Title: Obstacles that persist: barriers in Sino-Australian wool trade in the WTO era

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Abstract:
Australia's wool trade with its biggest customer has been a tumultuous ride since the late 1980s. It is generally thought that China's accession to the World Trade Organisation (WTO) will improve this trade relationship. Perceived benefits include more certainty in trading rules both for Chinese firms and exporters to China, a fairer quota and import administration system allowing mills more direct access to imported wool, combined with the introduction of more defined trade instruments such as the Model Wool Contract.

Despite these apparent improvements Chinese mills still have unsatisfactory access to imported wool that suits their requirements. This is because of the continued use of broad specifications, relationship-based supply channels, a lack of understanding of Australian market conditions and continuing bureaucratic obstacles all contributing to frustration on the Chinese side in receiving the right product.

This paper aims to analyse the dimensions of the wool transaction between Chinese mills and importers, and Australian exporters against the background of WTO accession, and analysing the institutional and trade regime reforms that accession brings. Wool - a highly heterogeneous raw material involving a complex supply chain - is being used as an insight into China's WTO accession and integration into the global economy. The research draws on extensive interviews with industry participants in China and Australia, ranging from wool producers to processors in an attempt to discover how WTO accession changes the wool transaction using a transaction cost analysis theoretical framework.

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