New Zealand Agricultural and Resource Economics Society (Inc.)

Trade negotiations

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Why do we enter into trade negotiations?

Exports as a percentage of production

Lamb	90	**Butter**	72
Wine	56	**Cheese**	91
Milk powder	89		

50% merchandise exports are agricultural

What does the trading environment look like?

Very high tariffs remain on many agricultural products

Weighted average bound over-quota tariffs

Product	Export $m	Tariff %	Product	Exports $m	Tariff %
SMP	1,209	93	**Beef**	1,815	32
WMP	2,290	78	**Sheepmeat**	2,522	57
Butter	925	71	**Kiwi**	759	12
Apples	663	4	**Wool**	318	20

Export subsidies – EU up to $4.4 billion on dairy products

Domestic support– EU $130 b, US $28 b, Japan $50 b

What has New Zealand got to offer others?

- ***4 million people in an isolated market***
- ***Low tariff protection already (10% maximum tariff by 2009)***
- ***Exports others' "sensitive" products – dairy, meat, forestry***

So what can we do about it?

Multilateral track

Bilateral track

Bilateral track

Weighted average bound over-quota tariffs

Market	Exports $m	Tariff %	Market	Exports $m	Tariff %
EU-15	3,924	44	**Korea**	581	39
US	2,565	23	**Taiwan**	527	12
Australia	1,688	0	***Indonesia***	426	128
Japan	1,545	42	**Mexico**	407	74
China	1,031	15	***Philippines***	406	23

Also other reasons for FTAs

Non-agricultural products, including forestry products
Services/Investment
Non-tariff issues, SPS, TBT
Defensive reasons
Strategic reasons

Completed bilateral negotiations

- *Australia*
- *Thailand*
- *P4 – Chile, Singapore, Brunei*

Current bilateral negotiations

- *China*
- *ASEAN/CER*
- *Gulf Cooperation Council*
- *Malaysia*

Possible future negotiations

- ***US?***
- ***Mexico?***
- ***Korea?***
- ***Japan?***
- ***EU?***
- ***India?***

Multilateral track

WTO Uruguay Round

- **benefits – about $1 billion per year**
- **export subsidies**
- **tariff quotas**
- **tariff reductions**
- **intangibles – SPS, dispute settlement, …**

Doha Round

Doha 2001	☺
Cancun 2003	☹
Geneva 2004	☺
Hong Kong 2005	😐
Geneva 2006 – suspension	☹
Geneva 2007 – draft texts	😐

What's on the table at the moment?

Tariff cuts [48-52]% to [66-73]%

Tariff quota expansion [4-6]% of domestic consumption

Domestic support cuts – US to US$13.4 billion

Export subsidy elimination by end 2013

But also gaps
- *details around tariff quota expansion*
- *developing country market access*

Outlook for the Doha Round

Who are the "majors" and where do they stand?

- **US**
- **EU**
- **Brazil**
- **India**
- **ACP, G10, G33**

United States

- ***2006 Congress and House elections***
- ***2007 expiry of Trade Promotion Authority***
- ***2007 treatment of FTAs by Congress***
- ***2008 Presidential campaign***
- ***Trade Adjustment Assistance Act***

Who is really pushing for a Round?

Possible influence of dispute settlement

US – Upland Cotton dispute
US – Domestic Support dispute…

US domestic support levels – allowance <u>$19,103</u> million

	2000	2001	2002	2003	2004	2005
Total AMS (notified)	16,803	14,413	9,688	7,174	12,071	12,482
Emergency/ CCPs	5,463	4,640	1,803	544	4,224	5,224
Direct payments	5,068	4,100	3,968	3,857	5,278	5,236
Total AMS (disputed)	***27,334***	***23,153***	*15,459*	*11,575*	***21,573***	***22,942***

The future…

Ongoing role for trade negotiations

Emerging issues:

- ***Consumer focus, .e.g. animal welfare, sustainability, food miles, illegal logging***
- ***Biofuels influences – short- or long-term?***

MAF/MFAT role

- ***Analysis of strategy and options***
- ***Advocacy of New Zealand positions***
- ***Stakeholder liaison***