

Submission by the
Australian Wool Research and Promotion Organisation
to the Joint Standing Committee on Treaties inquiry
into
Australia's relationship with the World Trade Organization

Summary

Australian woolgrowers and associated industries have derived significant benefits from the increased transparency, predictability and openness in trade provided by World Trade Organization (WTO) rules.

The Australian Wool Research and Promotion Organisation (AWRAP) participates fully in Australian Government consultation processes on WTO issues, including negotiations, WTO accessions and dispute settlement.

AWRAP is satisfied with its current access to the WTO and with the Australian Government consultation processes.

1. AWRAP Background

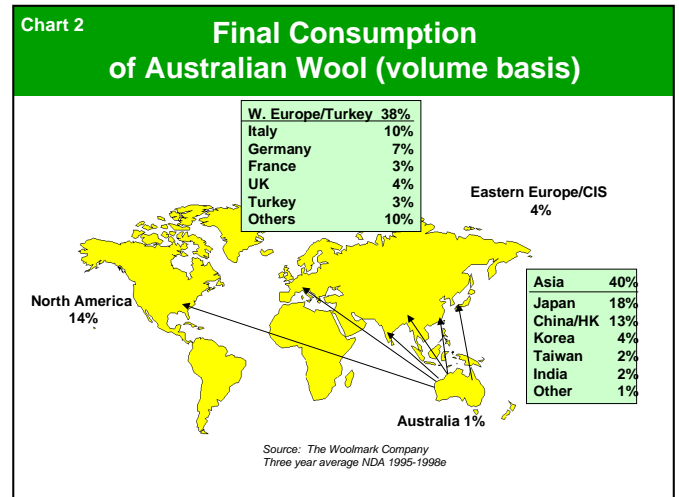
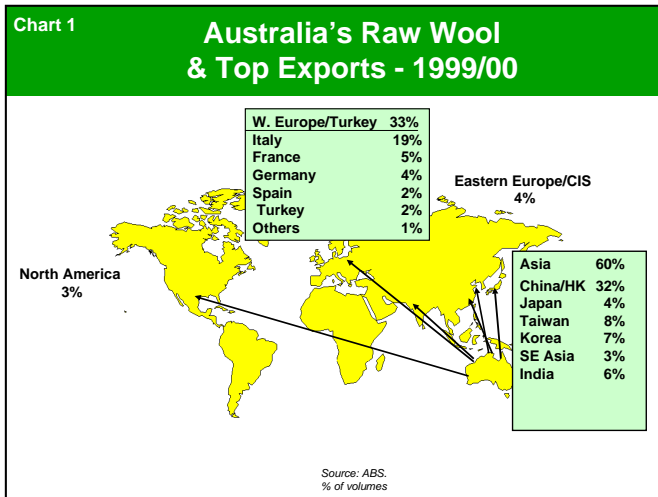
AWRAP and its subsidiary, The Woolmark Company, is funded mainly by Australian woolgrowers through a compulsory levy and provides research, development, promotion and information services to and on behalf of Australian woolgrowers. As part of this service, AWRAP/Woolmark maintains its own capacity for research and analysis on international trade barriers to wool fibre and products.

AWRAP contributes research and analysis on wool trade issues to a range of WTO activities, through the Australian Government's domestic consultation processes. These activities include accession negotiations – most notably on China, Australia's largest export destination for wool; the current agriculture negotiations; dispute settlement and developing support for a new round of multilateral trade negotiations which includes fibre, textiles and clothing issues.

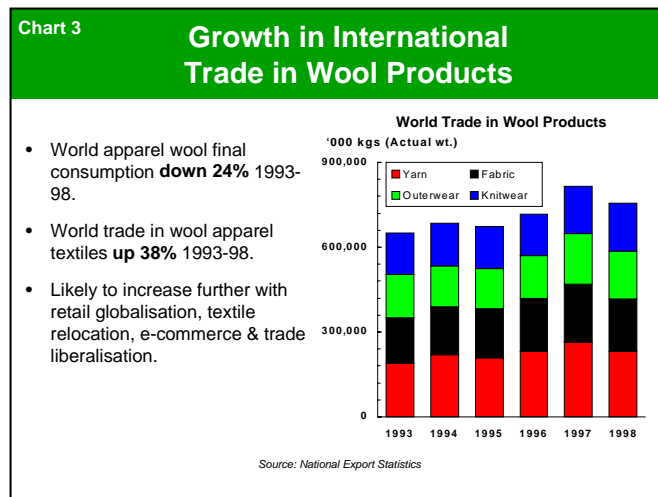
2. Wool Trade Interests

The Australian wool industry is dependent on export markets both as processors of Australian wool and as final consumers, with over 98% of the Australian wool clip consumed in overseas markets. It is exported from Australia either as raw wool or in semi-processed form (scoured wool, carbonised wool and wool top). In the past decade early stage processing capacity in Australia has expanded considerably and over 30% of Australian wool is now processed before export. The main export destinations are shown in chart 1.

Some of these destinations are major processors of Australian wool and re-export the finished garments to the major consuming countries. Chart 2 shows the final consuming markets at retail for Australian wool.



Despite a significant decline in both world wool demand and production, global trade in wool products (yarn, fabric and garments) has increased markedly. This has been facilitated very largely by a lowering of trade barriers, relocation of wool textile processing to low labour cost countries, and growth in final (consumer) demand in developing markets.



Given the heavy reliance on international markets as both processors and final consumers of Australian wool, Australian woolgrowers, brokers and exporters have benefited from the inception of the WTO and other outcomes of the Uruguay Round of trade negotiations. These have enabled market development in a number of countries and greater market access for Australian exports of wool as well as the expansion of the global trade in textile products made from Australian wool.

There remains, however, a range of barriers to trade in wool fibre, textiles and clothing in both developed and developing countries. For example, a recent study on US trade barriers to wool and wool products¹, calculated that the immediate elimination of tariffs and quotas by the USA on imports of wool yarns, fabrics and clothing would directly improve Australian woolgrowers' income by A\$17 million each year. Elimination by the US of only its tariffs on wool and wool products would still deliver significant gains. The study also shows that the US quota phaseout schedule discriminates against wool vis-à-vis other fibres, with quotas on wool and wool blend clothing not being eliminated until the end of the quota phaseout period (1 January 2005).

3. Benefits from the WTO and Outstanding Issues

Since the inception of the WTO, there has been a range of benefits flowing to the Australian wool industry:

- agriculture has been brought under WTO rules for the first time,
- textiles and clothing will be brought fully under WTO rules by 2005.
- tariff rates on raw and semi-processed wool have reduced significantly, as have – to a lesser extent – those on wool textiles and clothing,
- import restrictions (or quotas) on wool and export subsidies by trade competitors have been liberalised or eliminated,
- protection for intellectual property rights has been strengthened enabling Australian woolgrowers to ensure the integrity of the Woolmark, Woolmarkblend and Woolblend Mark logos, and
- multilateral rules on product standards, labelling requirements, phytosanitary arrangements and other technical and regulatory measures have been instituted.

The result has been greater market access and greater certainty, predictability and openness in the import/export regimes of current and potential markets for Australian wool and wool products.

There remain, however, some significant barriers to trade in Australian wool and particularly wool products. These include:

- high applied tariffs in key markets for Australian raw wool (India) and for wool apparel made using Australian wool (USA),

¹“Barriers to wool fibre products trade: Costs to US consumers and Australian woolgrowers”, April 2000, Wool Council Australia, PO Box E10, Kingston ACT 2604, Australia

- high bound tariffs on wool and wool products by many major wool processing and consuming countries (for example, India, USA, South Korea),
- import quotas on raw and semi-processed wool, for example by China,
- restricted real access for wool and wool products to domestic markets in some countries, for example China and India, despite recent tariff reductions, and
- a range of customs, technical and regulatory measures.

As well, Australia's principal export destination for raw wool and wool top, China, remains outside the WTO. The accession of China – and other significant or potential markets – remains a key interest of Australian woolgrowers and associated industries.

As noted in the Report of the Wool Industry Future Directions Taskforce², woolgrowers and their organisations have consistently reiterated the need for continued Government efforts to reduce trade barriers involving wool.

4. Australian Government activities

The Australian Government, principally through the Trade Minister and his Department, undertakes a range of WTO activities relating to wool and wool products. These include:

- consultations on the agriculture negotiations,
- preparation for a new trade round,
- monitoring and investigating new trade measures instituted by other WTO members,
- seeking free and open access for wool and wool products during accession negotiations,
- raising wool trade issues bilaterally or multilaterally when opportunities arise and
- ensuring that wool trade issues remain on the agenda in WTO committees and deliberations.

The Government is also a strong advocate seeking action by the WTO to address wool trade barriers. For instance, in April this year, the Australian Trade Minister launched a major Wool Council Australia study on US barriers to trade in wool and wool fibre products¹. The Government, through its diplomatic network, is disseminating this report widely and using it as evidence of the need for a new trade round which includes fibre, textile and clothing issues.

Australian woolgrowers and associated Australian wool industries have gained from these activities through

² "Diversity and Innovation for Australian Wool", Volume 2, Main Report and Appendices, July 1999, pp 17-19.

- tariff reductions by India, Korea, Mexico and the USA,
- improved market access - lower tariffs on wool fibre, textiles and clothing, and increased import quota volumes for raw wool and wool top - through negotiations on China's accession to the WTO,
- the removal of quantitative restrictions on some textiles and clothing by India,
- discussions with trading partners about WTO-related issues, including in regional fora such as the Asia-Pacific Textiles and Clothing Forum, and
- deliberations on how the WTO could strengthen disciplines on trade facilitation measures, including transparency and predictability of WTO members' rules and regulations governing import and export procedures.

AWRAP and the Australian wool industry have valued these contributions by the Australian Government and welcomes continued action.

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