind the border measures that act as a barrier to trade; or other obstacles to the implementation of agreements in practise, for example in relation to achieving agreed harmonisation of standards?

The existence of sanitary and phytosanitary non-tariff barriers blocks or affects the potential of trade liberalisation under bilateral and regional agreements.

I9: Where there has been liberalisation of trade in goods, has it involved preferential arrangements or has it been non-discriminatory?

It is understood that bilateral and regional agreements are in essence about establishment of discriminatory, that is non-MFN, barriers in favour of the parties to the agreement.

I10: Have trade agreements encouraged further unilateral liberalisation or have they perversely discouraged such reform, so as, for example, to maintain 'negotiating coin' for future trade agreements negotiations?

With respect to horticulture, trade agreements do not appear to have encouraged unilateral liberalisation. They do appear to strongly encourage further bilateral or regional trade liberalisation in seeking to maintain competitive position.

Some countries are now negotiating twice with Australia, for example both on a bilateral basis and also as part of a regional negotiation. There are several existing or potential examples of this, principally between Australia and certain ASEAN nations, but the same may be an outcome of the TPP Agreement negotiations in respect of Australia and most TPP partners.

Observation: Where there is a 'second opportunity', it could be important that greater liberalisation should be sought the second time around if not achieved previously. For example it appears hard to understand why under AANZFTA Thailand required and Australia agreed to a less liberal FTA with Australia than was previously negotiated under TAFTA, particularly bearing in mind that both options for border access are on the books and the TAFTA outcomes will be chosen in preference.

Horticulture has heard reference to the retention of 'negotiating coin' in respect of certain unsatisfactory aspects of the AANZFTA outcomes in respect of Indonesia. Horticulture does not know whether this comment has substance. Clearly delaying liberalisation for the prospect of a second negotiation would not be supported by Australian industry over a stronger effort at liberalisation in the first place. On the other hand a second opportunity for negotiation would be welcome in the circumstances.

I11: What impact have rules of origin had on the liberalisation of merchandise trade actually achieved under different agreements?

In terms of primary horticulture at least, rules of origin are not pertinent where produce is literally 'home grown', excepting where there may be in place documentation requirements to identify primary produce origin.

I12: Is there any evidence that some provisions in trade agreements have in fact increased barriers to trade and commerce?

- In horticulture's experience it is observable that provisions in AANZFTA for example have been set at a higher protective level than either the local country rate or even the MFN rate at the time. The applied tariffs for mandarins, carrots, seed potatoes and a number of other horticulture items into Indonesia were agreed at significantly higher rates than the globally applied MFN rate. There seems little point in binding tariffs above the current MFN rate, particularly where the prospects of a significant increase in tariffs is remote. Fortunately this example is not an increased barrier to trade as exporters can continue to use the MFN rate, but it is a negotiated outcome which should be questioned and corrected.

Observation: Another finding of the JSCOT in response to horticulture submissions is that 'in future free trade agreements Australia should negotiate for the binding tariff rate to be the lower of either the rate at the time of binding, or the MFN tariff rate at the time the FTA comes into force'.

I13: Is there any evidence that trade agreements have prevented the development of new barriers to Australia's exports and investment in overseas markets?

It is claimed that there has been value in tariff outcomes under AANZFTA as the AANZFTA negotiated tariff rates are bound and therefore potentially advantageous where, should any ASEAN member increase its applied MFN rates in future, the rates for Australian exports would not move upwards. Currently at least, horticulture does not recognise any such real value, as the industry is unaware that any ASEAN member is planning to raise their applied rates.

I14: More generally, how has the nature and pace of trade and investment reform been influenced by the formation of trade agreements? Is there evidence that the formation of trade agreements has contributed to greater reform than could otherwise have been achieved?

The rush in recent years to bilateral and regional trade agreements, but not to multilateral agreements such as the Doha Round, appears to have outstripped the ability of 'architecture proponents' to propose and effect consolidation, rationalisation or redirection of efforts to ameliorate the ever growing 'hotch-potch' of international trade architecture. It is reasonable to

consider that bilateral and regional agreements more than ‘supplement’ multilateral trade negotiation efforts and should be supported for that reason alone. At least for some time, these agreements have been creating their own trade ‘architecture’ in the absence of outcomes elsewhere. It further seems reasonable to judge that these agreements have contributed to greater trade reform than would have been in place in their absence. Bilateral and regional agreements, where finalised and provided they include trade generating levels of access liberalisation, are expected to continue to contribute to trade generation.

I15 Are there examples of where Australian trade and businesses have been hampered by the introduction and operation of trade agreements that do not involve Australia as a party?

Observation: It is very clear that where Australia’s competitors negotiate a more liberal trade agreement with a market and Australia as a supplier to that market has no trade agreement in place or an agreement with less liberal terms, Australia is placed at a competitive disadvantage, potentially for a significant period of time.

- Australian negotiators of the AANZFTA were unable to achieve equal tariffs into the ASEAN to those faced by Chinese horticultural commodities that are basically nearly zero across the board under the ASEAN-China FTA for Chinese produce entering the major ASEAN 6 nations beyond 2010, if not earlier in most cases. Competition against China is difficult due to China’s generally advantageous cost of production structure and price to market. To disadvantage a range of Australian horticulture on a tariff basis against Chinese produce significantly disadvantages Australia’s future horticultural export performance to the ASEAN.
- Under the Thailand-New Zealand Agreement which came into force in July 2005 after the conclusion of TAFTA, Thailand granted superior tariff outcomes to New Zealand on 5 Thai horticultural tariffs lines, those for cherries, apples, carrots, cut flowers and kiwifruit, than those granted earlier by Thailand to Australia under TAFTA. These competitive disadvantages for Australia continue until the TAFTA tariff rates phase to zero.

Observation: It is difficult to see why Australia should not negotiate or re-negotiate that tariff outcomes should be at least equal to those granted by the negotiating country under its other FTAs, particularly where Australian produce is or may be less dominant in the market than produce of other suppliers.

I16: What impact have trade agreements had on competition in affected markets?

- As previously indicated, caution must be applied in definitively attributing market outcomes specifically to bilateral and regional agreement outcomes. However it could be reasonable to example the case of Australian and Chinese mandarin imports into Indonesia. On Indonesian figures the import market grew by 155% between 2002 and 2009. Australia’s share of the mandarin import market fell from 13% at its peak in 2002 to 2% in 2009. China’s share moved from 48% to 90% between the same years. During this period the tariff was removed on Chinese imports under the ASEAN-China FTA, but increased from 5% to 25% on Australian imports under Indonesia’s selective policy of ‘tariff harmonisation’ . The Australian citrus industry calculates that the value of trade lost through the continuance of

high tariffs on Australian mandarins is around A\$6 million annually. The high tariffs against Australian mandarins were not corrected by the AANZFTA outcomes.

I17: How have Australia's existing trade agreements impacted on Australia's productivity, international competitiveness, returns to investment, national income and employment? What are the strengths and weaknesses of assessment of such impacts?

In the case of horticulture, the ability to export adds greatly to the industry's economic performance and welfare. Higher value and additional markets can be accessed and returns improved. The impact on the domestic market is also favourable as product will not need to find its way onto local markets putting pressures on price and returns. In this sense access to export markets either through liberalised tariff and other border measures, or through new and improved phytosanitary access, is important and very much welcomed.

I18: What contribution can analysis of the features of an agreement make, for example against a checklist of best practices?

With respect to horticulture's focus on tariff and other border barrier elimination as a target under bilateral and regional agreements, horticulture believes that there are certain basic checks or measuring items which need to be taken into account. An example would be to consider the merit of an agreement, not solely by reference to the number of zero rated tariff lines achieved, but also by the likely value of tariff liberalisation on a trade weighted basis.

A common measure referenced by Australia and also internationally is the number of tariff lines with a zero tariff over a period of time. An analysis of this type for horticulture under existing bilateral and regional agreements is provided in **Table 4** in Appendix 1 which indicates liberalisation on the basis of the number of tariff lines 'zero rated'.

Observation: On the basis of full tariff liberalisation described as the percentage of tariff lines 'zero rated', horticulture has achieved full liberalisation into New Zealand, Singapore, Brunei and Chile under trade agreements to date. (However Chile is not an export market for Australian horticulture.) It will be essentially achieved into Thailand by 2015 under TAFTA, but curiously not under AANZFTA. It will be essentially achieved into Vietnam by 2020 under AANZFTA, and into the USA under AUSFTA essentially by 2025, and into Indonesia, Malaysia and the Philippines under AANZFTA essentially by 2025. It is notable that in all of these cases Australia's reciprocal tariff offer has been either total or almost total elimination of tariffs on entry into force of the agreement in each case.

Observation: As revealed by an analysis by HMAC of the tariff outcomes under AANZFTA for 8 of the 10 ASEAN countries, that is excluding Brunei and Singapore which have zero rated tariffs for horticulture across the board, of the 2,042 horticulture tariff lines into these 8 countries, 37% were zero tariff rated on entry into force, 50% involve phasing down to zero tariffs over time, 12% retain non-zero tariff lines, while 1% of lines are excluded from the agreement.

More so than the proportion of zero rated tariff lines, a superior measure which should be used to assess benefit of tariff liberalisation is a weighted measure which is the value of the tariff removed against the total of the value of trade by commodity lines for any particular year. This gives a more

realistic picture of 'benefit'. To be realised, the benefit will need to be 'captured' by the Australian industry, rather than other parties in the chain.

- In 2009 HMAC estimated, based on the level of total Australian horticultural exports in 2007/08 into ASEAN of A\$164.3million, that the trade weighted value of total tariff removal by the ASEAN countries under AANZFTA would be around A\$7.7 million annually. In comparison the actual AANZFTA outcomes on the same export profile and horticultural tariff outcomes is estimated to achieve only 40% in 2010 rising to 60% in 2020 of an optimal (zero) tariff liberalisation outcome. The difference is accounted by the speed with which tariffs are reduced to zero over time, lines which are excluded from the agreement and lines where a greater than zero tariff continues to apply at the furthest points of the schedule.

I19: What foreign policy, strategic and other non-economic objectives have Australia's trade agreements sought to achieve?

Knowledge of non-economic objectives may not be fully conveyed or available to industry. In general terms, increasing trade will enhance welfare and bilateral and regional agreements have this economic objective. They may also have foreign policy, strategic and other non-economic objectives or implications. From an exporting industry's perspective, it is perhaps desirable that the trade objectives of bilateral and regional agreements be confirmed as primary to the exercise, lest the non-economic implications and objectives override, ignore or downplay this basic goal.

I20: To what extent can trade agreements support structural and governance reforms within participating economies? How might this potential be achieved? Is there evidence that agreements to date have contributed to reform and to beneficial economic outcomes with participating economies?

In cases, bilateral and regional agreements may support structural and governance reforms within participating economies, for example as a result of perceived requirements by a participating country for change in their trade profile and growth of their trade. While Australian agriculture has in certain cases supported trade liberalisation as encouraging partner country agricultural reforms, the primary movers of agricultural reform appear to be internal developments, influences and drivers within the partner country itself.

I21: What role should trade agreements play in supporting international trading system and the WTO?

Bilateral and regional agreements play a role in supporting the international trading system by being a growing part of the international trading system. The system will evolve, including when and as bilateral and regional trade agreements themselves evolve and particularly as long as multi-lateral agreements fail to achieve greater significance and prominence.

I22: Are trade agreements useful as 'test beds' for liberalisation strategies in areas not now covered by the WTO? What are the priority areas for such testing and how may they prepare the WTO membership for an eventually expanded agenda?

I23: What role should comprehensive trade agreements play in achieving Australia’s foreign policy objectives and other non-trade related objectives such as influencing labour and environmental standards in partner countries? What are the advantages and disadvantages of using trade as the vehicle for achieving such objectives? Would alternative mechanisms achieve these objectives more effectively and efficiently?

Regarding the above two issues, the growing agenda for bilateral and regional agreements, particularly the inclusion of issues ‘beyond trade’, needs to be accommodated and handled with extreme caution. New and even lengthier agenda probably do not bode well for bilateral and regional agreements in terms of negotiating outcomes and timelines to finalisation. Rather, many topics may preferably be ‘hived off’ from the trade agenda, just as phytosanitary access is handled under separate WTO provisions to these agreements. Quite possibly topic specific alternative mechanisms would also achieve objectives in these areas more effectively and efficiently.

I24: To what extent are trade agreements suited to tackling trade and investment barriers? How is this affected by the growth in the number of such agreements, many with different provisions, between other countries?

Bilateral and regional trade agreements provide a major vehicle and opportunity for considering and handling trade barriers to varying degrees. In comparison the ability of the current multi-lateral Doha negotiations to do the same will be judged by realised outcomes. The Round is hampered by the large number of parties to current negotiations, holding multiple and differing agendas, as well as by other factors such as inadequate political will and reluctance to compromise. Importantly, multi-lateral negotiations under Doha should be the major vehicle to resolve or ameliorate certain important trade barriers, such as domestic support subsidies, particularly where such issues are essentially or preferably multi-lateral for resolution.

I25: Does the evolving web of trade agreements, entered into by trading partners, mean that Australian businesses would effectively face significant trade discrimination in many other markets if the Australian government were not to pursue trade agreements? What would the consequences of such discrimination be for Australia’s trade and economic performance?

Horticulture agrees that the alternative to no or inferior bilateral and regional agreements will be significant trade discrimination in certain cases against Australian horticultural exports.

Consequences of such discrimination can be significant and costly in many cases.

- The competitive tariff position for Australian nuts such as almonds, walnuts, pistachios and macadamias, in comparison with its major competitors such as the USA, is of considerable potential significance, which should be a target for Australian FTAs currently under negotiation with China, Japan, Korea and the GCC.
- As a major competitor with global horticultural exports more than four times those of Australia, Chile is also well ahead of Australia in negotiating bilateral and regional agreements. While both Australia and Chile have an FTA with the USA, Chile also has FTAs in place with China, India, Japan, the EC and Korea.

I26: What are the relative advantages and disadvantages of alternative approaches in addressing trade and investment barriers? For example, are there any particular merits or drawbacks in: a)

framework agreements that set a future agenda for cooperation; or b) more focussed sector-specific agreements?

Australian governments have pursued 'high quality and comprehensive' agreements as a national trade goal. This is less the case with many other of Australia's trading partners. The pursuit of 'comprehensive' agreements will reach a natural barrier to speedy achievable outcomes as more easily negotiated trade agreements are completed with countries of similar free trade philosophy. Further agreements will depend on successful negotiations with trading partners who in many respects do not share a strong philosophy of 'comprehensive' liberalisation, particularly in agriculture. Such partners are proceeding to negotiate 'agreements', however named, which effectively liberalise parts of their trading regime but not others. A risk to Australia and to an industry such as horticulture, which is often a less contentious or sensitive an area of agriculture than others, is that a less competitive situation of supplying certain markets through MFN tariff rates will continue to apply until such time as an agreement between Australia and the partner country is finalised.

- China's competitiveness within markets of the ASEAN has been greatly aided by the China-ASEAN FTA. This agreement is described by a Framework Agreement for Comprehensive Cooperation between China and the ASEAN signed in November 2002 and a Protocol of Amendment signed in November 2004. The Framework Agreement includes a so-called 'Early Harvest Program' with short term tariff reduction and elimination schedules, which covers all produces, unless otherwise specific, under HS categories 01 to 08, that is including the 'horticulture' primary produce categories 06, 07 and 08.
- Japan has a perhaps surprising number of agreements either concluded or under negotiation, 15 in all, which may not meet a description of 'high quality and comprehensive'. However in terms of horticulture, these agreements do often allow for reduction and elimination of certain Japanese horticultural tariffs, in other words giving Japan's suppliers under these agreements a competitive advantage on tariffs over countries such as Australia who have yet to negotiate a liberalisation agreement with Japan.

I27: Are there alternative or additional strategies and design principles that should be adopted to ensure that any future trade agreements deliver the maximum economic and other benefits for the Australian community?

I28: Would there be benefits if Australia adopted a different, lower ambition, template for its negotiations with some countries? Could agreements be issue or sector specific instead of attempting to be comprehensive?

I29: Should Australia adopt a phased approach to negotiating trade agreements instead of attempting to finalise a comprehensive agreement as a pre-condition for it entering into force?

Regarding the above three issues, serious consideration should be given by Australia to negotiating agreements which allow for part liberalisation quite possibly in specific sectors as initial outcomes, albeit perhaps within a framework which maintains a philosophy of fuller or comprehensive liberalisation in due course.

I30: If so, what would these entail? For example should they provide criteria for determining appropriate partners with which to negotiate agreements, as well as desirable forms of agreements?

The existing government criteria for determining appropriate partners for bilateral and regional agreements are unknown. To appearances it would seem that, perhaps with an exception on the side of building 'regional architecture', any existing criteria are essentially based on identifying Australia's major bilateral or regional trading partners as negotiating partners. As described earlier for horticulture, many of these partners are already covered by agreements either in place, under negotiation or in study. A major exception from a horticulture perspective, which should be corrected, is the lack of negotiations with the EU. The EU 15 for example imported Australian horticultural products to the value of A\$125 million in 2009, or 11% of Australia's global horticultural exports. For Australia to conclude bilateral agreements with the current range of countries where negotiations or studies are in place, will require significant focus and work. Beyond the current range of countries there may be other opportunities with some key remaining markets such as Taiwan, in this case should politics of the situation allow. To date Taiwan has not entered into bilateral and regional liberalisation agreements. In all cases the focus of new trade agreements should be trade generation. New and additional areas may be better sidelined or hived off elsewhere.

I31: How do Australia's trade agreements compare with those negotiated by other countries? What are the relative strengths and weaknesses?

An observed weakness is considered by horticulture to be a stronger than desirable proclivity by Australia to concede special and differential treatment to developing countries. DFAT has argued that one of the key principles in negotiating FTAs is to take account of the differences in levels of development of the countries involved. In DFAT's view, this principle 'dictates that countries less developed than Australia should be given a longer period of time to transition to lower tariffs'. The Department argues, pointing to the difference between the number of zero tariff lines prior to a FTA and the larger proportion of 'zero rated' tariff lines at different points in the time profile of tariff reductions, that the (apparent differences in)speed of liberalisation between Australian and the ASEAN countries is more apparent than real. The same philosophy in favour of differential treatment appears held by developing countries and lies behind the principle of 'special and differential treatment' for developing countries which is a major feature of the Doha Round.

Many developing countries attempt to foster and grow their horticulture industry, consistent with geographic, soil and climatic conditions, as well as competitive cost structures and other favourable endowments. On the other hand, despite being efficient and generally best practise, the Australian industry nevertheless maintains a higher cost structure than those of developing countries in horticulture. This impacts Australia's performance under competition and market penetration ability.

Observation: To doubly disadvantage Australian horticulture by agreeing to the maintenance of often high or higher tariffs in our export markets through bilateral and regional agreements seems neither in Australia's interests nor reasonable in the circumstances. It is a disadvantage which the Australian negotiators need to more effectively address.

I 32: What are the key strengths and weaknesses of existing trade agreement negotiating processes?

It is evident that trade negotiations are complex and likely to require an in-depth understanding by the negotiators of a large number of industry situations and influencing factors. It is desirable to formalise and maximise interchange and dialogue between the relevant government departments and industry throughout the entire process, so that knowledgeable and effective positions can be developed and negotiated on behalf of industry and trading partner 'sensitivities' can be more effectively faced.

I33: Is the process for determining prospective partners for possible trade agreements with Australia appropriate? Are there ways that the current approach to prioritising and sequencing of negotiations could be enhanced so as to deliver greater net benefits for Australia? Can feasibility studies be improved, and how might this be done? For example is there scope to improve the economic and strategic analysis of the likely gains and costs of a trade agreement?

The process for determining prospective partners for possible trade agreements is unclear. However it is important that there is a pre-decision process which gives a chance for industry to present initial views prior to government decision to proceed to negotiations. For example horticulture views that the Australia-Chile FTA did not follow such a process.

Observation: In October 2008 the JSCOT , in their review of the HMAc and other horticulture industry submissions on the Australia-Chile FTA, recommended that 'the government, before commencing negotiations for any future trade agreement, should table in parliament a document setting out its priorities and objectives. The document should include an independent assessment of the costs and benefits. Such assessments should consider the economic, regional, social, cultural, regulatory and environmental impacts which are expected to arise.'

Feasibility studies do not seem to penetrate to the heart of industry concerns and situations. It may be unreasonable to expect them to do so, as many issues become evident during the course of the negotiations. Feasibility studies may need to bring to greater prominence the rationale for and against choice of partner country for a trade negotiation.

I34: Are agreements taking too long to negotiate and, if so, how can the process be streamlined or expedited? Can the protracted negotiations be counter-productive to fostering greater economic cooperation and integration? What existing processes or mechanisms exist to deal with the extend delays in negotiations? Would there be advantages in including exit clauses in agreements to negotiate, in order to provide a mechanism for the suspension or termination of negotiations where the process is not meeting expectations? What other approaches should be considered?

With regard to currently outstanding negotiations, negotiations under the Doha Round are presently in their 9th year, having commenced in 2001. Its predecessor the Uruguay Round took 8 years to complete. FTAs under negotiation include those with China (negotiations started May 2005), Japan (April 2007), Malaysia (May 2005), the GCC (July 2007) and Korea (March 2009). Studies on a FTA with Indonesia and India both commenced in August 2007. The former study has been completed although no date as yet announced for commencement of negotiations.

The length of negotiations may be improved by adoption of a 'less than comprehensive' approach, while still allowing for 'comprehensiveness' in time, as previously suggested in this submission. Another approach to improve outcomes would be stronger use of the arrangements for 'post-conclusion dialogue' with the agreement partner country. Such arrangements exist in most agreements but appear to be underutilised.

I35: Are the resources including in terms of the quantum and quality/skills) currently committed by government departments and agencies to the negotiation, implementation, maintenance and review tasks adequate?

Horticulture views that, considering the potential for liberalisation to support trade generation contained under these agreements, government resources are inadequate, and indeed have been disappointingly reduced in recent times. Where many negotiations are lengthy, it would also appear that departmental staff changes are unavoidable with corresponding loss of experience and understanding to the negotiations until new appointees become up to date.

I36: Is the type, extent and timing of consultation with business appropriate? If not, how could consultation processes be improved? Would there be benefits in a more formalised and structured approach to consultation?

Horticulture views that an additional more formal, industry specific approach to industry dialogue in context of bilateral and regional trade agreements is desirable. The department usually goes to much effort to dialogue with stakeholders as groups which should continue. Extra effort however is needed in specific industry dialogue covering, in the case of horticulture, both DFAT and DAFF. This should happen prior, post and if possible in some instances also during negotiations.

I37: Are existing processes for the ex post review of agreements sufficient? Is there a need for a more rigorous evaluation of costs and benefits? What can be done to improve processes for identifying successes and other outcomes, including those that may be less tangible or difficult to attribute to the existence of a trade agreement?

Government historically appears to focus on the achievement of a few outcomes under agreements which can be useful for communication purposes. Evaluation of precise cost and benefits resulting from agreements can be difficult to assess in context of other influencing factors, but should be attempted and with objectivity. Dialogue with industry on outcomes prior, during and post negotiations needs to be stronger. Greater use needs to be made of arrangements with partner countries already provided under agreements to, where necessary, further improve outcomes in a timely manner.

6. Enquiries

Please refer any enquiries regarding this submission to Stephen Winter on tel 03.98320787 or email to stephen.winter@etower.com.au.

Office of Horticultural Market Access
9 March 2010

Attachments:

Attachment 1- Supporting Tables to the Submission

Attachment 2- Summary of Selective Tariff Outcomes by Agreement

Attachment 3- Terms of Reference for the Productivity Commission Study

Attachment 1: Supporting Tables to the Submission

Notes: In the following tables

*1: Horticultural exports are defined as all lines under codes HS06; 07 except 0713; 08 and 20.

*2 Export figures here include the ASEAN participants in AANZFTA- Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

*3 Gulf Cooperation Council countries comprise Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

*4 The Pacific Agreement on Closer Economic Relations (PACER) Plus negotiations are with the following Pacific Island Forum countries- the Cook Islands, the Federated States of Micronesia, Kiribati, Niue, Palau, Papua New Guinea, Marshall Islands, Solomon islands, Tonga, Tuvalu and Vanuatu.

*5 The Trans-Pacific Partnership (TPP) Agreement will expand on the Current Trans-Pacific Strategic Economic Partnership Agreement between Brunei, Chile, New Zealand and Singapore that entered into force in 2006. Australia, the USA, Peru and Vietnam will join the TPP negotiation.

*6 In these tables, the following abbreviations apply:

AANZFTA	ASEAN-Australia-New Zealand FTA
ANZCERTA	Australia-New Zealand Closer Economic Relations Trade Agreement
AUSFTA	Australia-United States FTA
GCC	Gulf Cooperation Council
PACER Plus	Pacific Agreement on Closer Economic Relations (PACER) Plus
SAFTA	Singapore-Australia FTA
TAFTA	Thailand-Australia FTA
TPP Agreement	Trans-Pacific Partnership Agreement

Table 1: Australian Horticultural Export Markets by Trade Agreement Status with Australia

Aust Hort Export Market	Country Ranking	2009 Hort Exports to Market (A\$M)	2009 Share Total Markets (%)	Trade Agreement Status with Export Market
Global Exports		1,167.8	100.0	
Top Markets:				
Hong Kong	1	152.2	13.0	Open market
New Zealand	2	151.7	13.0	ANZCERTA effective 1983
Japan	3	115.9	9.9	Negotiations for FTA underway
USA	4	81.7	7.0	AUSFTA effective 2005
Singapore	5	75.0	6.4	SAFTA effective 2003, AANZFTA effective 2010
UAE	6	67.8	5.8	FTA GCC Negotiations underway
India	7	63.3	5.2	FTA Feasibility Study
Malaysia	8	51.4	4.4	AANZFTA effective 2010 Malaysia FTA Negotiations underway
Indonesia	9	48.9	4.2	AANZFTA effective 2010 FTA Feasibility Study completed
Thailand	10	41.3	3.5	TAFTA effective 2005 AANZFTA effective 2010
Some Others:				
Taiwan	14	18.2	1.6	
China	17	14.8	1.3	FTA Negotiations underway
Korea	24	7.5	0.6	FTA Negotiations underway
Chile	N/a	0	0	FTA effective 2009
Groupings:				
ASEAN (10)		241.2	20.7	AANZFTA effective 2010
GCC (6)		99.6	8.5	FTA Negotiations underway
PACER (11)		9.8	0.8	Negotiations underway
TPP (assuming 6)		327.3	28.0	Negotiations shortly underway
EU (15)		124.6	10.6	No negotiations as yet

Notes:

- Horticulture is here defined as all lines under HS06, 07 excepting 0713, 08 and 20.
- Value of export figures in column 3 or market shares in column 4 is not additive as ASEAN, the GCC and the TPP figures include exports already identified in individual country lines elsewhere in the table.

Table 2: Number of Country Trade (Goods) Agreements*1 in Effect or in Negotiation by Australian Horticultural Export Markets

Aust Hort Export Market	2009 Hort Exports to Market (A\$M)	No. goods agreements In effect	List of agreements in force	No. goods agreements In negotiation	List of agreements in negotiation
Global Exports	1,167.8				
Top Markets:					
Hong Kong	152.2	1	China	1	EFTA
New Zealand	151.7	6	Australia, China, Singapore, South-Pacific, Thailand, Trans-Pacific	1	ASEAN/Australia/NZ
Japan	115.9	11	ASEAN, Brunei, Chile, Indonesia, Malaysia, Mexico, Philippines, Singapore, Switzerland, Thailand, Vietnam	4	Australia, GCC, India, Korea
USA	81.7	11	Dominican Rep/Central America, North America, Australia, Bahrain, Chile, Israel, Jordan, Morocco, Oman, Peru, Singapore	2	Korea, Panama
Singapore	75.0	16	ASEAN/China, ASEAN/Japan, ASEAN, China, EFTA, GSTP, India, Japan, Jordan, Korea, NZ, Panama, Peru, Australia,	4	ASEAN/Australia/NZ, Canada, Korea, Ukraine

			Trans-Pacific, US		
UAE	67.8	2	GCC, Pan-Arab	2	GCC/Australia, GCC/Japan
India	63.3	8	Asia-Pacific, Chile, GSTP, Bhutan, Singapore, Sri Lanka, South-Asia, South Asian Preferential	5	BIMSTEC, EC, EFTA, Japan, Korea
Malaysia	51.4	6	ASEAN/China, ASEAN/Japan, ASEAN, GSTP, Japan, Pakistan	3	ASEAN/Australia/NZ, ASEAN/Korea, Australia
Indonesia	48.9	5	ASEAN/China, ASEAN/Japan, ASEAN, GSTP, Japan	2	ASEAN/Australia/NZ, ASEAN/Korea
Thailand	41.3	8	ASEAN/China, ASEAN/Japan, ASEAN, GSTP, Japan, Laos, Australia, NZ	3	ASEAN/Australia/NZ, BIMSTEC, ASEAN/Korea
Some Others:					
Taiwan	18.2	2	Nicaragua, Panama	0	
China	14.8 *2	8	ASEAN, Asia-Pacific, Chile, Hong Kong, Macao, NZ, Singapore, Pakistan	2	Australia, Norway
Korea	7.5	6	Asia-Pacific, EFTA, GSTP, Chile, Singapore, PTN	7	US, Japan, ASEAN, Canada, EC, India, Mexico
Chile	0	18	Australia, Canada, China, Columbia, Costa Rica, El Salvador, India, Japan, Mexico, EC, EFTA, GSTP, Korea, LAIA, Panama, PTN, Trans-Pacific, US	0	
Groupings:					
ASEAN (10)	241.2	N/a	No notifications	N/a	No notifications
GCC (6)	99.6	N/a	No notifications	N/a	No notifications
PACER (11)	9.8	N/a	No notifications	N/a	No notifications
TPP (assuming 6)	311.5	N/a	No notifications	N/a	No notifications
EC (27)		28	Albania, Algeria, Andorra, Bosnia/Herzegovina, Cameroon, CARIFORUM, Chile, Cote d'Ivoire, Croatia, Egypt, Faroe Is., Macedonia, Iceland, Israel, Jordan, Lebanon, Mexico, Montenegro, Morocco, Norway, OCT, South Africa, Switzerland/Liechtenstein, Syria, Tunisia, Turkey, EC, EEA	3	India, Ukraine, Korea

Notes:

*1As reported to WTO. AANZFTA is not yet reported as in effect in several cases

*2 Direct Australian exports only

Table 3: Australian Horticultural*1 Exports to Trading Partners under Trade Agreements in Force

FTA	Effective Date	Prior Year to Effective Date	Prior Year Hort Exports to FTA Partner (A\$M)	2009 Hort Exports to FTA Partner (A\$M)	% Change between Prior Year and 2009
Australia-New Zealand (ANZCERTA)	1/1/83	1982	N/a	151.2	N/a
Singapore -Aust (SAFTA)	28/7/03	2002	112.0	75.0	- 33.0
Thailand -Aust (TAFTA)	1/1/05	2004	14.2	41.3	+ 190.9
Australia- USA (AUSFTA)	1/1/05	2004	95.5	81.7	- 14.4
Australia-Chile	6/3/09	2008	0.3	0	- 100.0
ASEAN-NZ-Aust	1/1/10	2009	241.2*2	241.2 *2	N/a

(AANZFTA)					
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Notes:

*1. Horticultural exports are here defined as all lines under codes HS06, 07 except 0713, 08 and 20

*2. Australian exports to ASEAN 10 only

Table 4: Tariff Elimination Profile for Australia's Trade Agreements

Agreement	Year in effect	Number country hort tariff lines	% Zero tariff lines 2005	% Zero tariff lines 2010	% Zero tariff lines 2015	% Zero tariff lines 2020	% Zero tariff lines 2025
SAFTA	2003	247	100	100	100	100	100
TAFTA	2005	178	28	96	99	99	99
AUSFTA	2005	472	60	77	90	92	99
Chile FTA	2009	308	0*2	100	100	100	100
AANZFTA*1:							
Brunei	2010	247	100*2	100	100	100	100
Indonesia	2010	252	3*2	80	85	88	94
Malaysia	2010	345	47*2	84	93	94	94
Philippines	2010	246	0*2	23	91	95	95
Singapore	2010	247	100	100	100	100	100
Thailand	2010	184	0*2	27	91	94	94
Vietnam	2010	243	9*2	9	9	99	99

Notes:

*1 More developed ASEAN economies only listed here, and assuming these countries all ratify in 2010

*2 MFN rates, prior to FTA

Attachment 2: Summary of Selective Tariff Outcomes by Agreement

Note that commodities listed below for each Australian export market are major exports in 2009 in descending order of value. 'AVE' is 'ad valorem equivalent' to a specific unit and currency rate eg. Baht/kg. 'P/P' is 'prepared/preserved'.

1. Singapore-Australia FTA (SAFTA)- entry into force 2003

All	Tariff at 0% at entry into force
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2. Thailand-Australia FTA (TAFTA)- entry into force 2005

Table Grapes	33% tariff (ave) phased to 0% plus special safeguards to 2015
Cherries	42% tariff (ave)phased to 0% by 2010
Avocados	42% tariff (ave) eliminated on entry into force
Macadamias	10% tariff (ave)phased to 0% by 2009
Potatoes, seed	Very small TRQ with increase, Aust. share & reducing IQ tariffs, applies to 2020
Oranges	33% tariff (ave) phased to 0% by 2010
Almonds shelled	10% tariff (ave)phased to 0% by 2009
Mandarins	42% tariff (ave)phased to 0% plus special safeguards by 2015
Carrots & turnips	42% tariff (ave) phased to 0% by 2010
Vegetables nesoi	42% tariff phased to 0% by 2010

3. Australia-US FTA (AUSFTA)- entry into force 2005

Oranges	1.9 cents/kg eliminated on entry into force
Macadamias	5 cents/kg eliminated on entry into force
Nuts, seeds, mixtures	17.9% phased to zero by 2009
Mandarins	1.9 cents/kg eliminated on entry into force
Ginger, pres by sugar	2.4% eliminated on entry into force
Prop. native flowers	6.4% eliminated on entry into force
Prop.cut wax flowers	6.4% eliminated on entry into force
Other citrus	0.8% eliminated on entry into force
Tomatoes, preserved	12.5% phased to zero by 2023
Pecan nuts	17.6 cents/kg phased to zero by 2009
Fruit pres. by sugar	8% phased to zero by 2009

4. Australia-Chile FTA- entry into force 2009

All	6% tariff at 0% at entry into force
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5. Australia-ASEAN-New Zealand FTA (AANZFTA)- entry into force 2010

Notes:

- Only the 7 major ASEAN nations are covered here. AANZFTA also covers Cambodia, Laos and Myanmar.
- Where tariffs outside of AANZFTA are superior to those under AANZFTA, they are advised in the notes under each commodity. The tariff rate applied will be the lowest available rate.
- All AANZFTA negotiated tariff rates are bound.

5.1 Brunei

All	Tariff bound at 0% at entry into force
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5.2 Indonesia

Table grapes	5% tariff eliminated in 2010
Mandarins	25% tariff reduces to 18.75% in one step in 2025*1
Potatoes, seed	0% tariff bound at entry into force
Oranges	5% tariff eliminated in 2010
Potatoes, non-seed	25% tariff reduces to 18.75% in one step in 2025*1
Mixtures of juices	5% tariff phased to 0% by 2020
Apples	5% tariff eliminated in 2010
Vegetables fresh, nes	5% tariff phased to 0% by 2010
Head lettuce	5% tariff reduced to 4% in 2015 & thereafter retained
Pears	5% tariff eliminated in 2010

Note: *1 The 2010 MFN tariff rate of 10% is superior

5.3 Malaysia

Oranges	0% tariff bound at entry into force
Table grapes	5% tariff phased to 0% by 2010
Carrots & turnips	0% tariff bound at entry into force
Fruit mixtures, p/p	0% tariff on entry into force
Potatoes	0% tariff bound at entry into force, seed & non-seed
Mixtures of juices	10% tariff phased to 0% by 2011
Mandarins	5% tariff phased to 0% by 2010
Vegetables fresh, nes	0% tariff bound at entry into force
Macadamias	0% tariff bound at entry into force
Onions & shallots	0% tariff bound at entry into force

5.4 Philippines

Mixtures of juices	10% tariff phased to 0% by 2012
Potatoes, seed	1% tariff eliminated on entry into force
Potatoes, non-seed	40% tariff reduced to 32% in one step in 2020
Strawberries	15% tariff phased to 0% by 2013
Fruit mixtures p/p	10% tariff phased to 0% by 2012
Fruits & nuts frozen	7% tariff phased to 0% by 2011
Peaches/nect. p/p	7% tariff phased to 0% by 2011
Raspberries	7% tariff phased to 0% by 2011
Apple juice, brix =<20	7% tariff phased to 0% by 2011
Orange juice nes	1% tariff bound at 0% on entry into force

5.5 Singapore

All	Tariff bound at 0% at entry into force
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5.6 Thailand

Table Grapes	30% tariff eliminated in 2020*1
Cherries	40% tariff phased to 0% by 2013*2
Avocados	Tariff bound at 0% on entry into force (MFN 40%)
Macadamias	Tariff bound at 0% on entry into force (MFN 10%)
Potatoes, seed	Potatoes including seed excluded from tariff commitments*3
Oranges	30% tariff phased to 0% by 2013*2
Almonds shelled	Tariff bound at 0% on entry into force (MFN 10%)
Mandarins	40% tariff eliminated in 2020*1

Carrots & turnips	40% tariff phased to 0% by 2013
Vegetables nesoi	40% tariff phased to 0% by 2013

Notes:

*1 Zero under TAFTA in 2015 in any case. The Special Safeguard remains until removal in 2015.

*2 Zero under TAFTA in 2010 in any case.

*3 Potatoes will retain the current TAFTA TRQ arrangements

5.7 Vietnam

Table grapes	25% tariff phased to 0% by 2016
Grape juice, nes	40% tariff phased to 0% by 2020
Nuts , other	40% tariff phased to 0% by 2020
Walnuts in shell	40% tariff phased to 0% by 2020
Potatoes, seed	0% tariff bound at entry into force
Mixtures of juices	40% tariff phased to 0% by 2020
Cherries	40% tariff phased to 0% by 2016
Macadamias	40% tariff phased to 0% by 2020
Oranges	40% tariff phased to 0% by 2020
Peaches & nectarines	40% tariff phased to 0% by 2018

Attachment 3: Terms of Reference for the Productivity Commission Study

The Commission is requested to:

- Examine the evidence that bilateral and regional trade agreements have contributed to a reduction in trade and investment barriers. Consider also to what extent such agreements are suited to tackling such barriers, including in the context of proliferation of such agreements between other countries;
- Examine the evidence that bilateral and regional trade agreements have safeguarded against the introduction of new barriers. Consider also the potential for trade discrimination against Australian businesses without full engagement in the evolving network of bilateral and regional agreements;
- Consider the role of bilateral and regional trade agreements in lending support to the international trading system and the World Trade Organisation;
- Analyse the potential for trade agreements to facilitate adjustment to global economic developments and to promote regional integration;
- Assess the impact of bilateral and regional agreements on Australia's trade and economic performance, in particular any impact on trade flows, unilateral reform, behind-the-border barriers, investment returns and productivity growth;
- Assess the scope for Australia's trade agreements to reduce trade and investment barriers of trading partners or to promote structural reform and productivity growth in partner countries. Consider alternative options for promoting productivity improving reform in partner countries; and
- Assess the scope for agreements to evolve over time to deliver further benefits, including through review provisions and built-in agenda.