

Annex 3. Trade and Investment barriers

Main United States barriers to Australian exports

Industrial Tariffs

The average US tariff is 2.8 per cent. Higher tariffs apply to clothing (11.8 per cent), Leather (7.8 per cent) and light trucks (25 per cent).

Dairy products

The United States maintains Tariff Rate Quotas (TRQ) on the importation of a range of dairy products, with out-of-quota tariffs set at prohibitive levels. Under the Uruguay Round Agreement global cheese access was set at 140 000 tonnes, of which Australia was allocated 7 000. In-quota tariffs range between 10 and 16 per cent and out-of-quota tariffs range between 60 and 65 per cent, depending upon the international spot price (the tariff rates are specific). CIE estimates that the tariff equivalent of these TRQ is around 20 per cent across cheese varieties.

US global access also increased over the last six years for the following dairy products: butter from 320 to 7000 tonnes, skim milk powder from 820 to 5 500 tonnes and butteroil from 544 to 6 100 tonnes. Using current international spot prices to calculate ad valorem equivalent tariff rates, Gallagher (Inquit Pty Ltd) assesses in-quota tariff rates at around 7 per cent to 8 per cent, less than 1.5 per cent for Skim Milk Powder, and 10 per cent for butteroil and out of quota rates at 100 per cent for butter, 35 per cent to 40 per cent for SMP and 12 per cent for butteroil.

Meat

The United States maintains a TRQ on beef. Safeguards measures have been imposed on lamb imports, but the WTO has ruled they should be removed.

Sugar

TRQs also exist on sugar, with minimum global access set at 1 139 million tonnes. Australia's quota for financial year 2000-2001 was set at 87 408 tonnes, which is only a fraction of Australia's 5 million tonnes of total exports. The in-quota tariff rate is

US1.4606 c/kg and the out-of-quota tariff rate is US33.87 c/kg in 2000. The operation of the quota heavily restricts Australia's access to the United States market. These restrictions increase the long run price for sugar in the US to US18c/lb when the long run world price stands at US10c/lb.

Cotton

Imports of cotton into the United States are subject to a TRQ of 5 per cent of United States domestic consumption. Out-of-quota imports of cotton were set at US31.4 c/kg in 2000. However, the tariff rate quota has little effect. The main United States government policy for cotton affecting Australia's cotton interests is the domestic subsidies.

Wine

A small tariff applies on wine imports. Labeling requirements are detailed and strictly enforced. A certificate of label approval from the Bureau of Alcohol, Tobacco and Firearms is required to release wine from Customs.

Ships/boats, shipping services and the Jones Act

The *US Merchant Marine Act (the Jones Act)*, the *Passenger Services Act*, and related laws severely restrict foreign access to the United States' ship and shipping services market. These laws require that merchandise and passengers being transported by water between points in the United States travel on United States built, United States flagged, United States manned and United States citizen owned vessels. Australian fast ferry firms have entered into joint ventures with US partners under which 50 per cent of the vessels may be built in Australia. The barrier remains, however, and requires that all major component parts of the hull and superstructure be built in the US and that the vessel be assembled in the US.

Government Procurement

The United States is a member of the WTO Government Procurement Agreement, which limits the extent to which preference can be given to national suppliers of goods and services to Government. However it permits considerable exemptions in particular through the "Buy America Act" which exempts all small business, defined as companies with less than 500 employees. Coverage of State Government agencies is also limited.

Subsidies

US subsidy programs in agriculture dwarf in economic impact the restrictions on imports created by tariffs and tariff quotas. They apply in almost every agricultural sector.

Australian barriers to US exports

Tariffs

The average Australian tariff is 3.8 per cent. Higher tariffs apply to automobiles (15 per cent) textiles (10 per cent) and clothing (15 per cent).

Export controls

Australia has single desk (export monopoly) arrangements for wheat and sugar.

Subsidies

Australia pays subsidies to the automotive, clothing and textile industry and shipbuilding industries. The programs are designed to be consistent with WTO provisions.

Quarantine

Australia has quarantine restrictions on imports of poultry, pork fruit and vegetables (apples, California table grapes, Florida citrus, stone fruits and corn) that have been questioned by the US.

Government Procurement

Australia is not a member of the WTO Government Procurement Agreement. Procurement arrangements exist at federal and state level, but the practical effect is that there is no systematic discrimination against foreign suppliers.

Main US controls on investment

Approvals

The United States authorities do not retain residual rights to approve investments. However, the United States reserves some areas for control on foreign investment. They include the media and fishing.

Main Australian controls on investment

Approvals

The Commonwealth Government reserves the right to approve every major foreign investments. Every significant foreign investment in Australia has to be reviewed by the Foreign Investment Review Board in the Commonwealth Treasury. The policy is administered liberally and the overwhelming majority of proposals are approved. Specific restrictions are mandated on foreign ownership in the media and uranium industries.

Sources

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4. International Trade Strategies: *Impact of Australian accession to the WTO Government Procurement Agreement – report for the Australian Productivity Board*, 1998
5. DFAT: *Australia United States Trade and Investment Review – A Partnership in Transition*, 1996