

AUSFTA: the Impact on Wool

Trade Barriers

The impact of the AUS – US Free Trade Agreement on Australian wool is limited. Whilst the agreement sees the lowering of existing US barriers to Australian wool exports, the current state of the American processing sector indicates we have gained access to a declining market.

The FTA provides the following reductions to export duties:

- Tariffs on greasy wool to be reduced to zero within four years
- Tariffs on scoured and carbonised wool to be reduced to zero within ten years
- Tariffs on tops to be reduced on ratification of the FTA
- Tariffs on textiles to be phased out with all trade to be at zero tariffs by 2015

(see fig 1 for more detail)

US Market for Wool

The USA is a declining market for Australian wool. Formerly accounting for 4.8% of our greasy/early stage exports in 1997/98 they have declined to 1.1% in 2003 and will be even lower this year. Greasy wool, is our largest export to the US where exports of 5.3% in 97/98 have declined to 1.0% in 2003.

The USA Textile industry has sunk by 50% during the same period (97-03). Wool production has halved to 14 mkg and due to the decline in processing capacity some of this clip is now being exported.

We currently pay the burden of high tariffs into the USA. In the context of the Australia – US FTA these barriers will be lowered. However whilst such concessions may sound encouraging, the US simply is not a large market for Australian Wool and in this sense the FTA will not have any significant impact on the Australian wool industry.

Status of the FTA

The negotiations of the Australia United States Free Trade Agreement were concluded on 9 February 2004.

On 23 June 2004 The Australian Joint Standing Committee on Treaties (JSCOT) recommended formal ratification of the agreement.

On 16 July 2004 the FTA was passed by the US Senate, the US Congress overwhelmingly supported the agreement. President Bush indicated he was prepared to ratify the agreement.

The Australian Parliament must now also approve the deal before it will come into force. The ALP is waiting on a Senate committee report before making a final decision on ratification.

AUS/ US FTA: Changes in Tariffs

Wool Type	Current Tariffs	FTA Agreement
Greasy Wool	18.5 and finer = 0 All other wool = 18.7c / clean kg	<i>Current tariffs will reduce to zero within a four year period</i>
Scoured Wool	20.6c / clean kg	<i>Current tariffs will reduce to zero within a ten year period</i>
Carbonised Wool	24.4c / clean kg	<i>Current tariffs will reduce to zero within a ten year period</i>
Tops	3.4% plus 4.3c / clean kg	<i>Current tariffs will reduce to zero on ratification of FTA</i>
Yarns	6.3%	<i>Current tariffs will be reduced to zero by 2015</i>
Worsted Fabric	26.1%	<i>Current tariffs will be reduced to zero by 2015</i>
Men's Suits	17.8% + 5.3c/kg	<i>Current tariffs will be reduced to zero by 2015</i>
Men's Trousers	16.8% + 34c/kg	<i>Current tariffs will be reduced to zero by 2015</i>
Women's Jackets	17.8% + 4.3c/kg	<i>Current tariffs will be reduced to zero by 2015</i>
Women's Trousers	13.9%	<i>Current tariffs will be reduced to zero by 2015</i>
Jersey's and Pullovers	16.1%	<i>Current tariffs will be reduced to zero by 2015</i>

(fig 1)