



# Australia-EU agricultural trade What are the issues?



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# Outline of presentation

- Existing barriers to agricultural trade
- The European Union's negotiation strategy in its concluded FTAs
- The potential application of EU recent FTA strategies to bilateral negotiations

# Major trade related challenges and issues

Tariff protection in Australia and the EU, average MFN tariff rates (%) in 2014

Most-favoured-nation (MFN) tariff structure (%) in 2014	Australia	The European Union
Simple average MFN	3	6.4
Simple average MFN on agricultural product	1.4	14.4
Simple average MFN on manufactured product	3.3	4.3
Duty-free MFN tariff lines	46.2	25.1
Tariff quotas (% of all tariff lines)	0.1	5
Non-ad valorem tariffs (% of all tariff lines)	0.3	10.6

*Source: Own compilation based on Australia and the EU WTO World Tariff Profiles 2015*

# Existing barriers to agricultural trade: tariffs

The EU summary statistics of most-favoured-nation tariffs for agricultural products, 2014

	Number of lines	Simple average (%)	Tariff range (%)	Share of duty-free lines (%)	Share of non-ad valorem tariffs (%)
WTO agricultural products	2,069	14.4	0-635.4	19.2	46.5
Animals and products thereof	351	20.2	0-288.9	15.1	68.7
Dairy products	152	36.1	1-635.4	0	98.7
Fruit, vegetables and plants	503	13.1	0-183.5	11.9	17.1
Coffee and tea, cocoa and cocoa preparations	47	12.5	0-65.2	14.9	51.1
Cereals and preparations	230	15.7	0-75.8	8.7	80
Oil seeds, fats, oil and their products	174	6.4	0-117.1	35.6	6.9
Sugars and confectionary	44	25.7	0-119.7	4.5	88.6
Beverages, spirits and tobacco	303	13.6	0-116.2	18.2	55.8
Cotton	6	0	0	100	0
Other agricultural products	259	5.2	0-85.8	51	22

Source: WTO (2015) Trade Policy Review. Report of the Secretariat. European Union WT/TPR/S/317.

# Existing barriers to agricultural trade: tariffs

## The European Union's tariffs on dairy products

Harmonised system (HS) tariff code	Description	Most-favoured-nation tariff
0401	Liquid milk and cream	From €12.9 per 100kg net up to €183.7 per 100kg net depending on tariff line
0402	Skim milk powder and whole milk powder	From €1.19 per kg + €21 per 100kg up to €183.7 per 100kg net depending on tariff line
0404	Whey	From €7 per 100kg up to €167.2 per 100kg depending on tariff line
0405	Butter	€189.6 per 100kg
0406	Cheese	From €140.9 per 100kg to €221.2 per 100kg
1702	Lactose	€14 per 100kg

Source: WTO (2015) Trade Policy Review. Report of the Source: European Union (2017). TARIC database.

Retrieved from [http://ec.europa.eu/taxation\\_customs/dds2/taric/taric\\_consultation.jsp?Lang=en](http://ec.europa.eu/taxation_customs/dds2/taric/taric_consultation.jsp?Lang=en). European Union WT/TPR/S/317.



# Existing barriers to agricultural trade: tariff quotas

European Union's share of quotas in total number of lines of most-favoured-nation tariff for 2013

	Share of quotas (%)
WTO agricultural products	19.2
Animals and products thereof	35.3
Dairy products	31.6
Fruit, vegetables and plants	13
Coffee and tea, cocoa and cocoa preparations	42.6
Cereals and preparations	28.7
Oil seeds, fats, oil and their products	0.0
Sugars and confectionary	22.7
Beverages, spirits and tobacco	14.2
Other agricultural products	7.7

*Source: WTO (2013) Trade Policy Review. Report of the Secretariat. European Union WT/TPR/S/284.*

# Existing barriers to agricultural trade: tariff quotas

## The European Union tariff rate quota for Australian beef

Specification	Australia's specific tariff rate quota (tonnes)	In-quota tariff
High-quality beef	7,150	20%

## The European Union most-favoured-nation tariff rate quotas for beef

Specification	Most-favoured-nation quotas (tonnes)	In-quota tariff
Frozen beef	53,000	20%
Processing beef (of bone-in equivalent of frozen beef intended for processing in the EU)	63,703	A products: 20% B products: 20% + (€994.5 – €2,138.4 per tonne)
Grain-finished high-quality beef	48,200 (quota is allocated to eligible product as it arrives at the port of entry, i.e. a first come/first served basis)	0%

*Source: Commission Implementing Regulation (EU) No 593/2013 of 21 June 2013 opening and providing for the administration of tariff quotas for high-quality fresh, chilled and frozen beef and for frozen buffalo meat [2013] OJ L 170.*

# Existing barriers to bilateral trade: tariff quotas

## The European Union tariff rate quotas for Australian cheese

Specification	Australia's specific tariff rate quota (tonnes)	In-quota tariff
Cheese for processing	500	€17.06 per 100 kilograms
Whole cheddar cheeses	3,171	€17.06 per 100 kilograms

### Cheddar cheese must fit the following description:

“Whole Cheddar cheeses (of the conventional flat cylindrical shape of a net weight of not less than 33 kilograms but not more than 44 kilograms and cheeses in cubic blocks or in parallelepiped shape, of a net weight of 10 kilograms or more) of a fat content of 50 percent or more by weight in the dry matter, matured for at least three months.”

*Source: Commission Regulation (EU) No 1006/2011 of 27 September 2011 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff.*



# Existing barriers to agricultural trade: tariff quotas

## The European Union tariff rate quota for Australian lamb

Specification	Australia's specific tariff rate quota (tonnes)	In-quota tariff
Sheepmeat and goatmeat	19,186	0%

*Source: Commission Implementing Regulation (EU) No 1354/2011 of 20 December 2011 opening annual Union tariff quotas for sheep, goats, sheepmeat and goatmeat [2011] L 338/36*

## The European Union tariff rate quotas for Australian sugar

Specification	Australia's specific tariff rate quota (tonnes)	In-quota tariff
Raw cane sugar	9,925	€98 per tonne

*Source: Commission Regulation (EU) No 1006/2011 of 27 September 2011 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff.*

# The EU's negotiation strategy in its concluded FTAs

- The EU has a number of preferential trade agreements, however, not all of them are FTAs.
- The part of my research analysed **how protectionist measures** on agricultural products have been **eliminated** under the **EU's** concluded **FTAs** with **South Africa, Mexico, Chile and South Korea** and **Canada**.
- **Aim** was to outline **challenges and obstacles** faced in formulating an **FTA** with the EU which will assist in identifying **the EU's position** during future FTA negotiations.
- **Focus was** on liberalisation schedules of **particular agricultural products**: beef and sheep meat, milk and cream, butter and dairy spreads, cheese and curd, kiwifruit and wine.
- **Outcome** of the research is to identify if there is **a relationship** between the **trade patterns** and the **liberalisation** of certain agricultural products within the EU's FTAs.

# The EU's negotiation strategy in its concluded FTAs

The EU FTA tariff elimination schedules for agricultural products

FTA partner	Beef meat	Sheep meat	Dairy products	Kiwifruit	Wine
<b>South Africa (2000)</b>	Provisionally excluded	10 years	Excluded	10 years	10 years
<b>Mexico (2000)</b>	Provisionally excluded	10 years	Excluded	10 years	3 years
<b>Chile (2003)</b>	Duty-free tariff quota	Duty-free tariff quota	✓ Duty-free TQ Cheese	7 years	4-10 years
<b>South Korea (2011)</b>	5 years	✓	5 years	5 years	✓
<b>Canada (2017)</b>	Duty-free tariff quota	✓	✓	✓	Incorporate the existing agreement

*Source: compilation based on data sourced from published the EU FTAs*

# The EU's negotiation strategy in its concluded FTAs

- Certain **wines** and **cheeses** were **excluded** from liberalisation across all the analysed FTAs .
- They are **protected** due to their special status as **geographical indications (GIs)** .
- **GIs** are **negotiated** and **protected** under **the intellectual property right chapters**.
- Each of these FTAs has a **list of the GIs** specified within the relevant annexes.

# The potential application of the EU FTA strategies to bilateral negotiations

- The EU applied a **different pattern** on the **liberalisation** of **the same** agricultural **products** across the five FTAs analysed.
- Therefore, there is a **relationship** between the **trade patterns** and the **liberalisation** of certain agricultural products
- The EU **liberalised** the **products** which **were not a threat** to its domestic producers and **protected** the ones which were **a threat to its farmers**.



# The potential application of the EU FTA strategies to bilateral negotiations

- **The EU may maintain** elements of **protectionism** within the FTA with **Australia**.
- **The EU** may tend to **liberalise** the agricultural **products** which **do not represent a threat** to its production **and** will be inclined to **protect** the **ones which are a threat** to its agriculture.
- Australia can expect that certain **wines and cheeses** will be **excluded** due to their special status as **Gis**.

THANK YOU FOR YOUR ATTENTION

