Chapter 6

The Australian Preferential Tariff Regime

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Introduction

In terms of import volumes, Australia is a much smaller player in world trade than the Quad countries (Canada, the European Union, Japan, and the United States). Its monthly average imports of about $8.6 billion amount to less than 2 percent of the total imports into the Quad plus Australia area (Chart 1).[2] Nevertheless, Australia is a major market for some developing countries. Its preferential programs are important regionally, with a total of about $19 billion in preferential imports claimed in 2004. Consequently, the impacts of its preferential arrangements merit a closer look. In this paper, we consider Australia's preferential trade according to the standardized approach developed by the World Bank in consultation with the contributors to the World Bank project on preference erosion. We begin by describing the non-reciprocal preferential arrangements available to developing countries exporting into the Australian market. We then provide a detailed statistical review of the usage of these arrangements, citing topics of particular interest for developing countries that may be vulnerable to negative effects from preference erosion. We then present a simulation of the welfare impacts of preference erosion before concluding.

Description of the OECD Tariff Preference Database

To analyze Australian preferential trade with developing countries, the OECD Secretariat developed an internal database on preferential trade using data from the Australian Bureau of Statistics (ABS). The building blocks for the database consist of the bilateral import flows by HS-10-digit product, taking into account country of origin and tariff treatment claimed at the time of import (Annex 1). For each year, about 100,000 lines of data were included, with each line representing the aggregate annual imports of an HS-10-digit product from one developing country. For the analysis that follows, we calculated aggregate data and sub-totals by summing up individual trade flows. While the original ABS source data provide at

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2 Australia accounted for about 3 percent of imports from developing countries into the Quad plus Australia.

least some information on nearly all Australian imports from developing countries, the present analysis generally excludes products classified as confidential (HS-99).[3] Table 1compares the flows with and without these confidential imports. The exclusion of the confidential trade flows from our analysis was generally necessary owing to the lack of complete information on their nature. In addition, the schedule of most-favored-nation (MFN) tariff rates was not available to the OECD in a database-compatible format (i.e., they were not available in an Excel-compatible electronic format at the HS-10-digit level for many lines). Hence, the MFN rates were inferred as being the maximum applied rate for each product.

The OECD database covers tariff lines for which there were imports from developing countries during the years 1996, 2002, 2003, and 2004. The selection of years was driven by the evolution of the database over time in the context of the larger OECD trade preference erosion project. The database captures information on a period of notable change in the Australian preferential tariff schemes. The year 1996 marks the original implementation of the framework legislation for the current tariff regime. The year 2003 marks the implementation of expanded duty-free and quota-free access for the least developed countries (LDCs), as well as the entry into force of a free trade agreement (FTA) with Singapore; the years 2002 and 2004 give an impression of the situation before and after the latter developments.

Determining the applied tariff rate at the HS-10-digit product level is a relatively complicated affair in Australia. In the ABS database, imports are classified by product line according to their country of origin and status with respect to each of three classifications: preference (i.e., which scheme was claimed), treatment (i.e., special considerations such as type of duty concession, but the most common of which is “no treatment code”), and nature (i.e., normal, concessional, quota, or government).[4] Together these features affect the tariff rate that is applied.

Broadly, the MFN rates are defined as the general rates of duty that apply when no preference has been claimed. These rates are associated with goods entering Australia under one of two specific preference codes (*X* or *Z*). Unfortunately, these rates are not always available in the database and must be inferred in order to assess the importance of preferences.[5] Therefore, we determined the MFN rates by using two methods: inferred statutory and calculated. Under the inferred statutory approach, MFN rates were determined for each HS-10-digit product by scanning the import lines across all developing countries. The inferred statutory MFN rate for each product is the maximum statutory rate. Specific duties, comparatively rare under the Australian preference regime, were not taken into account under this approach.[6] We

[3] The Australian authorities restrict the release of statistics where the imports or exports of an individual or a business are identifiable and that individual or business has requested that the details relating to the movement of these goods be suppressed. For more details, see the following ABS release: http://www.abs.gov.au/Ausstats/abs@.nsf/0/e5adebbd0bf28aeaca256889000db4be?OpenDocument .

[4] Annex 3 lists the options under each of these classifications.

[5] The products without available MFN rates (codes X or Z) vary by year. In 1996, of 8,180 HS-10-digit products imported, 1,819 lacked MFN rates in the database. In 2002, of 6,769 different products imported, 943 did not have MFN rates available. In 2003, of 6,799 different products imported, 701 did not have MFN rates available. In 2004, of 6,881 different products imported, 565 products did not have MFN rates available.

[6] The extent of specific duties in the Australian tariff schedule is limited. With respect to HS-10-digit tariff lines with imports from developing countries, the following data provide an overview:

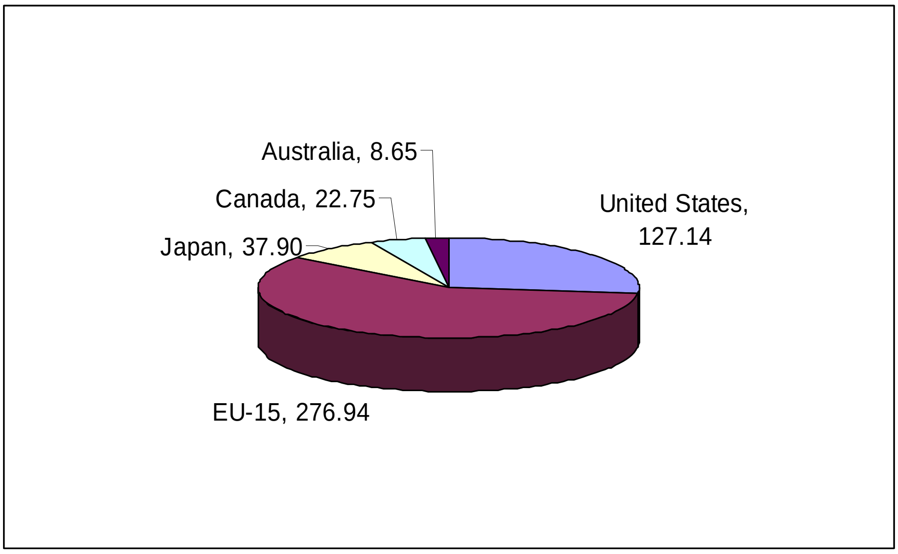
	1996	2002	2003	2004
HS-10 tariff lines with specific duties as a % of total lines	0.52%	0.76%	0.63%	0.63%
Value of imports facing specific duties as % of total imports	0.30%	0.42%	0.44%	0.56%

determined the calculated MFN rates for each HS-10-digit product based on actual duties collected as a percent of the customs value of the goods. Here again, we took the maximum duty rate across the various developing countries to be the MFN rate. Under this approach, we took the specific duties into account. For the purposes of this analysis, we employed both approaches so as to compare results.

To test the potential bias of each of the two approaches, we compared the results for each approach with the general rates of duty with respect to the lines for which both rates were available on an *ad valorem* basis. For the available tariff lines, the inferred statutory approach yielded an upward bias in the MFN rates of less than one-quarter of one percentage point in any year. The calculated MFN approach yielded an upward bias of less than one percentage point in any year. Each of the derived MFN approaches offers much greater product coverage than would otherwise be available from the database. The inferred statutory MFN approach yields estimates closely approximating the actual MFN rates for those lines with *ad valorem* tariffs. The calculated MFN approach yields approximate estimates but provides information on lines where specific duties apply. This can be important in some sectors in some years; for example, dairy products, beverages, spirits and vinegar, or tobacco each had 10 percent or more of imports from developing countries enter under specific duties in 2004.

Chart 1. Monthly Average Merchandise Imports (c.i.f.)

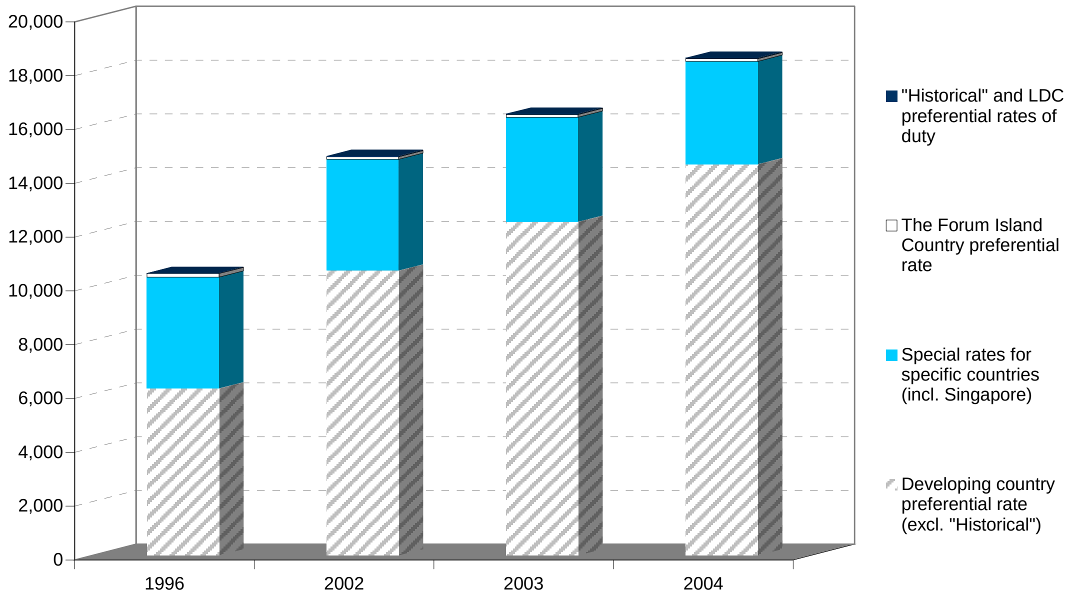
(billion US dollars, 2004)



Source: Source OECD (2005), *Main Economic Indicators*, interactive edition, on-line at: http://new.sourceoecd.org/rpsv/statistic/s16_about.htm?jnlissn=16081234 .

Note: The figure for the EU-15 includes intra-European trade. The values for Australia and Canada are free-on-board (f.o.b.).

Chart 2. Total Imports under the Main Types of Australian Preferential Tariff Rates (million US dollars, current)



Source: Australian Bureau of Statistics, OECD Secretariat calculations.

Note: Here and throughout this paper, ABS data on imports are classified according to the type of tariff treatment *claimed* for the imports and imports under HS-99 (confidential) are excluded from the analysis except where otherwise indicated. The Singapore-Australia Free Trade Agreement entered into force on July 28, 2003.

Australian Tariff Preferences: An Overview

The WTO's latest Trade Policy Review of Australia (WTO 2002) states that "Australia's trade and trade-related policies as well as their formulation are, by and large, highly transparent." The customs tariff remains the main trade policy instrument. Australia first extended unilateral trade preferences to developing countries in 1976 under the Australian System of Tariff Preferences (ACS 2004). The primary legislation governing the current Australian tariff regime is the Customs Tariff Act of 1995, as amended, which initially took effect on July 1, 1996 (ACS 1996). The Australian Customs Tariff Classification is based on the International Convention on the Harmonised Commodity Description and Coding System (2002). The Australian duty rates refer to the free-on-board (f.o.b.) value of goods in the exporting port (i.e., no duties are levied on the insurance and freight).[7] In Australia, the legislative basis for determining product origin is the Customs Act of 1901 and certain regulations (107A-B).

According to the Asia-Pacific Economic Cooperation (APEC) *Individual Action Plan* report for Australia (APEC 2004), the general tariff rates for most items were reduced to 5 percent or less by the 1995 Tariff Act. As of January 2004, nearly 48 percent of tariff lines were duty-free and the average simple applied

[7] Many countries levy their customs duties on the cost including insurance and freight (c.i.f.) value of imported products, which results in a higher effective duty rate than where free-on-board values are used. Examples of counties that use the c.i.f. valuation are diverse; they include the Bahamas, Chile, and Iceland. More examples can be found from the Trade Information Center of the US Department of Commerce at: http://www.ita.doc.gov/td/tic/tariff/country_tariff_info.htm .

rate was 4.25 percent. Tariffs remained above 5 percent in several areas, including textiles, clothing, footwear, and passenger motor vehicles. But the government is committed to reducing tariffs in these areas to no more than 5 percent by 2010--except for tariffs on clothing and certain finished textile articles, which will be reduced to that level by 2015. Tariff rates applying to 99 percent of imported products (by value) are bound, including 100 percent of agricultural tariff lines. Except for certain cheese products (0.1 percent of overall tariff lines), agricultural goods are not subject to a tariff quota. (Despite this, Australia is not a major importer of some of the more sensitive tropical agricultural products. See Box 2.)

Non-reciprocal Preferential Tariff Schemes

Annex 2 presents Australia's non-reciprocal preferential tariff schemes for developing countries. These can be grouped under four categories, by the size of the trade flows (Chart 2): developing country preferences, special rates for specific countries, Forum Island Country (FIC) preferences, and preferences applicable mainly to LDCs. The advantages extended to developing country exporters under these tariff schemes are evident from examining some basic parameters presented in the overview following below.

Table 1 provides a more specific breakdown of Australian preferences, highlighting the relative size of flows under the various tariff schemes and their evolution between 1996 and 2004. As can be deduced from the table, HS-99 "confidential" imports account for about $1.2 billion of imports from developing countries, including $500 million of preferential imports (2.9 percent of total preferential imports). For consistency with the subsequent analysis, the following overview excludes the confidential imports:

- Among Australia's preferential measures, the *developing country tariff* is the broadest preference in terms of the number of eligible economies. It is by far the most heavily used preference, with some $14.5 billion in imports in 2004, and accounting for more than 75 percent of total preferential imports into Australia that year. The volume of imports under this preferential arrangement increased substantially during the period considered in this paper, more than doubling between 1996 and 2004. As a proportion of overall Australian imports from developing countries, flows under this program ranged between 33 and 40 percent during these years.

- The second largest Australian preference category consists of *special rates for selected economies* in Asia, including Hong Kong-China, Republic of Korea, Singapore, and Chinese Taipei. A free trade agreement with Singapore came into effect on July 28, 2003, offering exporters in that country improved or duty-free access to the Australian market, subject to the terms of this new reciprocal arrangement.[8] In 2002, the last year prior to Singapore's change in status, these countries exported $4.1 billion under the special rates scheme. Singapore was the largest exporter under this scheme. In 2004, excluding imports from Singapore under the FTA, imports under the "special rates" category amounted to $0.8 billion. As a proportion of total Australian imports from developing countries, flows under this scheme fell from 23 percent to 2 percent between 1996 and 2004.

- The third largest category consists of the *preference scheme targeting the FICs*. These preferences cover imports from a number of Pacific island economies and were initially introduced under the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA), which took effect on June 30, 1982. Papua New Guinea is a special case covered by the Papua New Guinea-Australia Agreement on Trade and Commercial Relations (PATCRA), which originally became operational on February 1, 1977; it was subsequently included among

[8] For comparability, in Table 1 Singapore's exports under the FTA that received developing-country or duty-free treatment in 2003 and 2004 were grouped with the special-rates category.

FIC beneficiaries.[9] While the overall trade volumes are relatively modest under these preferences ($102 million in 2004), with little growth, they are in some cases quite important to some of these economies. Imports under the scheme account for less than 1 percent of total Australian imports from developing countries in each of the selected years from 1996 to 2004 (their share of the total falling from 0.8 percent to 0.2 percent).

- The final category of *preferences refers mainly to LDCs*. The *"historical" preference* for developing countries provides preferential access for a limited number of tariff lines for these and a few additional economies, in addition to the benefits available under the *developing country* preferences. Flows under the "historical" scheme amounted to just $23 million in 2004. In 2003, a new and more generous *LDC preference* was introduced. Use of this preference has not resulted in a large increase in import volumes from LDCs; indeed, only $9 million in imports benefited from the LDC preference in 2004. Goods receiving either the LDC or historical developing country preference accounted for about 0.1 percent of developing country exports to Australia in each of the selected years.

Non-preferential Market Access

In 2004, more than half of developing country imports entered Australia under non-preferential tariffs, either because of a failure to claim a preference or because the goods were not eligible for preferences. As can be inferred from Table 1, the share of imports from developing countries without preferential treatment rose over the selected years from 41 percent to 57 percent of the total. Many of these imports entered duty-free or under low MFN rates.

Australia operates a Schedule of Concessional Instruments designed to facilitate importation of two types of goods: those with no competing or substitutable Australian products and for which an importer has applied for a tariff concession order, and those under the government's industrial policy that are identified as important for reducing business input costs in specific sectors. Certain goods are excluded from this scheme, such as foodstuffs, clothing, and passenger motor vehicles. Concessional duty rates are generally duty-free or low (e.g., 3,percent) and they are temporary (each month the concessional schedule has about 150 updates[10]). About 17 percent of Australia's imports from developing countries were classified as concessional in 2004, valued at about $7.3 billion (excluding HS-99); more than two-thirds of which were concentrated in imports of just four HS-2-digit categories.[11] In 2004, nearly two-thirds of concessional imports entered under what normally would have been MFN rates, a proportion that had increased since 1996. Interestingly, concessional rates can offer importers better access than preferential programs in some cases. For example, in 2004, about 5.8 percent of developing country imports entered under preferential schemes but at concessional duty rates; one-quarter of all concessional imports entered under the developing country preferential tariff scheme.

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9 Papua New Guinea originally gained access to preferential rates of duty in 1926 (ACS 2004).

10 For information on the concessional entry of goods into Australia, see the relevant section of the APEC summary on the issue available as of September 1, 2005 at: http://www.apectariff.org/au/austconc.htm. There is also some discussion of the schemes for concessional imports of goods in WTO (2002), which notes that these schemes became more generous during the period covered by the latest Trade Policy Review.

11 Four product groups accounted for more than two-thirds of concessional imports from developing countries. Together the concessional trade in these four sectors accounted for 12.2 percent of total developing country imports into Australia: HS-27 – *Mineral fuels, oils and related products* (5.8 percent), HS-84 – *Nuclear reactors, boilers and machinery* (2.0 percent), HS-85 – *Electrical machinery, equipment and parts thereof* (3.2 percent), and HS-95 – *Toys, games and sports requisites* (1.2 percent).

Tariff Summary Statistics

Table 2 indicates the scope of the various tariff treatments, highlighting the number of tariff lines with imports in recent years (including those imports classified as "combined confidential" or entering at concessional rates). The non-preferential treatment and *developing country* preferential had about 6000 "active" tariff lines (at the HS-10-digit level), whereas other types of tariff treatment had substantially fewer (i.e., other preferences were much narrower in the range of "active" tariff lines concerned). The FIC, "special rate for specific countries," LDC, and *developing country-historical* preferences each covered less than 600 HS-10 tariff lines with imports in 2004. The change in treatment of imports from Singapore in 2003 is reflected in the shift from reliance on non-reciprocal tariffs toward the new reciprocal FTA between that country and Australia. The shift revealed the comparatively modest range of imports from the other beneficiaries under the "special rates for specific countries" (which include certain advanced Asian developing countries).

Table 3 presents key features of the main Australian preferential tariff schemes, focusing on "mainstream" imports from developing countries. In other words, the table excludes the comparatively modest flow of imports considered "combined confidential" as well as imports at concessional tariff rates that are available independently of the non-reciprocal preference schemes.

As Table 3 shows, throughout the Australian tariff schedule the vast majority of tariffs are on lines with imports from developing countries taxed on an *ad valorem* basis (i.e., as a percentage of the value). Since 1991, a number of adjustments have been made to the Australian tariff regime. These have had the effect of liberalizing general access to the Australian market and phasing out access to "full" non-reciprocal preference margins for some developing countries (ACS 2004) p. 10). This phasing-out began for certain advanced Asian developing economies (i.e., Hong Kong-China, Republic of Korea, Singapore, and Chinese Taipei) and was subsequently extended to most other developing countries. The most generous provisions for non-reciprocal preferential access are now reserved for two main target groups of developing countries: LDCs and FICs.

In 2004, the Australian tariff scheme for LDCs offered a simple average preference margin of about 13.5 percentage points on the tariff lines with eligible imports. The *developing country-historical* preference offered a margin of about 3.4 percentage points to a similar group of countries on a broader set of tariff lines with imports that year. The scheme for the FICs offered a preference margin of about 10.7 percentage points. In comparison, the other developing countries tended to have less generous access under available non-reciprocal preferences, with preference margins ranging from 0.6 percentage points under the *developing country* preference to 4.7 percentage points on a more narrow set of lines under the special rates for specific countries.

Rules of Origin

Rules of origin are employed under preferential tariff schemes in order to require a minimum level of local content in products imported from eligible suppliers. They help ensure that the products imported under the preferences are not merely transhipped from non-eligible countries through eligible suppliers with little or no local value added. That is, rules of origin can play an important role in ensuring the intended beneficiary countries actually reap the benefits from preferential programs. Where developed country imports from beneficiary countries are indeed stimulated by preferences, origin rules can work to boost local productive activity. On the other hand, as Inama (2003) suggests with respect to the Quad countries, tight rules of origin are often the main reason that preferences are underused.

As do other preference-granting countries, Australia uses rules-of-origin provisions to ensure that goods entering at preferential rates are associated with production in the intended beneficiary economies. The

Australian origin rules specify that products must either be wholly obtained or substantially transformed in the beneficiary country (Annex 2). Substantial transformation essentially requires that the last process of manufacture is performed in the country claiming origin and that a minimum level of value-added is attained (generally 50 percent of the total factory cost in terms of materials, labor, and overhead) (ACS 2004). The LDC preferential arrangement allows materials from all developing countries, FICs, and Australia to count as local content. But the non-LDC developing country portion is limited to no more than 25 percent of the total factory cost of the goods.

According to the Australian Customs Service (ACS) fact sheet on rules of origin, "Australia employs a system of self-assessment for entry clearance that places responsibility for correct clearance of goods through Customs on the importer."[12] Under the corresponding formalities, the importer provides a certificate of origin from the manufacturer. After the clearance of the goods, the ACS monitors compliance with the requirements of the various preference schemes.

Composition of Flows

As noted above, in 2004, more than half of developing country imports entered Australia without preferential treatment, either because of a failure to claim a preference or because the goods were ineligible. A more concrete indication of why this may be is that about 75 percent of non-preferential imports from developing countries had duty-free access to the Australian market. In comparison, only 46 percent of preferential imports benefited from duty-free access (Lippoldt, 2008). Importers appear to prefer to import under non-preferential arrangements where the MFN tariff rates are duty-free. This has the advantage of avoiding rules of origin and other administrative requirements associated with preferential programs. Another peak in the flows occurs at the 5 percent duty rate, at which roughly 25 percent of preferential trade takes place and a further 13 percent of non-preferential trade. The next largest flow is at the 25 percent duty rate, with smaller but notable flows at the 3 percent, 4 percent, 10 percent, and 15 percent duty rate. About 80 percent of all imports from developing countries take place duty-free or at a 5 percent tariff rate.

Lippoldt (2008) reports data on the reliance on Australian preferences as a share of the total exports of each country that trades with Australia. Australian tariff preference schemes account for a relatively small share of developing countries' global exports. During 1996-2004 the overall share was 0.8 percent or less. In 2004, only 14 countries relied on Australian preferential schemes for 1 percent or more of their global exports, Australia being a major market only for Papua New Guinea (34.6% in 2004), Fiji (17.9%) and Swaziland (7.3%). The next two countries are Vietnam (3.9%) and the Solomon Islands (3.2%). Exporters tended to be fairly consistent in their use of the preferential schemes, but with a number of notable exceptions in which countries increased or decreased their reliance on Australian preferences. For example, Samoa reduced its reliance on Australian preferential trade -- excluding HS-99 -- from 31 percent to about 1 percent between 2002 and 2004 (Box 1). Other notable examples during this period include Papua New Guinea (which more than doubled its preference reliance from 16 percent to 35 percent) and Swaziland (which boosted its preference reliance from zero to 7 percent).

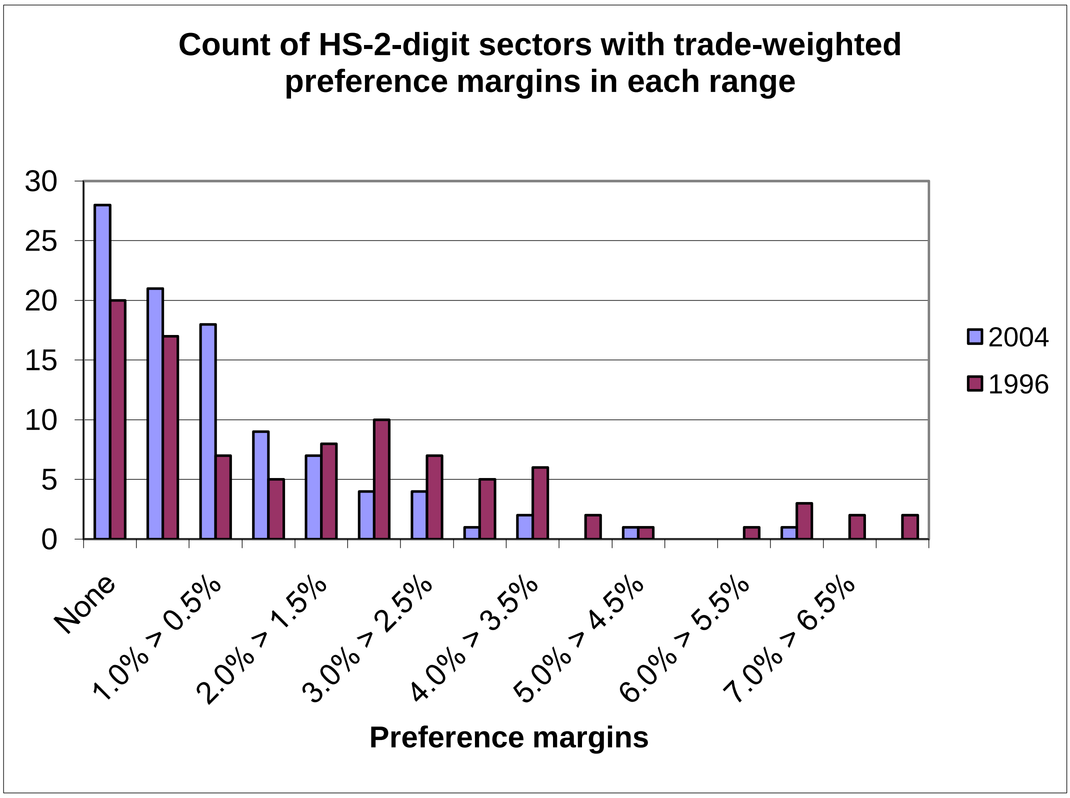
Two approaches were used by which the MFN-applied tariff rates and preference margins were derived: one based on trade-weighted average statutory MFN tariffs and one based on collected tariffs by tariff line. This procedure was needed because data on MFN tariffs were not available for tariff lines for which there was no trade (Lippoldt, 2008). Generally, the two sets of estimates are not substantially different, except for three sectors with large shares of trade entering under specific duties (HS chapters 4, 22, 24 and 27), where the trade-weighted MFN tariffs are much higher under the calculated approach. This is due to the

12 Australian Customs Service (2000), *Factsheet: Rules of Origin*: http://www.customs.gov.au/webdata/resources/files/commer08.pdf , November 2000.

number of lines potentially facing specific duties. For example, about 12 percent of the imports in the sector mineral fuels, oils and related products face the equivalent of a 90 percent *ad valorem* tariff; a further 12 percent face the equivalent of a 150 percent *ad valorem* tariff. In practice, however, nearly all of the imports of mineral fuels, oils, and products entered Australia duty-free or at very low tariff rates (less than 1 percent) owing to the application of concessional tariff rates where the MFN rate would have been quite high.

The preference margins calculated using the two MFN approaches are not strikingly different, except for the four sectors with significant numbers of products potentially facing specific duties. Chart 3 highlights changes in the distribution of preference margins by sector between 1996 and 2004 for the inferred statutory MFN rates. Whereas some change in the average preference margin by sector may reflect changes in the within-sector structure of trade, the consistency of the pattern appears to point to a measure of preference erosion from reductions in MFN rates during the period under consideration here (when Uruguay Round commitments were being implemented).[13] The number of sectors benefiting from preference margins greater than 1.5 percentage points declined notably between the two time periods; conversely, the number of sectors with low or non-existent preference margins increased substantially.

Chart 3. Preference Margins Based on Inferred Statutory MFN Rates, by Sector



Source: Australian Bureau of Statistics, OECD Secretariat calculations.

Note: Excludes confidential imports (HS-99) and products facing specific duties.

13 The latest Trade Policy Review of Australia also noted that, despite improvements in the Australian preferential tariff schemes, the value of preferential tariffs continued to be eroded as a consequence of MFN tariff reductions during the period covered by the report (WTO 2002). According to the report, average applied MFN rates fell from 5.6 percent in 1997/98 to 4.3 percent in 2002.

Rough estimates, by sector, of the tariff revenue forgone because of preferences are calculated individually for each developing country's exports of each (HS-10-digit) product according to each type of preferential treatment received--with each of these flows then multiplied by the applicable preference margin. The forgone revenue for these flows is then summed across all the detailed product lines for each HS-2-digit sector. This is done for both approaches to MFN estimation--inferred statutory rates and calculated MFN rates. Since the "calculated" MFN rates are based on the maximum duty rates paid on tariff lines with import flows, this means that at least some of the product (defined at the HS-10-digit level) was actually imported at the high calculated MFN duty rate, albeit generally only in small volumes and not necessarily from the same supplier every year. The evolution of the indicators calculated is reported by sector and by exporting country in Lippoldt (2008).

Under the inferred statutory MFN approach, the value of forgone duty dropped from US$430 million in 1996 to $226 million in 2002, then rose to $268 million in 2003 and $366 million in 2004. Under the calculated MFN approach, the value of forgone duty increased substantially between 1996 and 2004, rising from $1,132 million in 1996 to $3,203 million in 2004. Much of the increase occurs between 2003 and 2004. Calculations of forgone duties as a percentage of inferred statutory MFN rates suggest that duties in 16 HS chapters were reduced by 50 percent or more as a result of preferential schemes; using calculated MFN rates, 21 HS chapters showed reductions of this magnitude.

The calculation of the value of preferences is complicated by the influence of other tariff measures, apart from preferences on the final duty paid. In particular, the availability of concessional rates can be important for developing country tariff treatment.[14] For example, the overall figure for foregone revenue under the calculated MFN approach is much larger than for the inferred statutory approach, owing mainly to the volume of trade in mineral fuels, oils, and related products (HS-27) potentially facing specific duties. As noted above, however, imports in this sector in particular also benefited from concessional access to the Australian market, including imports entering under preferential programs. For example, in 2003 approximately 6 percent of total mineral fuels, oils, and related product imports from developing countries entered at concessional rates, even though they were also classified as imports under a preferential program;[15] 28 percent of the total imports of these products entered under preferential schemes but not at concessional rates. In 2004, these percentages dropped sharply to 0.3 percent and 17 percent, respectively. Thus, the value of the foregone duty revenues for a particular product from a given source country may not be wholly attributable to preferences in a given year (if concessional tariff treatment was granted and offered even more advantageous access than the preferential rate for the imports of that product from that source).

Table 4 breaks down by supplier the estimated value of Australian non-reciprocal tariff preferences in terms of forgone duties. To provide some context for these numbers, indicators for 2004 are provided relating the forgone duties to each supplier's total exports, each supplier's potential "MFN" duty liability on the corresponding exports to Australia, and each supplier's share in Australia's total duties forgone. Only a few countries account for most of the value of forgone duties under the inferred statutory approach to MFN. Most of these beneficiary countries are among the larger developing economies: China (38 percent), Republic of Korea (10 percent), Thailand (8 percent), Malaysia (8 percent), Chinese Taipei (6 percent), Fiji (5 percent), Singapore[16] (5 percent), Indonesia (3 percent), India (3 percent), Hong Kong-

[14] Additional factors complicating the calculation of the precise value of preferences--even within this rough definition based on preference margins--include the lack of data on confidential trade and the influence of special treatments for particular import cases or uses (e.g., government).

[15] Also in 2003, about 30 percent of the imports of mineral fuels, oils, and related products benefiting from concessional treatment entered under a preferential program.

[16] Imports from Singapore that do not satisfy the rules of origin for the FTA may be imported under the developing country preference scheme.

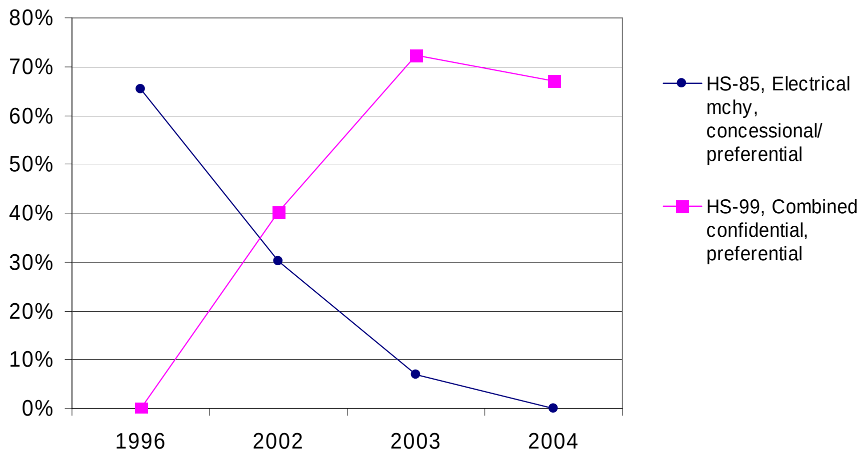
China (2 percent), the Philippines (2 percent), and Mexico (2 percent). A similar situation prevails with the calculated MFN approach, but the distribution is distorted by a large volume of imports from Singapore of mineral fuels, oils, and related products (HS-27), which could be subject to high MFN-specific duties in the absence of preferences and concessional rates. Some of the larger developing countries have experienced sizable reductions of roughly 25 percent or more in the value of duties forgone during the period covered in the table, even though they still account for a large share of the total duties forgone (e.g., Hong Kong-China, India, Pakistan, and the Philippines). Fiji remains a key beneficiary but it too has seen a decline relative to 1996. The table shows Samoa experiencing declines as well, but this partly reflects a shift of Samoa's trade toward the HS-99 confidential classification (Box 1).

Box 1. A Shift in Samoa's Trade

Samoa, as a Forum Island country (FIC) and LDC, has enjoyed the full margin of Australian tariff preferences as well as – in some cases – concessional access. Imports from Samoa have profited from this situation, with heavy use of the available tariff advantages. In recent years, however, Samoa's trade situation has become less clear because of a shift in the composition of its exports, with increasing shares of exports under the "combined confidential" (HS-99) classification. Given the exclusion of HS-99 from most of the statistical tables in this paper, the presentation of Samoa's situation should be viewed with this in mind.

The chart below highlights this shift in the composition of exports, presenting exports in two key sectors as a percent of Samoa's global exports. In 1996, electrical machinery, equipment, and parts (HS-85) constituted two-thirds of Australia's imports from Samoa, virtually all benefiting from concessional rates. For the years 2002 to 2004, the bulk of Samoa's exports benefited rather from preferential rates under the Forum Island scheme, including those in both sectors (i.e., HS-85 and HS-99). But during these latter years, the composition shifted out of the HS-85 classification and into the confidential sector and it is not known what sector these confidential imports represent.

Samoa - export concentration



Source: Australian Bureau of Statistics, OECD Secretariat calculations.

Note: The chart presents exports in each sector as a percent of Samoa's global exports. The global exports are based on mirror data.

In relating the amount of foregone Australian duties on imports from each developing country (based on inferred statutory MFN rates) to each country's global exports, we find little evidence of particular preference reliance except in the case of Fiji. Using the calculated MFN rates reveals a few additional cases; for seven countries forgone duties equate to 0.5 percent or greater of a developing country's exports.[17] Jamaica, Malawi, and Swaziland have seen an increase in forgone duties, with the values in 2004 amounting to 0.38 percent, 0.23 percent, and 0.29 percent of their global exports, respectively, based on calculated MFN rates. Among these two groups (seven plus three), nine are small economies, including several islands and two small, landlocked developing countries (Malawi, moreover, is an LDC). The forgone duties generally totalled 60 percent or more of the potential MFN duty for each of these countries under the calculated MFN approach. In other words, in these cases the preferences appeared to offer a significant reduction in the overall duty liability for the imports concerned.

Coverage, Utilization, and Utility

Table 5 presents summary indicators of product coverage, utilization, and utility for the main country groups eligible for Australian preferential tariff schemes: FICs (Forum Island preference), LDCs (*developing country-historical* and *developing country* preferences and, from 2003, the LDC scheme) and other developing countries (*developing country* preferences, excluding FICs and LDCs). The indicators take into account the preferences available to each country group for products imported into Australia from these countries in the selected years.

As Table 5 shows, the product coverage of preferential programs (eligible imports from each country group as a percent of total imports from the group) is relatively high. Few of the products being exported by developing countries into Australia are not covered by some preference. But the use of preferences by developing countries for eligible products is limited. Excluding the FICs and LDCs, only about 20 percent of eligible imports from developing countries enter under preferential treatment. For LDCs the rate is roughly 25 percent, albeit with some yearly fluctuation. Given the high share of imports eligible for preferences, the situation is similar for utility rates (imports from each group receiving preferences as a percent of total imports from the group). For the FICs, utilization apparently fell as product coverage expanded (partly the result of improvement in access for textiles, clothing, and footwear products, but also because of changes in the treatment of Samoa's exports (Box 1)).

The main explanation for the fairly modest utility of preferences in Australia would appear to be that a high share of imports without preferential treatment enter Australia on an MFN-duty-free basis or at low duty rates. Importers have an incentive to exploit this possibility to avoid rules-of-origin limitations that apply under the preferential schemes, as well as any associated administrative requirements. Moreover, there may be advantages to importing at concessional rates but not under preferential schemes. In 2004, about 11 percent of developing country imports into Australia entered without preferential treatment but at generally low concessional rates.

Improved LDC Market Access

In recent years, many developed countries have deepened their trade preferences for LDCs. Hoekman *et al.* (2001) underscore the tension between deepening preferences for LDCs and MFN-based liberalization, whereby the benefit of the former is eroded by the latter. Preferential schemes can have significant positive effects on specific beneficiaries, but much depends on their supply-side capacity, their ability to reinvest the rents usefully, and the nature of the administrative requirements (such as rules of origin). Overall, such constrains have limited the actual benefit to many LDCs from preferences, leading the authors to suggest that the erosion of current preferences should be of limited concern when it is a result of MFN liberalization. Indeed, the authors note that one reason it has been possible to expand duty-free access for LDCs is that they account for less than 0.5 percent of world trade.

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[17] The countries satisfying this criterion include Barbados, Cuba, Dominica, East Timor, Fiji, Papua New Guinea, and Singapore.

Following a decision announced by Australian Prime Minister John Howard at an APEC summit meeting on October 25, 2002, the Australian government amended the Customs Tariff to provide the LDCs and East Timor duty-free and quota-free access to the Australian market.[18] As noted above, the rules of origin for LDCs permit the use of materials from all developing countries, FICs, and Australia to count as local content, except that the non-LDC developing-country portion is limited to no more than 25 percent of the total factory cost of the goods.

Box 2. Sugar and Bananas

Bananas and sugar are sensitive tropical products often cited as being most affected by preference erosion. In a recent IMF Working Paper, for example, Alexandraki and Lankes (2004) identify middle-income developing countries that are potentially vulnerable to export losses from preference erosion. The authors use partial equilibrium simulations, by product, to estimate the effects of changes in trade-weighted preference margins between each country in question and the Quad countries. They find that vulnerability to preference erosion among this group of developing countries is particularly concentrated with respect to sugar and banana exports (especially into the E.U. and U.S. markets); in many cases, the producers are small island economies that may have major problems in adjusting to preference erosion. They also find vulnerability to preference erosion among middle-income countries with respect to textiles and clothing, but "to a far lesser extent" than for the other two products. Similarly, a 2004 Commonwealth Secretariat study finds significant value (measured by quota rents) for beneficiary countries in preferences for sugar, bananas, and textiles and clothing (as well as beef), and that many preference-dependent economies will suffer multiple economic hardships in adjusting to a more liberalized trading environment.

Australia, on the other hand, appears to have a competitive domestic industry for both sugar and bananas. It has substantial banana production and is a notable exporter of sugar.[19] Despite having a relatively open trading regime for these products, Australian import volumes for both products remain modest--both in terms of absolute volumes (Table 7) and shares of exports for developing-country suppliers. In the case of bananas, imports are negligible. Most (99 percent) enter under the *developing-country* preference, despite the availability of duty-free entry under MFN treatment. In the case of sugar (HS-17), the volumes are somewhat larger and rising in the aggregate. Imports in this sector enter Australia quota-free but face a trade-weighted MFN tariff of about 5 percent. In 2004, about 75 percent of imports of HS-17 from developing countries entered under preferential schemes. The effective developing-country preference margins are modest (less than 1 percentage point, on a trade-weighted basis, in recent years), despite the availability of duty-free treatment for imports from LDCs. Preferences have the effect of reducing the duties collected on sugar imports by less than 10 percent.

Notwithstanding the availability of preferences for imports of these two products, the relative openness of the Australian MFN regime and the small import volumes mean that the potential for negative effects from erosion of Australian preferences in these areas is quite limited.

The Australian Productivity Commission considered the potential economic effects of this action in a report released in October 2002 (Productivity Commission, 2002). The report pointed to the generally limited flow of imports from LDCs and noted that much of this flow was already covered under the *developing country* and Forum Island preferences. Given the existing pattern of trade and tariffs, the Productivity Commission concluded that the main effect on LDCs was likely to come via Australian imports of clothing, but that the ability of LDCs to benefit would depend on their capacity to provide an enabling environment for an adequate supply response. In a related paper, two of the Productivity Commission report's contributors, Zhang and Verikios (2003), employed the Global Trade Analysis Project model to examine the potential effects of duty-free access for LDCs. They found that LDCs would

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18 For background, see *Parliament of Australia, Bills Digest No. 160 2002-03, Customs Tariff Amendment Bill (No. 1) 2003,* available at: http://www.aph.gov.au/library/pubs/bd/2002-03/03bd160.htm . For the Trade Minister's press release upon enactment of the measure, see: http://www.trademinister.gov.au/releases/2003/mvt051_03.html

19 Industry association websites provide an overview of these two sectors in Australia: http://www.abgc.org.au/pages/industry/bananaIndustry.asp and http://www.canegrowers.com.au/overview.htm. For an overview of Australian exports of sugar, see: http://www.fas.usda.gov/htp2/sugar/1997/97-11/nov97cov.htm

generally benefit from the new policy, especially major LDC clothing exporters (e.g., Bangladesh and Cambodia). The effects on other non-LDC developing-country suppliers were estimated to be modest. The model revealed that some countries competing with LDCs (such as China) might not lose in terms of real GDP from the change in policy because they can boost their exports of *intermediate* inputs to the exporting sectors in LDCs.

Table 6 sheds light on the situation with respect to Australian imports from LDCs in the years before and after implementation of duty-free access for LDCs and East Timor. Aggregate imports from LDCs declined in each successive year from 1996 to 2002 to 2003, before increasing in 2004 to a level approaching that of 1996. While trade is influenced by many variables, expanded market access has not yet led to imports increasing beyond recent historical levels for these countries. One variable distorting the situation is the large fall in recorded imports from Samoa (formerly an important supplier of automotive components). Excluding Samoa, Australian imports from LDCs increased from $38 million in 1996 to $61 million in 2002--rising somewhat further in 2003 to $67 million before reaching $85 million in 2004. Several LDCs managed to boost their exports to Australia by more than $1 million between 2002 and 2004; these included Bangladesh and Cambodia (especially of wearing apparel), East Timor (mineral fuels and oil), Solomon Islands (fish and crustaceans, wood, other) and Yemen (mineral fuels and oil).[20]

Despite the increases in imports from certain LDC suppliers, imports under the new LDC scheme remain modest ($9 million in 2004, see Table 1). Moreover, use of the special measures for LDCs combined (LDC and *developing country-historical* schemes) has declined in terms of import volumes from $33 million in 2002 to $32 million in 2004. Thus, the experience to date under the new arrangement has not been inconsistent with the Productivity Commission analysis. The economic impacts on suppliers appear to be fairly modest, with some gains for apparel suppliers but also gains for mineral fuel and oil suppliers.

Sector-specific Preference Reliance

Table 8 presents those sectors where preferential imports into Australia from any developing economy exceed 0.5 percent of that economy's global exports of all products. This provides an overview of the concentration of preference reliance on the part of suppliers to the Australian market. Some 25 developing economies exhibited a degree of sector-specific preference reliance in at least one of the years shown. The strongest, continued preference reliance can be seen in relation to apparel imports from Fiji and mineral fuels, oils, and related products and natural and cultured pearls and precious stone from Papua New Guinea. In each year shown, these two countries relied especially on preferences in each of the corresponding sectors. Fiji is represented in the broadest range of sectors among the countries shown in the table. Samoa exhibited strong but temporary preference reliance on one sector (as noted in Box 1). In recent years, East Timor (coffee, tea and spices), Swaziland (miscellaneous edible preparations and essential oils and resinoids) and Vietnam (mineral fuels, oils, and related products) each demonstrated notable reliance in at least one sector; that is, they each had preferential imports into Australia in at least one sector equal to 2 percent or more of exports in 2003 and 2004.

Assessment of the Possible Economic Implications of Preference Erosion

Lippoldt and Kowalski (2005) use the Global Trade Analysis Project computable general equilibrium (CGE) model[21] and the GTAP 6.05 database (which corresponds to the global economy in 2001)[22] to

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[20] The importation of mineral fuels and oil from East Timor and Yemen was largely on a non-preferential basis.

[21] The GTAP CGE model is a multiregion, multisector model, with perfect competition and constant returns to scale (for more information, please see the GTAP web site: https://www.gtap.agecon.purdue.edu/models/default.asp).

consider the implications of a hypothetical 50 percent reduction in the equivalent measure of protection for Australia -- a scenario that would entail considerable preference erosion.[23] The use of a CGE framework permits the assessment of the economic implications in a relatively "holistic" fashion, taking into account not only the reduced size of preference margins but also the potentially offsetting effects of trade liberalization more generally. Changes in market access conditions for each product category are linked to developments in other sectors through goods and factors markets. Where producers in selected preference-receiving sectors are affected negatively, for example, resources may be freed from that sector and deployed to other sectors that may be better positioned to benefit from improved access to world markets, or may simply be more productive.

For each product and trading partner, the GTAP database provides a measure of protection that reflects the degree of protection. By comparing the rates faced by each supplier for a given product with the market average, one can calculate an indication of the preference margin. In Chart 4, the trade-weighted preference margins based on this approach are presented for imports into Australia by each source region as of 2001. Where these margins are positive, the source regions enjoyed better-than-average market access; where they are negative, the suppliers experienced higher-than-average market restrictiveness. Chart 4 reveals fairly consistent treatment of developing country exports, with relatively high preferential margins - reaching up to 6 percentage points - afforded to developing countries in South and East Asia, Latin America, and Africa. A few exceptions include Brazil, South Africa, Thailand, and Vietnam. On average, these countries face barriers higher than those faced by other trading partners partly because of the composition of their exports to Australia.[24]

Table 9 presents the results of the simulated 50 percent tariff liberalization, highlighting those regions experiencing gains or losses in welfare (for other regions not shown, the welfare effects were found to be neutral). The measure of change in welfare is expressed as the equivalent variation in income on a per capita basis. In general, the welfare impacts indicated by the model conform with the expectations based on the statistical review – that is, they are fairly modest. In some cases, such as for the Forum Island countries, the gains from improved market access under unilateral liberalization appear to more than offset the losses from preference erosion. Under the simulation, a number of the regions losing out are in Africa--including the rest of the Southern Africa Customs Union (SACU, which includes Swaziland) and Malawi. In the statistical review presented in the previous section, we also found some indication that these economies relied on preferences. The GTAP database, however, does not reflect some of the more recent enhancements in market access extended by Australia to LDCs and Forum Island countries (including improved access for textile and apparel products). Likewise, the protection data in GTAP do not yet reflect the recent Singapore-Australia FTA.

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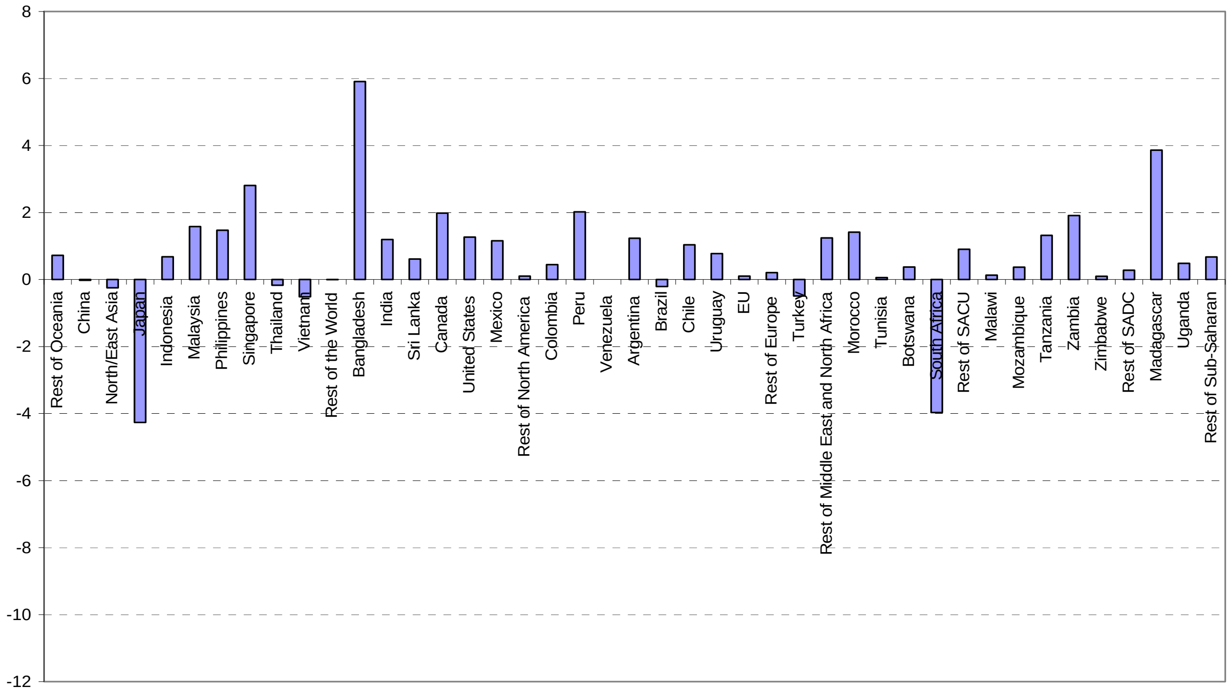
22 The trade protection data in the GTAP 6.05 database integrate information on bilateral *ad valorem* tariffs (both MFN and preferential), *ad valorem* equivalents of specific tariffs (MFN and preferential), and information on tariff rate quotas from CEPII/ITC Market Access Maps (MAcMaps) database. The treatment of tariffs in the database is documented in detail in Bouët, A., Decreux, Y., Fontagné, L., Jean, S., and Laborde, D. (2005) *V6 Documentation - Chapter 16.D: Tariff Data*, http://www.gtap.agecon.purdue.edu/resources/res_display.asp?RecordID=1824.

23 The simulations do not include any change in export credits or non-tariff barriers.

24 The main contributors to these preferential developing-country margins are such manufacturing categories as textiles, apparel, leather products, and other manufacturing.

Chart 4. Australia: Average Trade-weighted Preference Margins by Beneficiary Country, 2001
(percentage points, based on GTAP 6.05 database)



Source: Lippoldt and Kowalski (2005).

Conclusions

Compared with the Quad countries, Australia is a relatively small market for developing countries. At the same time, it is a relatively open market and some developing countries have come to rely on it as an export market. Given the structure of exports from developing countries, MFN access is often available duty-free or at low-duty rates and provides an attractive channel for entry. Where access may be constrained by MFN tariffs, concessional rates are sometimes available. Preferential schemes provide an important additional channel for many developing countries exporting goods subject to constraining MFN tariffs. Most of these countries have not come to rely on Australian preferences for a large share of their trade. But a few smaller countries -- particularly some in proximity to Australia -- have come to rely on the Australian preferential regime for fairly significant shares of their exports. This reliance is associated with a degree of sector-specific concentration in the use of preferences.

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Table 1. Australian imports from developing countries by type of tariff treatment, USD millions, current

	Total imports				Imports excluding HS-99 (confidential)			
	1996	**2002**	**2003**	**2004**	**1996**	**2002**	**2003**	**2004**
Developing Country preference (excluding "historical")	6 321	10 817	12 714	14 874	6 201	10 581	12 395	14 538
Forum Island Country (FIC) preferences	137	122	156	164	137	96	97	102
Special rates for specific economies								
The special rate for the specific country claimed	4 270	4 314	3 007	800	4 135	4 133	2 870	800
Singapore exports receiving dev'g country rate	n/a	n/a	1 038	3 052	n/a	n/a	997	2 943
Singapore FTA free rate of duty	n/a	n/a	33	121	n/a	n/a	22	77
Preferences for Least Developed Countries (LDCs) and other priority beneficiaries								
LDC preferential rate of duty claimed	n/a	n/a	3	9	n/a	n/a	3	9
Developing Country preference, historical	17	33	28	23	17	33	28	23
All preferences	*10 746*	*15 285*	*16 979*	*19 042*	*10 490*	*14 843*	*16 411*	18 491
Non-preferential treatment								
The special rate that applies has not been claimed and the general rate of duty has been used	6 384	11 086	15 353	24 665	6 238	10 652	14 791	24 015
No preferential rate of duty has been claimed	1 172	522	1 495	531	1 110	500	1 475	528
Total	**18 303**	**26 893**	**33 827**	**44 238**	**17 838**	**25 994**	**32 677**	**43 034**

Source: Australian Bureau of Statistics data; OECD Secretariat calculations.

Notes: n/a = not applicable. Throughout the tables, import values are based on customs value.

Table 2. Australian preferential trade: counts of HS-10 digit tariff lines with imports from developing countries in recent years (all imports)

Type of preference	2002	2003	2004
Developing Country preference (excluding "historical")	6,056	6,100	6,176
Forum Island Country preference	608	629	585
Special rates for specific economies			
The special rate for the specific country claimed	4,944	4,605	577
Singapore exports receiving dev'g country rate	n/a	3,754	4,555
Singapore FTA free rate of duty	n/a	423	260
Preferences for Least Developed Countries and other priority beneficiaries			
LDC preferential rate of duty claimed	n/a	158	296
Developing Country preference, historical	536	470	503
Non-preferential treatment			
The special rate that applies has not been claimed and the general rate of duty has been used	5,748	6,028	6,273
No preferential rate of duty has been claimed	1,673	1,337	1,307

Source: Australian Bureau of Statistics data; OECD Secretariat calculations.

Table 3. Overview of preferential tariffs, for product groups (HS 10-digit) with imports in 2004 -- Australia (excluding imports classified 'combined confidential' or entering at concessional rates)

Treatment	Number of lines with imports in 2004 (1)	Simple average, applied tariff (statutory rate) (2)	Simple average, inferred statutory "MFN" tariff (3)	Maximum tariff in these lines, under the stated treatment	Count of ad valorem tariffs	Count of non ad valorem tariffs
Developing Country preference (excluding "historical")	6,035	6.1%	6.7%	40%	5,962	73
Forum Island Country preference	565	0.0%	10.7%	0%	561	4
Special rates for specific economies						
The special rate for the specific country claimed	223	1.4%	6.1%	5%	222	1
Singapore exports receiving dev'g cntry rt	4,339	5.3%	5.9%	25%	4,313	26
Singapore FTA duty rate	247	0.0%	7.3%	0%	243	4
Preferences for LDCs and other priority beneficiaries						
LDC preferential rate of duty claimed	289	0.0%	13.5%	0%	289	0
Developing Country preference, historical	483	6.3%	9.7%	20%	476	7
Non-preferential treatment						
The special rate that applies has not been claimed and the general rate of duty has been used	6,105	6.5%	6.8%	25%	6,051	54

No preferential rate of duty has been claimed	1,208	0.0%	0.1%	5%	1,205	3

Source: Australian Bureau of Statistics (ABS); OECD Secretariat calculations.

Notes: Australian tariffs are determined based on the HS line, the preferential scheme, country of origin, nature of entry, nature of tariff and treatment code. The original ABS database used in these tables for 2002 lists156 countries as eligible for the Developing Country preferential rate (17 out of 156 countries did not export under this scheme). According to the original ABS database, the following countries were eligible for the “Forum Island Country preferential rates”: Cook Island, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Samoa, Solomon Island, Tonga, Tuvalu and Vanuatu. According to the original ABS database, the following developing countries were eligible for “special rates”: Hong Kong SAR, Taiwan Province of China, Korea, Malaysia, Papua New Guinea and Singapore. Country eligibility for the various tariff preferences as of December 2004 is shown in Annex 1.

(1) Number of lines at the HS 10-digit level where there were imports entering in 2004 under the treatment indicated.

(2) Simple average of lines where there have been imports. Calculation based on *ad valorem* tariffs only.

(3) “MFN” tariffs refer to the maximum rate. This column presents the simple averages of “MFN” tariffs for the lines corresponding to those in the preferential programs with imports. The calculation is based on *ad valorem* tariffs only.

(4) The category “historical” covers a set of developing countries that tend to be relatively less developed, have been traditionally treated as developing countries under the Australian tariff system, and receive special preferences on a comparatively limited set of tariff lines.

Table 4. The estimated value of Australian tariff preferences calculated in terms of forgone duties, by country

	Amount of duty forgone based on inferred statutory MFN rates							Amount of duty forgone based on calculated MFN rates						
	Duty forgone (USD '000)				2004 duties forgone for each country…			Duty forgone (USD '000)				2004 duties forgone for each country…		
Country of Origin	1996	2002	2003	2004	As % of each country's total exports	As % of duty to be paid at inferred statutory MFN rates	As % in total duties forgone by Australia in 2004 (stat. MFN rates)	1996	2002	2003	2004	As % of each country's total exports	As % of duty to be paid at calculated MFN rates	As % in total duties forgone by Australia in 2004 (calc. MFN rates)
Afghanistan	0.0	0.0	0.0	2.4	0.00%	55.3%	0.0%	0.0	0.0	0.0	2.4	0.00%	55.4%	0.0%
Albania	1.1	0.0	0.2	0.1	0.00%	2.0%	0.0%	1.1	0.0	0.2	0.1	0.00%	2.1%	0.0%
Algeria	0.0	0.0	0.0	0.6	0.00%	46.4%	0.0%	0.0	0.0	0.0	0.6	0.00%	46.6%	0.0%
Angola	0.0	0.0	1.4	0.1	0.00%	36.1%	0.0%	0.0	0.0	1.4	0.1	0.00%	36.1%	0.0%
Anguilla	0.0	0.0	0.0	0.0				0.0	0.0	0.0	0.0	0.00%	0.0%	0.0%
Antigua and Barbuda	0.0	0.0	0.0	0.0				0.0	0.0	0.0	0.0	0.00%	0.3%	0.0%
Argentina	855.5	1,705.9	1,884.9	2,126.1	0.01%	43.2%	0.6%	955.4	1,732.9	1,907.3	2,158.9	0.01%	43.7%	0.1%
Bahamas	0.2	0.0	0.0	2.8	0.00%	3.0%	0.0%	539.3	1,084.6	24.8	5.9	0.00%	6.1%	0.0%
Bahrain	93.8	203.0	266.2	374.3	0.01%	19.4%	0.1%	115.9	209.0	266.1	375.5	0.02%	19.5%	0.0%
Bangladesh	223.7	179.0	353.1	1,280.1	0.02%	76.1%	0.3%	253.9	182.0	353.1	1,280.1	0.02%	76.1%	0.0%
Barbados	22.0	1.4	6.1	0.0				952.7	838.2	2,512.5	2,704.9	0.90%	76.5%	0.1%
Belize	0.0	1.8	0.3	0.6	0.00%	25.7%	0.0%	0.0	1.8	0.3	0.6	0.00%	25.8%	0.0%
Benin	0.0	0.0	0.0	0.0				0.0	0.0	0.0	0.0			
Bermuda	0.0	1.7	0.0	0.1	0.00%	55.9%	0.0%	569.5	1.7	0.0	0.1	0.00%	56.4%	0.0%
Bhutan	0.0	0.2	0.0	3.7	0.01%	53.6%	0.0%	0.0	0.2	0.0	3.7	0.01%	53.6%	0.0%
Bolivia	28.4	7.7	17.9	6.7	0.00%	8.5%	0.0%	29.9	7.8	17.9	16.5	0.00%	16.9%	0.0%
Bosnia and Herzegovina	3.3	9.2	9.7	16.4	0.00%	40.7%	0.0%	3.3	31.1	9.7	33.6	0.00%	50.2%	0.0%
Botswana	0.0	0.0	0.1	0.1	0.00%	13.4%	0.0%	0.0	0.0	0.1	0.1	0.00%	13.5%	0.0%
Brazil	6,522.5	2,954.8	3,667.9	5,020.3	0.01%	29.2%	1.4%	32,673.7	3,279.0	4,126.0	8,237.7	0.01%	40.7%	0.3%
Brit.Ind.Ocean Territory	0.0	0.0	0.0	0.0				0.0	0.0	0.0	0.0			
British Virgin Is	0.0	0.1	0.0	0.0				0.0	12.7	0.0	0.0	0.00%	0.1%	0.0%
Brunei Darussalam	3.9	3.4	1.5	0.6	0.00%	3.0%	0.0%	4.5	3.7	1.8	0.7	0.00%	3.0%	0.0%
Bulgaria	31.9	45.8	60.4	82.5	0.00%	12.6%	0.0%	1,067.9	4,001.2	2,722.0	5,097.2	0.07%	89.9%	0.2%
Burkina Faso	0.0	0.0	0.8	1.0	0.00%	79.1%	0.0%	0.0	0.0	0.8	1.0	0.00%	79.2%	0.0%
Burundi	0.0	0.0	0.0	0.0				0.0	0.0	0.0	0.0			
Cambodia	4.8	52.5	225.7	342.1	0.02%	63.0%	0.1%	9.9	53.1	232.1	485.9	0.02%	67.2%	0.0%
Cameroon	4.2	6.4	10.6	18.5	0.00%	98.8%	0.0%	4.2	6.5	10.6	18.6	0.00%	99.2%	0.0%
Cape Verde	0.0	0.0	0.1	0.0				0.0	0.0	0.1	0.0			
Cayman Islands	0.2	0.0	0.0	0.0				0.8	0.0	0.0	0.0	0.00%	2.9%	0.0%
Cen African Rep	0.0	0.0	0.0	0.0				0.0	0.0	0.0	0.0			

Table 4. The estimated value of Australian tariff preferences calculated in terms of forgone duties, by country (continued)

Country of Origin	Amount of duty forgone based on inferred statutory MFN rates: Duty forgone (USD '000) 1996	2002	2003	2004	2004 duties forgone for each country… As % of each country's total exports	As % of duty to be paid at inferred statutory MFN rates	As % in total duties forgone by Australia in 2004 (stat. MFN rates)	Amount of duty forgone based on calculated MFN rates: Duty forgone (USD '000) 1996	2002	2003	2004	2004 duties forgone for each country… As % of each country's total exports	As % of duty to be paid at calculated MFN rates	As % in total duties forgone by Australia in 2004 (calc. MFN rates)
Chad	0.0	0.0	0.2	0				0.0	0.0	0.2	0.0			0.0%
Chile	284.1	214.3	230.1	233	0.00%	14.8%	0.1%	389.3	332.6	259.2	368.4	0.00%	21.0%	0.0%
China	119,985.8	78,703.8	93,964.1	138,015	0.02%	15.1%	37.7%	231,685.9	121,605.9	135,004.8	178,824.0	0.03%	18.7%	5.6%
Colombia	128.9	37.1	45.8	81	0.00%	24.0%	0.0%	356.5	73.3	93.0	104.5	0.00%	28.4%	0.0%
Comoros	1.6	0.0	0.0	0.0				1.6	0.0	0.0	0.0			
Congo	0.3	1.3	0.6	0	0.00%	100.0%	0.0%	0.3	1.3	0.6	0.1	0.00%	100.0%	0.0%
Cook Islands	15.2	4.0	1.1	2	0.02%	87.7%	0.0%	15.3	4.1	1.1	2.3	0.02%	87.7%	0.0%
Costa Rica	9.0	208.3	176.2	201	0.00%	57.6%	0.1%	11.2	211.9	224.9	202.0	0.00%	57.4%	0.0%
Cote d'Ivoire	4.7	0.5	0.8	1	0.00%	8.9%	0.0%	5.8	0.5	0.8	0.6	0.00%	9.0%	0.0%
Croatia	98.5	74.7	111.0	302	0.01%	44.5%	0.1%	1,079.9	228.0	247.9	619.0	0.01%	42.5%	0.0%
Cuba	3.6	50.8	8.8	4	0.00%	15.7%	0.0%	1,539.3	4,645.8	7,049.2	7,330.6	0.66%	80.9%	0.2%
Cyprus	31.3	1.5	1.9	4	0.00%	8.7%	0.0%	105.4	326.1	432.7	94.1	0.01%	52.9%	0.0%
Czech Republic	1,216.2	722.6	666.9	1,640	0.00%	42.3%	0.4%	1,586.4	1,035.4	1,259.0	3,466.6	0.01%	52.3%	0.1%
Zaire	0.0	0.0	0.2	0				0.1	0.0	0.2	0.0	0.00%	2.6%	0.0%
Djibouti	0.0	0.0	0.0	0				0.0	0.0	0.0	0.0	0.00%	0.5%	0.0%
Dominica	0.0	0.0	0.0	0	0.00%	54.2%	0.0%	0.1	54.1	411.5	736.2	1.78%	59.8%	0.0%
Dominican Republic	17.4	2.5	10.4	13	0.00%	13.2%	0.0%	200.3	1,348.8	1,793.4	2,772.5	0.05%	86.7%	0.1%
East Timor	0.0	0.3	0.1	2	0.03%	57.5%	0.0%	0.0	0.3	17.9	86.3	1.65%	67.7%	0.0%
Ecuador	11.4	2.8	0.7	8	0.00%	20.6%	0.0%	13.4	38.5	56.3	15.5	0.00%	17.3%	0.0%
Egypt	378.9	32.1	55.4	54	0.00%	5.6%	0.0%	414.5	251.0	193.9	13,268.8	0.18%	91.8%	0.4%
El Salvador	2.8	1.1	2.4	2	0.00%	2.3%	0.0%	4.0	1.9	2.4	1.6	0.00%	2.3%	0.0%
Equatorial Guinea	0.0	0.0	0.0	0	0.00%	72.6%	0.0%	0.0	0.0	0.0	0.2	0.00%	73.0%	0.0%
Eritrea	0.0	0.1	0.0	1	0.00%	100.0%	0.0%	0.0	0.1	0.0	0.6	0.00%	100.0%	0.0%
Ethiopia	1.0	0.0	0.1	0				1.0	0.0	0.1	17.5	0.00%	71.3%	0.0%
Falkland Islands	0.0	0.0	0.0	0.0				0.0	0.0	0.0	0.0			
Fiji	44,758.3	15,179.2	17,741.5	19,434	3.48%	99.4%	5.3%	45,817.5	16,695.7	22,202.6	23,734.5	4.25%	94.8%	0.7%
FYR Macedonia	29.2	10.1	11.4	11	0.00%	12.4%	0.0%	80.9	27.1	14.3	77.3	0.01%	28.7%	0.0%
French Polynesia	2.5	7.0	5.2	11	0.01%	96.1%	0.0%	3.1	10.9	5.2	24.4	0.01%	95.6%	0.0%
Gabon	0.0	0.8	0.8	7	0.00%	100.0%	0.0%	0.0	0.8	0.8	6.8	0.00%	100.0%	0.0%
Gambia	0.0	0.0	0.0	0				0.0	0.0	0.0	0.0	0.00%	0.3%	0.0%

Table 4. The estimated value of Australian tariff preferences calculated in terms of forgone duties, by country (continued)

Country of Origin	Amount of duty forgone based on inferred statutory MFN rates							Amount of duty forgone based on calculated MFN rates						
	Duty forgone (USD '000)				2004 duties forgone for each country…			Duty forgone (USD '000)				2004 duties forgone for each country…		
	1996	2002	2003	2004	As % of each country's total exports	As % of duty to be paid at inferred statutory MFN rates	As % in total duties forgone by Australia in 2004 (stat. MFN rates)	1996	2002	2003	2004	As % of each country's total exports	As % of duty to be paid at calculated MFN rates	As % in total duties forgone by Australia in 2004 (calc. MFN rates)
Ghana	11.1	33.0	18.3	39.7	0.00%	43.2%	0.0%	14.5	33.4	18.3	39.7	0.00%	43.2%	0.0%
Gibraltar	2.1	0.0	1.3	0.0			0.0%	2.2	0.0	1.3	0.0	0.00%	0.0%	0.0%
Grenada Is	0.0	0.0	0.0	0.0			0.0%	0.0	0.0	0.0	0.0	0.00%	0.0%	0.0%
Guam	0.8	0.3	0.5	2.3	0.00%	62.9%	0.0%	1.2	0.3	0.5	2.3	0.00%	63.0%	0.0%
Guatemala	7.9	2.2	2.5	1.9	0.00%	9.2%	0.0%	8.7	2.7	2.5	1.9	0.00%	9.3%	0.0%
Guinea	0.0	0.0	0.0	0.4	0.00%	94.2%	0.0%	0.0	0.0	0.0	0.4	0.00%	94.5%	0.0%
Guyana	0.0	0.0	0.3	5.0	0.00%	83.8%	0.0%	0.0	0.0	0.3	5.0	0.00%	83.8%	0.0%
Haiti	0.2	0.5	98.0	83.7	0.02%	46.6%	0.0%	0.3	0.6	98.0	83.7	0.02%	46.6%	0.0%
Honduras	0.5	0.1	0.7	0.0	0.00%	0.0%	0.0%	32.2	251.0	430.2	224.4	0.01%	26.9%	0.0%
Hong Kong	12,866.6	6,633.3	4,845.0	7,271.6	0.01%	17.9%	2.0%	16,161.3	8,433.5	6,154.2	7,821.7	0.01%	18.9%	0.2%
Hungary	665.6	568.4	924.2	993.7	0.00%	24.2%	0.3%	923.4	1,476.7	1,987.8	1,780.0	0.00%	41.7%	0.1%
India	12,170.4	5,324.1	6,570.6	9,421.3	0.02%	21.9%	2.6%	23,422.3	6,381.8	7,144.9	10,272.2	0.02%	23.3%	0.3%
Indonesia	18,094.4	9,622.5	9,267.8	11,060.9	0.02%	21.9%	3.0%	25,642.9	12,859.0	51,785.0	140,235.9	0.21%	77.8%	4.4%
Iran	85.8	21.5	30.8	13.2	0.00%	3.7%	0.0%	89.3	25.4	42.8	13.2	0.00%	3.7%	0.0%
Iraq	0.0	0.0	0.0	0.1	0.00%	66.7%	0.0%	0.0	0.0	0.0	0.1	0.00%	66.7%	0.0%
Israel	3,722.2	1,785.5	2,532.5	3,269.3	0.01%	34.9%	0.9%	4,425.3	1,857.7	2,548.8	3,346.5	0.01%	35.3%	0.1%
Jamaica	0.5	10.0	0.1	0.0			0.0%	1,114.7	793.4	4,369.7	6,015.9	0.38%	65.0%	0.2%
Jordan	4.2	1.6	2.8	6.5	0.00%	16.6%	0.0%	4.5	140.2	49.0	42.6	0.00%	20.8%	0.0%
Kenya	15.6	19.4	2.1	1.1	0.00%	9.5%	0.0%	30.6	19.6	2.1	3.9	0.00%	25.7%	0.0%
Kiribati	0.0	0.0	0.0	0.1	0.00%	9.9%	0.0%	0.0	0.0	0.0	0.1	0.00%	10.0%	0.0%
Korea, Dem Rep	22.0	25.8	136.4	64.7	0.01%	25.8%	0.0%	26.9	26.1	136.4	77.1	0.01%	27.9%	0.0%
Korea	43,513.8	21,439.2	30,322.0	36,887.3	0.02%	22.0%	10.1%	65,318.2	54,095.0	81,830.7	183,692.6	0.10%	64.1%	5.7%
Kuwait	0.0	0.1	0.5	1.6	0.00%	18.0%	0.0%	4.7	0.1	0.9	2.0	0.00%	23.0%	0.0%
Laos	8.4	3.6	14.6	15.4	0.01%	23.9%	0.0%	9.5	3.9	14.6	15.4	0.01%	20.4%	0.0%
Lebanon	65.5	25.6	38.6	33.5	0.00%	11.2%	0.0%	203.1	58.6	68.6	111.3	0.01%	27.6%	0.0%
Lesotho	0.0	0.0	1.4	3.4	0.00%	57.0%	0.0%	0.0	0.0	1.4	3.4	0.00%	57.0%	0.0%
Liberia	0.0	0.0	0.0	0.1	0.00%	69.3%	0.0%	0.0	0.0	0.0	0.1	0.00%	69.7%	0.0%
Libya	1.3	0.0	0.0	0.0				1.3	0.0	0.0	0.0			
Macau (Sar of China)	117.4	1.7	20.4	10.4	0.00%	1.5%	0.0%	267.5	8.3	19.2	13.1	0.00%	1.9%	0.0%

Table 4. The estimated value of Australian tariff preferences calculated in terms of forgone duties, by country (continued)

	Amount of duty forgone based on inferred statutory MFN rates							Amount of duty forgone based on calculated MFN rates						
	Duty forgone (USD '000)				2004 duties forgone for each country…			Duty forgone (USD '000)				2004 duties forgone for each country…		
Country of Origin	1996	2002	2003	2004	As % of each country's total exports	As % of duty to be paid at inferred statutory MFN rates	As % in total duties forgone by Australia in 2004 (stat. MFN rates)	1996	2002	2003	2004	As % of each country's total exports	As % of duty to be paid at calculated MFN rates	As % in total duties forgone by Australia in 2004 (calc. MFN rates)
Madagascar	0.5	1.8	0.1	1.9	0.00%	16.6%	0.0%	1.4	1.8	0.1	1.9	0.00%	16.7%	0.0%
Malawi	0.6	0.1	0.0	1.0	0.00%	100.0%	0.0%	6.7	0.1	0.0	1,088.6	0.23%	100.0%	0.0%
Malaysia	33,340.6	21,781.2	24,687.9	28,543.9	0.02%	39.0%	7.8%	36,493.8	39,931.1	35,960.9	68,521.8	0.06%	60.8%	2.1%
Maldives	0.0	1.0	0.7	0.6	0.00%	31.3%	0.0%	0.0	1.0	0.7	0.6	0.00%	31.4%	0.0%
Mali	3.5	24.1	0.2	2.2	0.00%	48.8%	0.0%	4.1	24.2	0.2	2.2	0.00%	48.9%	0.0%
Malta	61.6	11.8	19.1	45.3	0.00%	23.0%	0.0%	68.7	44.5	46.7	79.3	0.00%	40.3%	0.0%
Marianas Northern	6.8	3.1	19.3	0.6	0.01%	1.0%	0.0%	9.4	3.1	19.3	0.6	0.01%	1.0%	0.0%
Marshall Islands	0.0	0.0	0.0	0.0				0.0	0.0	0.0	0.0	0.00%	0.0%	0.0%
Mauritania	0.0	0.0	0.0	0.0				0.0	0.1	0.0	0.1	0.00%	25.0%	0.0%
Mauritius	16.2	1.6	4.8	1.3	0.00%	0.5%	0.0%	201.1	30.7	62.0	68.6	0.00%	17.3%	0.0%
Mexico	3,101.1	2,522.7	4,202.8	5,580.6	0.00%	24.3%	1.5%	28,360.8	38,790.3	41,101.0	77,354.8	0.05%	67.5%	2.4%
Micronesia	8.3	0.0	0.6	0.8	0.00%	97.7%	0.0%	8.4	0.5	7.7	0.8	0.00%	97.7%	0.0%
Midway Islands	0.6	0.0	0.0	0.0				0.8	0.0	0.0	0.0			
Mongolia	0.0	0.0	0.4	2.0	0.00%	70.8%	0.0%	0.0	0.0	0.4	2.0	0.00%	70.9%	0.0%
Montserrat Is	0.0	0.0	0.0	0.0	0.00%	3.0%	0.0%	0.0	0.0	0.0	0.0	0.00%	3.1%	0.0%
Morocco	36.5	7.3	13.6	12.7	0.00%	3.2%	0.0%	42.6	47.6	44.1	13.0	0.00%	3.3%	0.0%
Mozambique	0.1	0.0	0.1	5.1	0.00%	98.3%	0.0%	0.1	0.0	0.1	5.1	0.00%	98.3%	0.0%
Myanmar	4.3	33.3	43.6	48.7	0.00%	51.9%	0.0%	5.0	44.0	43.6	48.8	0.00%	51.9%	0.0%
Namibia	0.2	0.0	0.6	0.0				0.2	11.7	7.9	19.6	0.00%	44.3%	0.0%
Nauru	1.4	1.6	0.5	0.1	0.00%	46.4%	0.0%	1.4	1.6	0.5	0.1	0.00%	46.7%	0.0%
Nepal	104.5	47.1	51.1	61.3	0.01%	68.5%	0.0%	112.8	47.7	52.2	62.2	0.01%	68.8%	0.0%
Netherlands Antilles	0.0	0.5	0.0	0.0				0.0	9.6	0.0	36.0	0.00%	10.5%	0.0%
New Caledonia	21.8	8.0	37.3	11.8	0.00%	22.7%	0.0%	2.5	8.2	37.3	11.8	0.00%	22.7%	0.0%
Nicaragua	0.0	2.7	11.9	19.6	0.00%	17.0%	0.0%	0.0	192.3	28.6	42.4	0.00%	29.4%	0.0%
Niger	0.2	0.0	0.5	0.0			0.0%	0.2	0.0	3.3	0.0	0.00%	0.8%	0.0%
Nigeria	0.1	0.9	0.6	0.9	0.00%	20.4%	0.0%	0.1	0.9	0.6	0.9	0.00%	20.6%	0.0%
Niue	0.0	0.0	0.0	0.0				0.0	0.0	0.0	0.0			
Oman	0.4	18.4	27.4	14.0	0.00%	27.8%	0.0%	0.4	18.7	27.4	17.9	0.00%	33.0%	0.0%
Pakistan	13,234.6	2,973.0	2,941.2	2,649.3	0.03%	14.3%	0.7%	14,658.1	3,225.6	3,262.5	2,648.7	0.03%	14.3%	0.1%
Palau	0.0	0.0	0.0	0.0	0.00%	13.3%	0.0%	0.0	0.0	0.0	0.0	0.00%	14.5%	0.0%

Table 4. The estimated value of Australian tariff preferences calculated in terms of forgone duties, by country (continued)

	Amount of duty forgone based on inferred statutory MFN rates							Amount of duty forgone based on calculated MFN rates						
	Duty forgone (USD '000)				2004 duties forgone for each country…			Duty forgone (USD '000)				2004 duties forgone for each country…		
Country of Origin	1996	2002	2003	2004	As % of each country's total exports	As % of duty to be paid at inferred statutory MFN rates	As % in total duties forgone by Australia in 2004 (stat. MFN rates)	1996	2002	2003	2004	As % of each country's total exports	As % of duty to be paid at calculated MFN rates	As % in total duties forgone by Australia in 2004 (calc. MFN rates)
Panama	20.4	0.9	2.8	1.0	0.00%	11.1%	0.0%	20.7	1.0	3.2	1.0	0.00%	11.1%	0.0%
Papua New Guinea	176.7	214.8	365.3	639.8	0.03%	89.6%	0.2%	465.2	2,395.7	370.1	14,542.2	0.65%	99.5%	0.5%
Paraguay	1.2	0.0	1.0	0.1	0.00%	0.6%	0.0%	1.2	0.0	1.0	0.1	0.00%	0.6%	0.0%
Peru	67.1	35.5	40.8	42.4	0.00%	7.5%	0.0%	93.8	41.4	44.3	43.8	0.00%	7.7%	0.0%
Philippines	10,689.0	4,234.1	5,502.4	6,423.5	0.01%	42.7%	1.8%	12,642.5	5,846.6	7,295.0	8,106.2	0.02%	46.6%	0.3%
Pitcairn Island	0.0	0.0	0.0	0.0				0.0	0.0	0.0	0.0			
Poland	497.6	632.4	837.8	855.2	0.00%	5.7%	0.2%	1,272.0	1,385.9	1,117.4	17,179.1	0.03%	78.0%	0.5%
Qatar	0.2	0.1	0.0	0.3	0.00%	0.1%	0.0%	0.2	0.3	0.0	161.1	0.00%	26.5%	0.0%
Romania	265.2	54.4	219.5	283.4	0.00%	12.7%	0.1%	657.2	594.5	465.4	424.9	0.00%	17.9%	0.0%
Rwanda	0.0	0.0	0.0	0.0				0.0	0.0	0.0	0.0			
Samoa	6,975.0	2,892.8	301.0	12.7	0.02%	95.8%	0.0%	7,153.8	2,898.0	308.2	17.6	0.02%	51.3%	0.0%
Samoa (American)	0.0	0.2	1.3	1.3		92.3%	0.0%	0.0	3.5	1.3	1.3		92.3%	0.0%
Sao Tome and Principe	0.0	0.0	0.0	0.0				0.0	0.0	0.0	0.0	0.00%	2.2%	0.0%
Saudi Arabia	140.0	241.3	283.7	1,363.9	0.00%	60.7%	0.4%	98,116.3	316.6	540.4	94,844.0	0.12%	99.1%	3.0%
Senegal	0.2	0.9	0.4	0.1	0.00%	45.1%	0.0%	0.5	1.0	0.4	0.1	0.00%	45.6%	0.0%
Seychelles	0.0	0.0	0.0	0.0			0.0%	0.0	0.0	0.0	0.0	0.00%	0.0%	0.0%
Sierra Leone	0.0	0.1	0.3	0.1	0.00%	1.1%	0.0%	0.0	0.1	0.3	0.2	0.00%	1.1%	0.0%
Singapore	27,441.2	6,549.8	7,111.4	16,852.5	0.02%	51.9%	4.6%	353,709.2	303,211.3	552,121.6	2,043,314.3	2.24%	98.9%	63.8%
Slovak Republic	69.7	0.0	364.8	385.1	0.00%	39.6%	0.1%	86.5	0.0	410.8	474.1	0.00%	43.4%	0.0%
Slovenia	398.2	466.6	606.6	526.6	0.00%	24.1%	0.1%	458.5	611.1	823.3	1,565.3	0.01%	49.4%	0.0%
Solomon Islands	65.8	18.7	37.0	56.6	0.05%	99.9%	0.0%	65.9	19.1	37.0	56.6	0.05%	99.9%	0.0%
Somalia	0.0	0.0	0.0	0.1	0.00%	12.6%	0.0%	0.0	0.0	0.0	0.1	0.00%	12.9%	0.0%
Sri Lanka	873.2	439.2	505.6	598.7	0.01%	23.7%	0.2%	1,175.8	477.6	555.0	617.4	0.01%	24.2%	0.0%
St Christopher &Nevis	0.0	0.3	0.0	0.0				0.0	0.3	0.0	0.0			
St Pierre and Miquelon	0.0	0.0	0.0	0.0				0.0	0.0	0.0	0.0			
St. Helena	0.0	0.0	0.0	0.0				0.0	0.0	0.0	0.0	0.00%	0.0%	0.0%
St. Lucia	0.8	0.0	0.0	0.0				1.0	0.0	0.0	0.0			
St. Vincent Grenadines	0.0	0.0	0.0	0.0				0.0	0.0	0.0	0.0	0.00%	0.0%	0.0%
Sudan	0.0	0.0	0.0	0.0	0.00%	100.0%	0.0%	0.0	0.0	0.0	0.0	0.00%	4.3%	0.0%

Table 4. The estimated value of Australian tariff preferences calculated in terms of forgone duties, by country (continued)

	Amount of duty forgone based on inferred statutory MFN rates							Amount of duty forgone based on calculated MFN rates						
	Duty forgone (USD '000)				2004 duties forgone for each country…			Duty forgone (USD '000)				2004 duties forgone for each country…		
Country of Origin	1996	2002	2003	2004	As % of each country's total exports	As % of duty to be paid at inferred statutory MFN rates	As % in total duties forgone by Australia in 2004 (stat. MFN rates)	1996	2002	2003	2004	As % of each country's total exports	As % of duty to be paid at calculated MFN rates	As % in total duties forgone by Australia in 2004 (calc. MFN rates)
Suriname	0.0	0.0	0.0	0.0				0.0	0.0	0.0	0.0	0.00%	1.4%	0.0%
Swaziland	1.6	726.0	1,160.6	1,573.2	0.29%	97.6%	0.4%	2.1	732.2	1,160.3	1,573.2	0.29%	97.6%	0.0%
Syria	14.5	0.4	2.3	8.4	0.00%	10.0%	0.0%	17.7	0.8	2.5	8.4	0.00%	10.1%	0.0%
Chinese Taipei	45,917.8	15,975.3	16,855.0	23,811.3	0.01%	29.7%	6.5%	65,568.4	24,908.4	51,205.3	183,156.5	0.11%	76.7%	5.7%
Tanzania	1.0	6.9	11.9	22.3	0.00%	49.3%	0.0%	1.7	6.9	12.7	23.8	0.00%	43.3%	0.0%
Thailand	17,796.1	15,422.5	22,469.6	30,426.5	0.04%	22.5%	8.3%	26,236.5	33,395.5	64,303.6	73,322.8	0.10%	48.9%	2.3%
Togo	0.0	0.0	0.1	0.4	0.00%	59.6%	0.0%	0.0	0.0	0.1	0.4	0.00%	59.9%	0.0%
Tokelau	0.0	0.5	0.2	0.0				0.0	0.5	0.2	0.0			
Tonga	19.3	0.6	1.4	2.1	0.01%	83.1%	0.0%	26.2	0.6	1.4	2.1	0.01%	83.1%	0.0%
Trinidad and Tobago	0.0	1.5	0.2	1.4	0.00%	4.4%	0.0%	777.1	10.1	741.2	401.7	0.01%	88.8%	0.0%
Tunisia	4.5	7.0	7.4	5.0	0.00%	0.9%	0.0%	5.2	9.7	7.5	5.0	0.00%	0.9%	0.0%
Turkey	1,059.7	1,233.1	1,876.2	2,503.7	0.01%	17.7%	0.7%	1,371.6	1,747.6	2,053.0	2,705.3	0.01%	18.6%	0.1%
Turks and Caicos	0.0	0.0	0.0	0.0				0.0	0.0	0.0	0.0			
Tuvalu	0.0	0.0	0.0	0.0				0.0	0.0	0.0	0.0			
Uganda	0.0	0.0	0.0	1.4	0.00%	96.6%	0.0%	0.0	0.0	0.0	1.4	0.00%	96.6%	0.0%
United Arab Emirates	175.0	163.4	297.5	416.0	0.00%	18.6%	0.1%	212.3	748.7	330.8	618.8	0.00%	24.5%	0.0%
United States Virgin Is	0.0	0.0	0.0	0.1		4.4%	0.0%	22,039.1	0.0	0.0	0.1		4.5%	0.0%
Uruguay	51.8	198.1	100.0	116.3	0.00%	34.3%	0.0%	58.1	203.4	99.9	116.3	0.00%	34.3%	0.0%
Vanuatu	9.4	9.6	13.3	12.2	0.02%	78.4%	0.0%	12.7	9.7	13.2	12.1	0.02%	78.3%	0.0%
Venezuela	29.0	54.7	84.5	42.3	0.00%	39.4%	0.0%	213.0	446.5	253.3	42.3	0.00%	39.4%	0.0%
Viet Nam	1,244.8	2,633.1	2,901.9	3,314.1	0.02%	18.9%	0.9%	2,054.7	3,219.9	3,509.3	3,444.4	0.02%	19.5%	0.1%
Virgin Islands	0.0	0.0	2.4	2.2		8.5%	0.0%	0.0	0.0	2.4	2.2		8.5%	0.0%
Wallis & Futuna Is	0.0	0.0	0.0	0.3	0.05%	100.0%	0.0%	0.0	0.0	0.0	0.3	0.05%	100.0%	0.0%
Yemen	0.0	0.0	0.0	0.4	0.00%	57.7%	0.0%	0.0	0.0	0.0	0.4	0.00%	57.8%	0.0%
Zambia	0.2	0.1	0.1	0.2	0.00%	5.1%	0.0%	0.3	0.1	0.1	0.2	0.00%	5.2%	0.0%
Zimbabwe	66.1	8.3	8.7	3.0	0.00%	7.9%	0.0%	81.0	9.0	13.4	3.0	0.00%	8.0%	0.0%
Total for economies shown above	**430,169.4**	**225,609.6**	**268,413.5**	**365,802.1**			**100.0%**	**1,132,775.3**	**710,495.8**	**1,106,678.4**	**3,202,800.9**			**100.0%**

Source: Australian Bureau of Statistics data; OECD Secretariat calculations.

Notes: Excludes HS-99 imports (confidential). Where % indicators are not shown, an underlying element is not available. For each country, total exports are based on 200**3** mirror data.

Table 5. Coverage, utilisation and utility rates of key Australian tariff preferences

Scheme	Indicator	1996	2002	2003	2004
Developing Country Preference (excl. Forum & LDCs)	DCS product coverage	96%	97%	98%	98%
	DCS utilisation rates	39%	44%	40%	36%
	DCS utility rates	37%	42%	39%	35%
Forum Island Country Preference	Forum product coverage	18%	15%	69%	67%
	Forum utilisation rates	62%	78%	12%	11%
	Forum utility rates	11%	12%	9%	7%
LDCs (developing country-historical, developing country & least developed country preferences)	LDC product coverage	99%	100%	95%	95%
	LDC utilisation rates	14%	28%	30%	24%
	LDC utility rates	14%	28%	28%	23%

Source: Australian Bureau of Statistics data; OECD Secretariat calculations.

Notes: Product coverage is defined as eligible imports as a percentage of total imports from the group of eligible countries. The utilisation rate is defined as imports receiving the preference as a percentage of imports from the group of eligible countries. The utility rate is defined as imports receiving the preference as a percentage of total imports from the group. See Annex 4 for country-specific information on coverage, utilisation and utility rates.

Table 6. Australian imports from LDCs and East Timor

Country	Customs Value ('000 USD)				Index (2002 = 100)			
	1996	2002	2003	2004	1996	2002	2003	2004
Afghanistan	146	98	95	146	150	100	98	150
Angola	0	47	32	3	1	100	67	7
Bangladesh	16,908	24,475	28,049	32,318	69	100	115	132
Benin			0			100		
Bhutan		4	147	139		100	3,505	3,312
Burkina Faso			16	24		100		
Burundi	0	57	48	1	0	100	84	1
Cambodia	623	1,631	2,649	3,121	38	100	162	191
Cape Verde		0	1			100	253	-
Cen African Rep		5	0	2		100	3	36
Chad			50	11		100		
Comoros	53	8			620	100		
Zaire	230	18	27	20	1,308	100	154	116
Djibouti				3		100		
East Timor		390	550	6,510		100	141	1,670
Equatorial Guinea	2		21	4		100		
Eritrea	7	2	1	11	283	100	50	462
Ethiopia	1,063	890	965	1,312	119	100	108	147
Gambia	2	11	1	9	23	100	12	81
Guinea	3	6	9	8	57	100	164	138
Haiti	13	20	558	781	64	100	2,842	3,975
Kiribati	256	125	111	191	204	100	88	152
Laos	217	313	324	411	69	100	103	131
Lesotho	17		29	32		100		
Liberia	2		5	3		100		
Madagascar	614	1,009	685	284	61	100	68	28
Malawi	4,014	4,324	2,958	4,386	93	100	68	101
Maldives		33	50	39		100	150	116
Mali	118	669	580	318	18	100	87	48
Mauritania	90	11	35	164	806	100	312	1,481
Mozambique	21	1	17	55	2,146	100	1,761	5,647
Nepal	909	1,431	1,446	1,709	63	100	101	119
Niger	43	152	117	17	28	100	77	11
Rwanda		66	28	0		100	42	1
Samoa	50,210	21,067	6,783	707	238	100	32	3
Sao Tome and Principe	0			1		100		
Senegal		175	74	20		100	42	11
Sierra Leone	336	9	38	184	3,566	100	400	1,955
Solomon Islands	2,435	726	3,182	3,784	335	100	438	521
Somalia	2	1	3	38	315	100	551	6,539
Sudan	14	76	0	47	19	100	0	61
Tanzania	4,403	3,730	3,258	2,279	118	100	87	61
Togo		9,638	9,209	8,284		100	96	86
Tuvalu		8	2	2		100	28	26
Uganda	4,383	7,754	7,999	3,975	57	100	103	51
Vanuatu	620	2,542	3,848	2,408	24	100	151	95
Yemen	33	3	12	11,096	929	100	338	317,188
Zambia	607	346	122	837	175	100	35	242
Total	88,394	81,876	74,137	85,698	108	100	91	105

Source: Australian Bureau of Statistics data; OECD Secretariat calculations.

Note: Not all LDCs supplied imports in each year, as indicated by blank cells in the left panel. It was not possible to calculate the index for countries without 2002 import flows.

Table 7. Evolution of Australian imports of Bananas and Sugar

Australian Imports of Fresh or dried bananas incl. plantains (HS-0803000016; customs value, USD)

Country	2002	2003	2004
Colombia			19,141
Ecuador		1,343	
India	1,670	1,204	3,680
Indonesia		244	3,371
Israel		934	
Philippines	36,301	28,326	11,735
Sri Lanka		397	
Thailand	2,757	3,517	3,725
Viet Nam	14,554	13,834	9,652
Total	**55,282**	**49,800**	**51,304**

Sugars and sugar confectionery (HS-17, customs value, USD)

Country	2002	2003	2004
Argentina	313,318	162,730	236,948
Bangladesh	909	0	253
Brazil	805,864	877,999	1,065,960
Bulgaria	20,483	6,956	0
Chile	307,199	203,123	404,872
China	11,516,776	14,435,358	22,319,595
Colombia	151,694	123,746	211,953
Costa Rica	30,521	13,105	40,088
Croatia	23,339	108,248	122,647
Cyprus	117,131	14,468	34,807
Czech Republic	656,065	837,119	1,357,740
Ecuador	1,240	0	0
Egypt	3,576	13,405	7,640
Fiji	1,506,598	1,463,794	2,177,239
Former Yug Rep	414,009	263,385	93,995
Hong Kong (Sar	171,986	150,234	294,369
Hungary	121,697	14,968	41,234
India	355,788	491,018	310,544
Indonesia	4,965,858	7,385,264	4,087,510
Iran	43,289	36,723	96,106
Israel	73,695	114,202	113,583
Jordan	1,848	2,811	2,385
Kenya	0	0	15,476
Korea, Dem Peo	521	0	0
Korea, Republic	1,045,504	1,118,292	1,064,673
Lebanon	130,027	213,546	181,059
Malaysia	1,313,133	2,367,716	2,279,425
Malta	853	0	0
Mauritius	101,761	257,971	126,083
Mexico	332,508	215,590	245,430
Oman	50,334	161,378	260,963
Pakistan	890,680	1,477,529	1,342,391
Paraguay	7,269	7,847	0
Philippines	98,142	205,007	249,041
Poland	156,641	232,037	259,079
Saudi Arabia	46,291	23,415	25,450
Senegal	179	0	0
Singapore	253,106	308,344	549,309
Slovenia	17,837	1,874	15,634
Sri Lanka	53,182	43,039	46,770
Swaziland	23,231	390,249	674,416
Syria	13,544	53,809	27,754
Chinese Taipei	350,263	446,003	475,852
Thailand	821,292	1,624,794	1,314,440
Turkey	191,911	351,855	702,415
United Arab Emir	156,162	71,683	80,164
Uruguay	1,657	3,355	4,399
Viet Nam	194,851	215,440	186,144
Total	**27,853,765**	**36,509,430**	**43,145,835**

Source: Australian Bureau of Statistics data; OECD Secretariat calculations.

Table 8. Reliance on Australian preferential tariff schemes: preferential exports by sector as a % of each country's total exports

Countries	HS 2	Product Name	1996	2002	2003	2004
Albania	84	Nuclear reactors, boilers, mchy & m		0.71%	2.93%	
Anguilla	33	Essential oils & resinoids; perf,				0.58%
Bahrain	76	Aluminium and articles thereof.		0.98%	1.04%	1.49%
Brunei Darussalam	27	Mineral fuels, oils & product of th		3.14%	2.11%	1.80%
Cayman Islands	03	Fish & crustacean, mollusc & other	0.56%			
Cook Islands	71	Natural/cultured pearls, prec stone	1.47%	1.83%	2.10%	0.52%
East Timor	03	Fish & crustacean, mollusc & other		0.68%		
	09	Coffee, tea, matn and spices.			3.29%	5.15%
Fiji	07	Edible vegetables & certain roots				0.53%
	15	Animal/veg fats & oils & their clea	0.53%			
	19	Prep.of cereal, flour, starch/milk;				1.24%
	44	Wood and articles of wood; wood ch	0.59%		0.53%	
	61	Art of apparel & clothing access,	3.67%	2.31%	2.10%	2.05%
	62	Art of apparel & clothing access, n	10.70%	8.10%	8.39%	8.75%
	63	Other made up textile articles; set	2.02%			
	64	Footwear, gaiters and the like; par	0.97%	1.61%	1.39%	1.87%
	71	Natural/cultured pearls, prec stone			0.52%	
	94	Furniture; bedding, mattress, matt	0.52%			
Indonesia	27	Mineral fuels, oils & product of th		0.50%		
Malawi	24	Tobacco and manufactured tobacco			0.55%	
Marianas Northern	61	Art of apparel & clothing access,	0.88%	0.81%	0.52%	
	62	Art of apparel & clothing access, n	0.56%			
Nauru	25	Salt; sulphur; earth & ston; plaste		15.35%		
Pakistan	52	Cotton.	0.72%			
Papua New Guinea	09	Coffee, tea, matn and spices.	0.92%			
	27	Mineral fuels, oils & product of th	9.90%	2.19%	11.56%	14.13%
	44	Wood and articles of wood; wood ch				0.50%
	71	Natural/cultured pearls, prec stone	5.51%	13.26%	16.10%	19.07%
Samoa	21	Miscellaneous edible preparations.	0.91%	0.51%		
	85	Electrical mchy equip parts thereof		30.27%	6.94%	
Samoa (American)	23	Residues & waste from the food indu		0.71%		
Saudi Arabia	27	Mineral fuels, oils & product of th		0.63%		
Singapore	27	Mineral fuels, oils & product of th		0.60%		
Solomon Islands	03	Fish & crustacean, mollusc & other			1.23%	
	44	Wood and articles of wood; wood ch	0.72%		1.13%	2.39%
	71	Natural/cultured pearls, prec stone				0.52%
Swaziland	21	Miscellaneous edible preparations.		4.34%	5.27%	4.42%
	33	Essential oils & resinoids; perf,				2.73%
Togo	25	Salt; sulphur; earth & ston; plaste		1.37%	0.90%	0.53%
Tonga	08	Edible fruit and nuts; peel of citr	0.62%			
	42	Articles of leather; saddlery/harne	0.96%			
Uganda	03	Fish & crustacean, mollusc & other		1.23%	0.75%	
Vanuatu	15	Animal/veg fats & oils & their clea		4.46%		
	23	Residues & waste from the food indu		0.75%	0.61%	0.69%
	41	Raw hides and skins (other than fu	0.71%			
	90	Optical, photo, cine, meas, checkin		0.61%		
Viet Nam	27	Mineral fuels, oils & product of th	0.58%	3.08%	2.88%	2.53%

Source: Australian Bureau of Statistics data; OECD Secretariat calculations.

Note: This table reflects all sectors where preferential imports to Australia amount to more than 0.5% of an exporter's global exports. Global exports are based on mirror data and held constant for 2004 due to limited availability of data for that year.

Table 9. Welfare impacts of a 50% reduction in the ad valorem equivalent measure of protection by Australia (GTAP simulation)

Region	Estimated per capita change in welfare
Regions gaining	
Vietnam	0.5%
Rest of Oceania ♣	0.4%
Indonesia	0.1%
Sri Lanka	0.1%
Thailand	0.1%
Regions losing	
Singapore	- 0.2%
Rest of North America (Greenland, Bermuda, St. Pierre and Miquelon)	- 0.1%
Botswana	- 0.1%
Rest of SACU (Lesotho, Namibia, Swaziland)	- 0.1%
Malawi	- 0.1%
Mozambique	- 0.1%
Zambia	- 0.1%
Zimbabwe	- 0.1%

♣ American Samoa, Cook Islands, Fiji, French Polynesia, Guam, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, New Caledonia, New Zealand, Norfolk Island, Northern Mariana Islands, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu, Wallis and Futuna.

Source: Lippoldt and Kowalski (2005).

Annexes

The annexes to this paper as well as additional tables with detailed data on trade and preference utilization by product and country are available at

http://siteresources.worldbank.org/INTRANETTRADE/Resources/Lippoldt_Australia_prefences.pdf