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Abstract

Our paper provides evidence from high-quality disaggregated customs data of the utilization rate for Australia's preferential trading arrangements in the period 2000-9. A pattern of low ratios of imports receiving preferential tariff treatment to the total value of bilateral imports applies to all six of Australia's PTAs. Over half of Australian imports from New Zealand, the Pacific Island Forum economies, Thailand and Chile claimed preferential treatment in 2000, but all had lower utilization rates by 2009. This is primarily because of the increasing number of zero MFN tariff lines. Where MFN tariffs are positive, preferential tariffs are utilized and preferred trading partners pay lower customs duties, but erosion of preference margins as a result of multilateral trade liberalization has reduced the raw utilization rates. Positive utilization rates indicate that tariff preferences do have an impact, and at a minimum the exporters claiming the preferential tariff rate are better off than they would be in its absence, but by themselves utilization rates shed no light on the size of the impact on trade flows or on economic well-being.

Key words: preferential tariffs - trade liberalization - preference erosion

JEL classification: F13, F15, F53

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USE OF FTAS IN AUSTRALIA

Proliferation of regional and bilateral trading arrangements in Asia and the Pacific is raising many empirical issues. Where the agreements include preferential tariff treatment, an important emerging issue is the utilization rate of the preferential tariffs. Our paper contributes to this research by providing evidence from high-quality disaggregated customs data of the utilization rate for Australia's preferential trading arrangements in the period 2000-9.

In earlier waves of preferential trading arrangements, such as the customs union introduced in Western Europe in the 1960s, utilization rates were not an issue because all trade was covered by the agreement and intra-union trade automatically entered partner countries duty-free. During the 1980s and 1990s, however, there was growing concern that preferential trading arrangements (PTAs) were becoming more complex. UNCTAD (1981) observed low utilization rates under the Generalized System of Preferences: around 50% for the GSP schemes of the USA, EU and Japan. This was widely ascribed to exclusions and restrictions on GSP schemes, but analysts also pointed to preference erosion as MFN tariffs fell and to restrictive rules of origin (Grossman and Sykes, 2005).

In East Asia concerns about utilization rates were highlighted by the limited impact of the ASEAN Free Trade Area (AFTA) during the 1990s. There were many flaws in the original design of AFTA: tariffs on intra-ASEAN trade would be reduced to five percent or less over fifteen years, preferential tariff reductions were back-loaded to take effect as late in the transition period as possible, and lengthy lists of commodities were excluded. At the same time, ASEAN countries (the Philippines and Thailand in particular) unilaterally cut tariffs on a large range of goods, reducing the margin of preference (Ando and Kimura, 2005). The net result was that AFTA's preferential tariffs had a very small impact on trade in the 1990s (Manchin and Pelkmans-Balaoing, 2008). After the turn of the century, however, utilization rates began to increase; in 2000 about one tenth of Thai exports to ASEAN partners (excluding Singapore) entered under AFTA preferential rates, but by 2008 this proportion was over a third (Ando, Estevadeordal and Volpe Martincus, 2009, 23).¹ The increase between 2000 and 2008 was most striking for Thai exports to Indonesia (up from 10% to 60%), Vietnam (up from close to zero to almost half) and the Philippines (up from around 15% to 45%), presumably because many formerly excluded items were brought within AFTA. On the basis of interview data, Kawai and Wignaraja (2009) also found increasing utilization rates, and concluded that the slow take-up before the mid-2000s was temporary because it took years for traders to respond to AFTA.

Apart from agreement-specific reasons for low utilization of preferential tariffs, two more systemic reasons may be increasingly complex rules of origin and erosion of preference margins as a result of multilateral trade liberalization. Rules of origin were intended to prevent abuse of PTAs by third-country traders, but rules of origin may also discourage legitimate traders from the partner country if the administrative costs of compliance became too high (Pomfret, 2001, 232-6). With the proliferation of PTAs in Asia, it has become commonplace to blame low utilization rates on the complexity of the "noodle bowl" of overlapping trade agreements with their varied tariff rates and rules of origin. An alternative

¹ Based on numbers from the Japan External Trade Organization (JETRO) *Daily World News*, 9 March 2009 <http://www.jetro.go.jp/biznews/> (in Japanese).

explanation of low utilization rates is that, when trade between parties to an agreement is conducted under low or zero MFN tariffs, few traders bother to find out about, let alone avail themselves of, preferential tariff rates; for example, few Japanese firms report taking advantage of the Japan-Singapore Economic Partnership Agreement when Singapore's tariffs are close to zero.² There is no single right answer to the question of what is the minimum effective preference margin, because what matters more than the ad valorem margin is the net monetary benefit of claiming preferential treatment, which will differ by the size of shipment and the cost of claiming preferential treatment as well as by the preference margin. Empirical studies of PTAs have typically assumed a threshold preference margins of around 4-5 percentage points, below which preferential access is not worth claiming.³ If this assumption is correct, with many countries' average MFN tariff below five percent (including Australia), there is less and less scope for effective preferential tariffs.

1. Australia's Preferential Trading Arrangements

Australia was in 1966 the first country to offer preferential tariffs on imports from developing countries. The scheme was simplified in 1986, applying to all dutiable goods. The Australian scheme is based on a five percentage point margin of preference: when the Australian MFN tariff is 5% or higher, the tariff is reduced by five percentage points on products from beneficiary countries, and the preferential rate is zero, when the MFN rate is 5% or less (UNCTAD, 2000, 5). Since 1991 countries have been graduated and some goods have been removed from the scheme, and the government has indicated an intention to restrict beneficiaries to the least developed countries and some Pacific island territories. However, the government has been reluctant to remove GSP beneficiaries from the list and one reason for negotiating bilateral agreements has been to ease transition from GSP status.

In 1981 more generous unilateral tariff preferences were offered in the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA), which covered specified products originating from the developing island member countries of the Pacific Islands Forum.⁴ The Pacific Agreement on Closer Economic Relations (PACER), a framework agreement to deepen trade and investment liberalisation in the Pacific Island

² Based on a November 2006 survey of Japanese firms, Takahashi and Urata (2010) report that 3.6% of firms engaged in international trade (17 out of 469 respondents) took advantage of the Japan-Singapore agreement and 5.5% (26 out of 469) utilized the Japan-Malaysia agreement. These low utilization rates are similar to those in earlier surveys of Japanese firms. In the empirical assessment of the Japan-Singapore Economic Partnership Agreement by Hertel, Walmsley and Itakura (2001) virtually all the economic gains come from customs automation, security and harmonization measures for e-commerce, and liberalization of trade in business and construction services, and not from preferential tariff access.

³ The consensus in the literature ranges from 4% (Francois et al., 2005) to 5% (e.g. Amiti and Romalis, 2006), which suggests that once MFN tariffs have fallen below 5% any preferential rate is ineffective.

⁴ The fourteen Forum Island Countries are the Cook Islands, Fiji Islands, the Federated States of Micronesia, Kiribati, Nauru, Niue, Papua New Guinea, the Republic of the Marshall Islands, the Republic of Palau, Samoa, the Solomon Islands, Tonga, Tuvalu and Vanuatu. SPARTECA was valuable because it covered textiles, clothing and footwear goods excluded from the GSP scheme. Some tariff preferences are also granted under the 1991 Papua New Guinea Australia Trade and Commercial Relations Agreement (PATCRA II).

Forum countries, Australia and New Zealand, was signed in 2001 and came into force in 2002, committing all members to begin negotiations towards a free trade agreement by 2011 at the latest. In August 2008, Australia advocated a "PACER-plus" agreement, in lieu of the originally envisaged FTA, and PACER-plus negotiations were launched in October 2009.

Australia's deepest preferential trading arrangement is with New Zealand. Bilateral agreements date back to a first agreement signed in 1922.⁵ The limited 1965 New Zealand-Australia Free Trade Agreement was extended in 1983 to the much deeper integration of Closer Economic Relations (CER).

Since the turn of the century bilateral agreements have proliferated. The Singapore-Australia Free Trade Agreement (SAFTA) was negotiated in 2001-2 and entered into force in July 2003. The Thailand-Australia Free Trade Agreement (TAFTA) and the Australia-United States Free Trade Agreement (AUSFTA) both entered into force in January 2005. The Australia-Chile Free Trade Agreement (ACFTA) entered into force in March 2009. Free Trade Agreements are currently (March 2010) under negotiation with China, the Gulf Cooperation Council, Japan, South Korea and Malaysia. Free Trade Agreements with India and Indonesia are under consideration, with feasibility studies being prepared.⁶

The remainder of the paper analyses utilization rates of preferential tariffs on imports into Australia by countries and territories covered by PTAs between 2000 and 2009. This includes New Zealand and the Pacific Island Forum countries for the entire decade, Singapore since 2003, Thailand and the USA since 2005, and Chile in 2009.

2. Data

Australian customs data report imports entering at the MFN tariff rate and imports entering at a preferential tariff rate. Our principal dataset consists of quarterly import data for 2000-9 at the HS6-digit level, collected by the customs office and made available by the Australian Bureau of Statistics. Using imports from a preferred trading partner, we define the utilization rate as:

$$\frac{\text{Value receiving preferential treatment}}{\text{total value of imports}}$$

With the disaggregated data we can analyse the raw utilization rates to establish whether non-utilization is due to the existence of zero MFN tariffs or whether non-utilization is concentrated in specific HS6 categories, which might have been excluded from the PTA, subjected to onerous rules of origin, or have some other commodity-specific explanation for non-utilization.

⁵ Australia's other preferential arrangements within the British Commonwealth lost importance in the 1960s following the UK's applications to join the European Communities. Limited tariff preferences under the 1960 Canada-Australia Trade Agreement have been superseded by multilateral tariff reductions negotiated in the WTO.

⁶ Australia is also participating in the Trans-Pacific Partnership Agreement (TPP) negotiations which will expand on the current Trans-Pacific Strategic Economic Partnership Agreement (P4) between Brunei Darussalam, Chile, New Zealand and Singapore, which entered into force in 2006. The United States, Peru and Vietnam also participate in the TPP negotiations.

We will also refer to data from the Australian Productivity Commission comparing average actual tariff rates based on the ratio of duties collected to the value of imports, as an alternative to guide to whether imports are paying the full MFN tariff:

$$\frac{\text{Total customs revenue collected from preferred trading partner}}{\text{Total imports from preferred trading partner}}$$

This ratio provides an indicator of the extent to which goods entering Australia from the preferred trading partner are actually subject to low average tariffs.

3. Evidence

Table 1 presents summary statistics on imports from Australia's PTA partners in 2009, dividing the total between imports paying a preferential tariff and imports not claiming preferential treatment. Data on "total duty collected" on imports from Australia's PTA partners in 2009 (Table 2) indicate that none of the agreements involves full duty-free entry into Australia. The final two columns of Table 1 and the last column of Table 2 provide aggregate indicators of the two principal measures used in this paper, the utilization ratio and the ratio of duties collected to imports.

For each of the six sets of PTA partners, Figures 1 and 2 present the two measures using the data for 2000-9. The utilization rate is presented both as a percentage of all imports from the preferred partner (solid line) and as a percentage of all dutiable imports, i.e. excluding goods whose MFN tariff is zero (dashed line).⁷ The vertical line in panels c-f indicates the year in which the agreement entered into force.

The CER represents the deepest integration, but even this is not a complete free trade area. The raw utilization rate is around 90% between 2000 and 2004, after which it falls between 2005 and 2008 and is only 50% by 2009. The dotted line highlights that much of the non-utilization was by exporters of zero-duty goods; in the first half of the decade the utilization rate for imports with a positive MFN tariff was close to 100%, and although this rate falls after 2005, it only falls to 95%. At the same time tariff revenue collected on imports from New Zealand increased after 2003, implying that not all of the fall in utilization rates is explained by elimination of MFN tariffs.

The Pacific Island Forum countries also should have benefited from wide-ranging tariff-free entry over the entire decade. However, the raw utilization rate is in a range of 40-60% until 2005, and after that it falls to below 5%. In 2004 and later years, the utilization rate plus the share of imports with zero tariff was close to 100% of imports; the raw utilization rate has fallen to a low level because virtually all Forum countries' exports to Australia are products facing zero MFN tariffs. Australian tariff revenue on imports from the Pacific Island economies has increased slightly, but even in 2009 the amount is small (i.e. \$4 million of customs duties collected on imports worth over \$3 billion).

Utilization rates on imports from Singapore peaked at over 40% in 2002, and then fell precipitously to less than 5% by 2006. This is at first surprising because the Singapore-

⁷ The tariff data are not congruent with HS6 categories, which in a few cases contain both dutiable and tariff-free goods. These mixed categories show up in Figure 1 in the two dashed lines. The lower line assumes no imports in the mixed HS6 categories entered duty free, and is a lower-bound zero-tariff-adjusted utilization rate. The upper dashed line, which assumes all imports in the mixed HS6 categories entered duty free, is an upper-bound zero-tariff-adjusted utilization rate.

Australia agreement entered into force in 2003, and Figure 1c implies that SAFTA had virtually no impact through preferential tariffs. The zero-tariff-adjusted utilization rate was, however, high, 90% or more, throughout the decade. At the same time, the average applied tariff on Australian imports from Singapore is small, between 0.6% and 1.4%, suggesting that the commodity composition of Singaporean exports is such that they face low MFN tariffs and tariff preferences are of little significance.⁸

Thailand's raw utilization rate hovered around 50% before the PTA came into force in 2005 and then spiked at 70%, before dropping back to pre-PTA levels and lower (42% in 2009). This suggests a publicity effect from TAFTA, but no long-run impact on utilization rates. The post-2005 decline is, however, entirely explained by more imports becoming zero-tariff-rated because the zero-tariff-adjusted utilization rate is higher after 2005.⁹ The tariff-duty ratios indicate a positive impact of the PTA, as Australian revenue on imports from Thailand, which had been about 3% of the value of imports before 2005 fell to below 1% after 2005.¹⁰

The utilization rates for imports from the USA exhibit the clearest evidence of a PTA effect. The utilization rate was zero before the AUSFTA came into force in 2005 and immediately increased to 30% in 2005, before dropping to 20-25% in 2006-9. Australian tariff revenues on imports from the USA fell, but this appears to be part of a longer-term trend rather than a clear PTA-related drop.

Chilean utilization rates are high before 2003, and then drop below 10% by 2006 and show little impact of the FTA which came into force in 2009. The zero-tariff-adjusted utilization rate is, apart from a temporary drop in 2006-7, over 90%; in 2009 virtually all imports from Chile either claimed the preferential tariff or paid no duty. Average tariff revenue collected on imports from Chile is fairly low throughout the decade, and already less than 1% after 2007.

4. Analysis

The Closer Economic Relations Agreement with New Zealand is an example of deep integration (Figure 1a). The apparent low utilization rates since 2004, dropping to 50% in 2009, are primarily explained by the large proportion of imports from New Zealand that fall under tariff lines with zero MFN duties. The goods that account for non-utilization and for the apparently high average applied tariffs on imports from New Zealand come from a small number of commodity groups, i.e. cigarettes and tobacco which accounted for \$344 million and beer and spirits which accounted for \$52 million in duty in 2009 out of the total duty collected on imports from New Zealand of \$403 million (Table 3).

⁸ Contrast the USA; the value of US exports to Australia in 2009 was less than double that of Singapore's exports, but the duty paid on imports from the USA was well over four times larger (Table 1).

⁹ The 10-20% non-utilization rate since 2005 in part reflects the staged introduction of Australian preferential tariff cuts under TAFTA: 83% of tariff lines in 2005, 96% by 2010 and 100% by 2015.

¹⁰ If Thailand is a "small country" whose exporters face perfectly elastic Australian import demand, then a Thai supplier receives the Australian domestic price minus the tariff. Any reduction in customs duty on imports from Thailand will be transferred from the Australian government to the Thai exporter, and in addition there will be producer surplus on any new exports whose magnitude will depend on the exporters' responsiveness to the higher net price.

The island economies of the Pacific Island Forum had a 40-65% utilization rate of SPARTECA preferential tariffs in the years 2000-4, but this has fallen substantially since 2004 and has been close to zero since 2006 (Figure 1b). The explanation is entirely due to the elimination of Australian tariffs on goods exported by Pacific Island Forum members.

A surprising feature of Figures 1c, 1d and 1f is that they show positive utilization rates before the PTAs with Singapore, Thailand or Chile came into force. The principal explanation appears to be that, despite statements in the 1990s about graduating more affluent beneficiaries, the Australian system of preferences for developing countries continued to have broad coverage in the early twenty-first century. In classifying countries and territories to which special rates apply the *Australian Customs Tariff Act 1995 [Section 12]* distinguishes between Pacific Island Forum countries, least-developed countries and places to be treated as least-developed territories, developing countries and territories to which DC rates of duty apply, countries and territories subject to DCS rates (including Chile and Thailand), and countries and territories subject to DCT rates (including Singapore).¹¹ Figures 1c and 1f suggest that imports from Singapore and Chile may have received broader preferential tariff coverage up to 2002-3 than they received later, including after their PTAs came into effect, while Thailand's utilization rate differs little between the pre-PTA and post-PTA quinquennium.

Thus, the before-and-after evidence from SAFTA, TAFTA and ACFTA shows little impact because the PTA offered no better, and for Singapore and Chile probably worse, preferential tariff access than the countries had previously received under Australia's system of preferences for developing countries. This does not mean that the PTA was valueless. A better comparison than before-and-after would be with-and-without the PTA. For Thailand, even if access conditions remained the same, the PTA provided an insurance contract insofar as the preferential tariffs included in a trade agreement with treaty status could be less easily rescinded by Australia than the same preferential tariff treatment granted unilaterally to a beneficiary of the Australian system of preferences for developing countries. Singapore (with a higher per capita income than Australia at the turn of the century)¹² and Chile (an OECD member in 2010) were already being graduated out of Australia's system of preferences for developing countries by the early 2000s. The average applied tariff on imports from Singapore was less than one percent when SAFTA came into force, so preferential tariffs would not have been of much interest to the majority of Singaporean exporters to Australia. Chile also saw the average applied tariff on exports to Australia plummet between 2004 and 2009 to less than 0.2%, and most of Chile's exports to Australia paid zero MFN tariffs.

The Australia-United States Free Trade Agreement which entered into force in January 2005 is the only one whose raw utilization pattern provides clear evidence of the PTA's impact (Figure 1e). The contrast is primarily because the USA was the only one of the countries covered in this paper to be facing the full Australian MFN tariff before the PTA came into force. In 2005 there is a dramatic increase in the utilization rate from zero to 30%, but this is not a large percentage (and it fell back to 20-25% after the first year of the PTA) and there is little evidence of a decline in the average applied tariff on imports from the USA after 2005 (if anything the trend is upwards!). Nevertheless, it is surprising to see *any*

¹¹ DC, DCS and DCT are sub-categories of Australian preferential tariff rates for developing countries as defined in <http://www.customs.gov.au/webdata/resources/files/contentsintro.pdf>

¹² In 2000 national income per head was US\$22,960 in Singapore and US\$20,710 in Australia (or \$32,880 and \$24,920 at purchasing power parity in current international dollars); World Bank data - accessed at www.worldbank.org, *World Development Indicators*, quick query 19 March 2010.

evidence of preferential tariffs having an impact, given that the AUSFTA was criticized for the absence of meaningful tariff reductions and for its focus on issues such as Australian copyright rules and pharmaceutical patents which are only indirectly trade-related.

Finally, it should be noted that measures of preference utilization and of reductions in average applied tariffs may only provide a partial indication of a PTA's impact. A feature of the post-2000 proliferation of trade agreements in the Asia-Pacific region is that they do not aim to create traditional free trade areas with zero tariffs on trade among members. They are not even centred on preferential tariff reduction, but are more often concerned with specific obstacles to bilateral trade, which may involve regulatory regimes or administrative procedures.¹³ Thus, if we wish to identify the benefits from, say, SAFTA, we need to examine the detailed terms of the agreement, because an agreement between a virtually tariff-free entrepot city state and a low-tariff trading nation is unlikely to be about preferential tariffs.

5. Conclusions

Study of Australia's six preferential trading arrangements indicates that traders do utilize well-publicized tariff preferences. Over half of Australian imports in 2000 from each of New Zealand, the Pacific Island Forum economies, Singapore, Thailand and Chile claimed preferential treatment. For the last three countries, this was associated with the Australian system of preferences for developing countries. Despite signing bilateral PTAs all three had lower utilization rate by 2009. For Thailand the PTA may have roughly retained the range of developing country preferences from which its exports to Australia benefitted, while for Singapore and Chile net loss of preferential access was probable given their economic status as a high-income country and an OECD member respectively.

Ongoing multilateral trade liberalization in Australia contributed to declining utilization rates of preferential tariffs. We show that the increasing number of zero MFN tariff lines reduced the utilization rate of preferential tariffs, and it is likely that reduction of other tariffs to low, but non-zero, levels made preferential treatment not worth troubling over. Chilean utilization rates, for example, dropped primarily because the applied tariff on most of Chilean exports to Australia was zero. When the Australia-Chile Free Trade Agreement came into force in 2009, the preferential tariff rates were utilized by Chilean traders supplying over half of imports which faced non-zero Australian tariffs, but this was a tiny volume. Table 4 illustrates the preponderance of zero MFN tariff lines, covering roughly half of Australian imports, and low MFN tariffs.

There are some apparent anomalies in the data which have to be explained by specific features. Most obviously the declining utilization rates and relatively high average applied tariff rates on dutiable imports from New Zealand, despite the deep integration of the CER agreement, are due to a handful of tobacco and alcohol products which are subject to high 'sin taxes' that are collected at the border. On the whole, however, the Australian evidence is of preferential tariffs being utilized and of preferred trading partners paying lower customs duties, although with an average MFN tariff of only 4% the economic impact of tariff preferences is unlikely to be large. Conversely there is little scope in the Australian data for

¹³ One of China's principal goals in its ongoing negotiations with Australia, for example, is to shed the 'non-market economy' label which distorts calculations in anti-dumping determinations.

rules of origin or other adverse noodle-bowl-type effects to have reduced the trade impact of tariff preferences.

In conclusion, it should be emphasised what this analysis does not do. Positive utilization rates indicate that tariff preferences do have an impact, and at a minimum the exporters claiming the preferential tariff rate are better off than they would be in its absence. However, by themselves utilization rates shed no light on the size of the impact on trade flows or on economic well-being. Some imports may be deterred by complex rules and hence not show up in the data, while other imports may benefit from simplification of procedures under a trade agreement and this will not be signalled in data that only identify use of preferential tariff rates.

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Table 1: Raw Utilization Rates, Australia's Imports from PTA Partners, 2009

	(1) Imports (million A\$)	(2) Imports under preferential rate (million A\$)	(3) Imports not claiming preferential treatment (million A\$)	(4) Utilization rate (2)/(1)	(5) Adjusted Utilization Rate ((2) + imports paying zero MFN tariffs)/ (1)
ANZCERTA	6,588.54	3,327.00	3,261.54	50.50	95.19 – 97.60
SPARTECA	3,080.33	98.74	2,981.59	3.21	99.32 – 99.35
SAFTA	11,747.32	342.76	11,404.56	2.92	90.99 – 91.44
TAFTA	11,638.18	4,884.77	6,753.41	41.97	75.97 – 78.36
AUS-FTA	22,332.25	5,181.29	17,150.95	23.20	69.42 - 82.51
Chile/AUS FTA	612.19	39.88	572.31	6.51	96.05 - 96.33

Note: the 'Adjusted Utilization Rate' reports the lower and upper bound of imports paying zero MFN tariffs (see footnote 7).

Table 2: Average Applied Tariffs on Australia's Imports from PTA Partners, 2009

	(1) Imports (million A\$)	(2) Total duty collected (million A\$)	(3) Average applied tariff (2)/(1)
ANZCERTA	6,588.54	403.33	6.12
SPARTECA	3,080.33	4.01	0.13
SAFTA	11,747.32	147.41	1.25
TAFTA	11,638.18	50.05	0.43
AUS-FTA	22,332.25	635.44	2.85
Chile/AUS FTA	612.19	0.98	0.16

Table 3: Duty Collected on Imports from New Zealand, 2009 (million dollars)

HS	Commodity	Value of Duty
240220	Cigarettes	169.11
240310	Tobacco	175.12
220860	Vodka	19.20
220890	Other distilled alcoholic beverages	17.88
220850	Gin and geneva	7.26
220300	Beer made from malt	6.80
220870	Liqueurs and cordials	0.78
	Total of above categories	396.15
	All imports	403.33

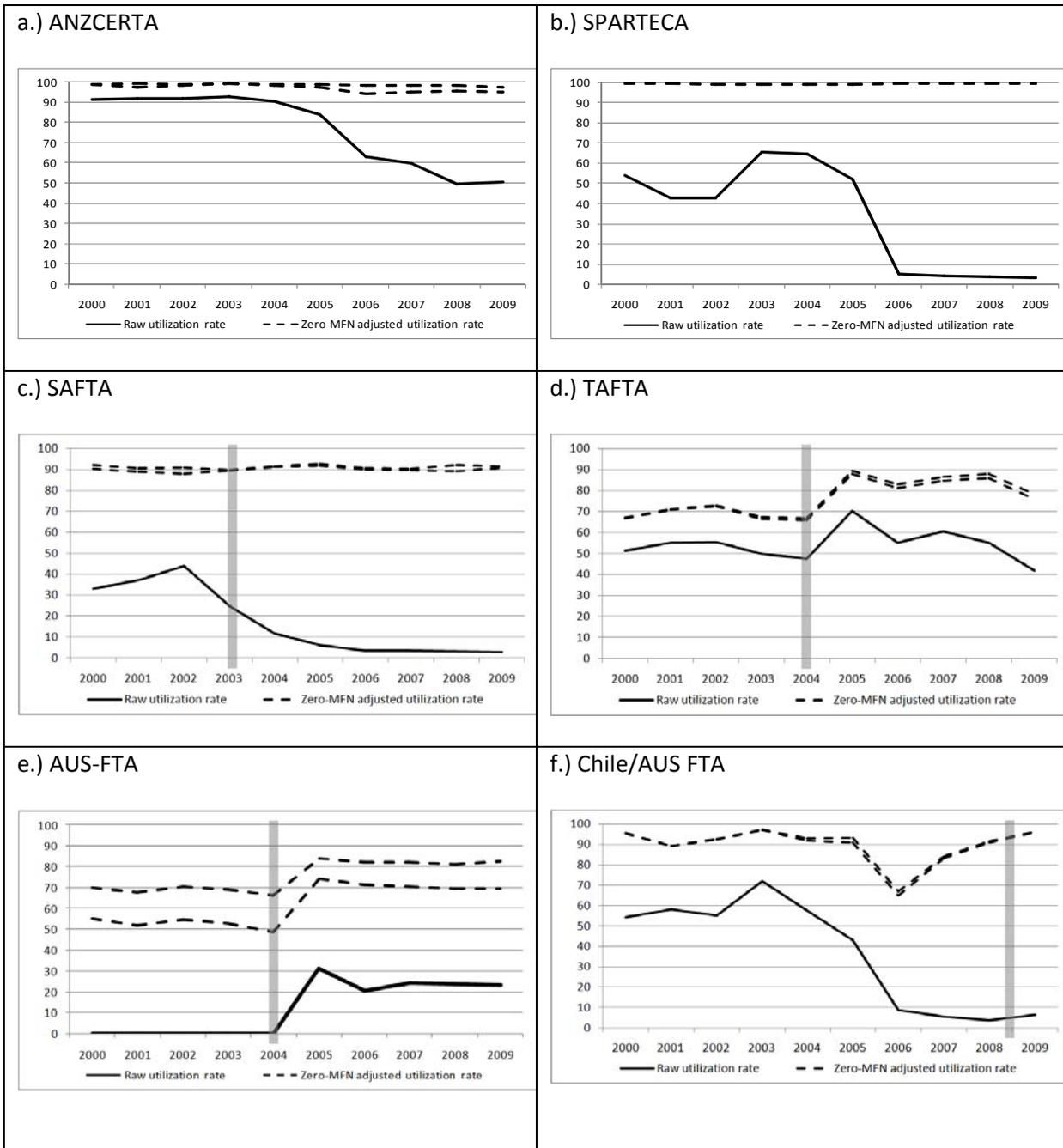
Table 4: Australia's Applied Tariff Structure, 2008

Non-agricultural goods	MFN Tariff Rate	Agricultural Goods
44.9 (49.5)	0	74.9 (48.9)
40.5 (37.3)	$0 < t \leq 5$	24.5 (47.5)
9.9 (10.7)	$5 < t \leq 10$	0
0	$10 < t \leq 15$	0
4.6 (2.4)	$15 < t \leq 25$	0.6 (3.4)
0	$t > 25$	0
0.2 (0.1)	non-ad valorem	1.4 (3.6)

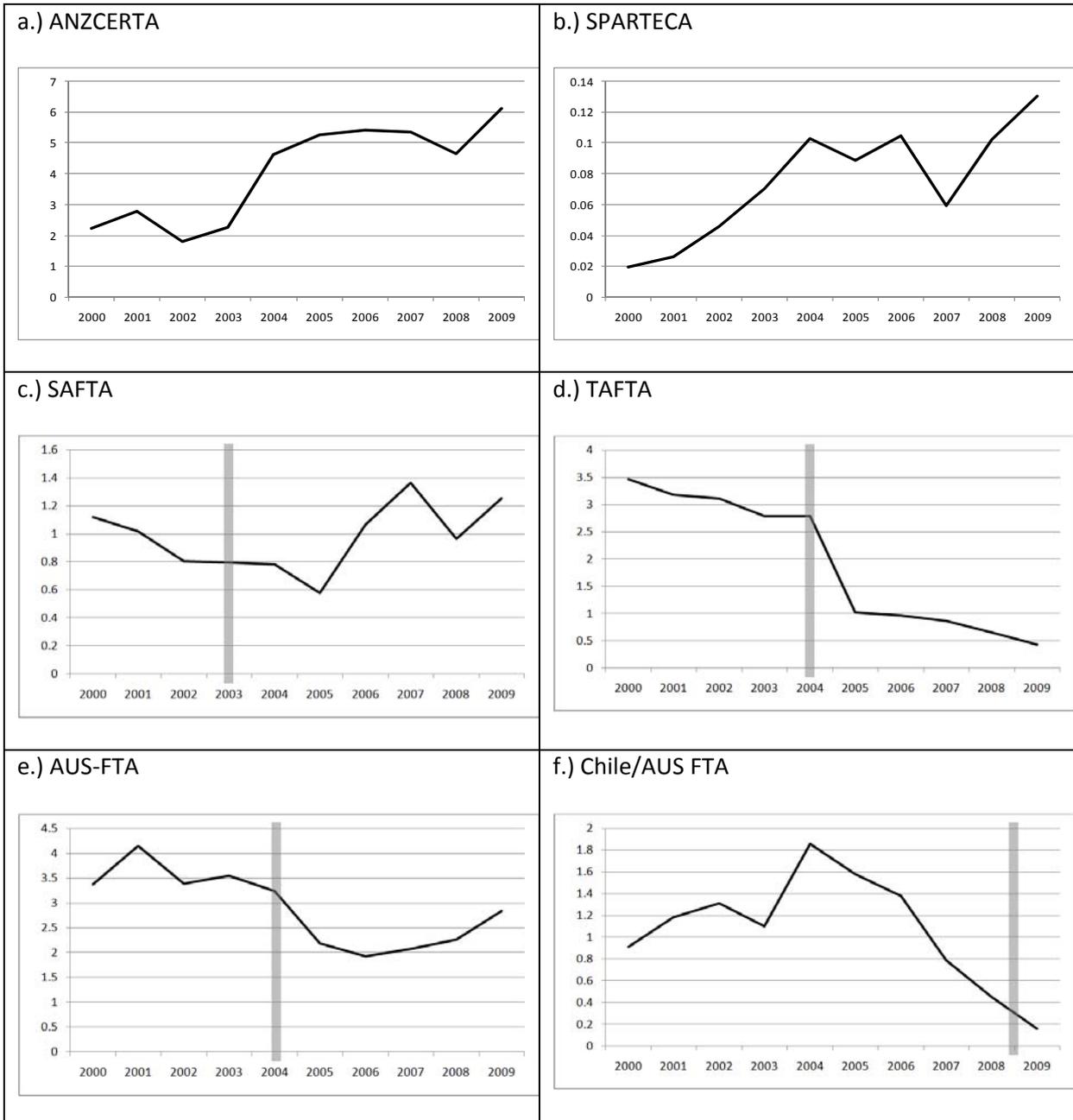
Source: World Trade Organization, *World Tariff Profiles 2009*, 34

Notes: Australia had 6002 distinct tariff lines in 2008. The numbers in the first and last column are the percentage of tariff lines falling in the indicated range of MFN tariff rates. The numbers in parentheses are the shares of imports paying the applied tariff (2007 import weights); note that for agricultural goods there is a discrepancy in the totals in the source. The simple average MFN applied tariff in 2008 was 3.5%, and the trade-weighted average MFN tariff in 2007 was 5.3%.

Figure 1: Utilization Rates



Note: The vertical line indicates the date when the agreement came into force.

Figure 2: Average Applied Tariffs

Note: The vertical line indicates the date when the agreement came into force.