



Symex Holdings Ltd
14 Woodruff Street
Port Melbourne, VIC 3207

17 June, 2005

Ric Wells
Head
China FTA Taskforce
R G Casey Building,
Barton, ACT 0221

Dear Mr. Wells,

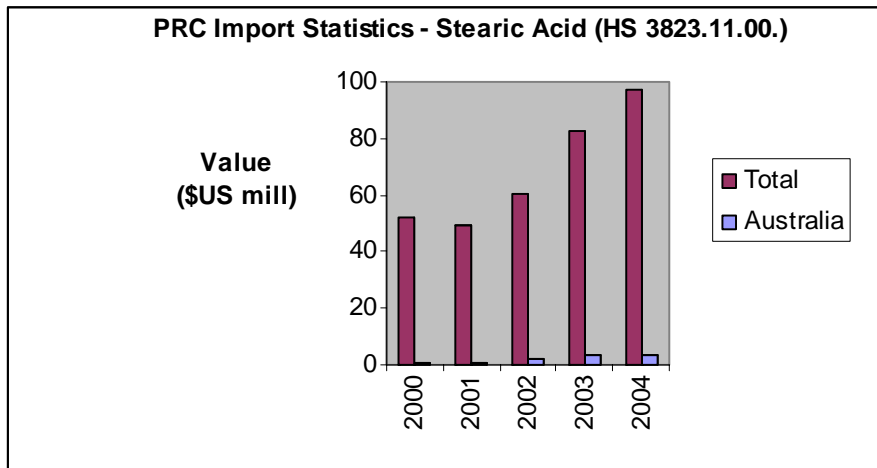
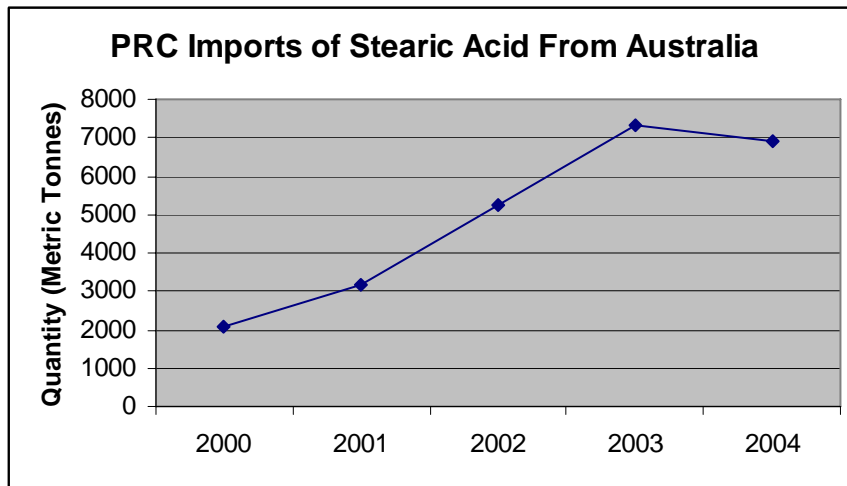
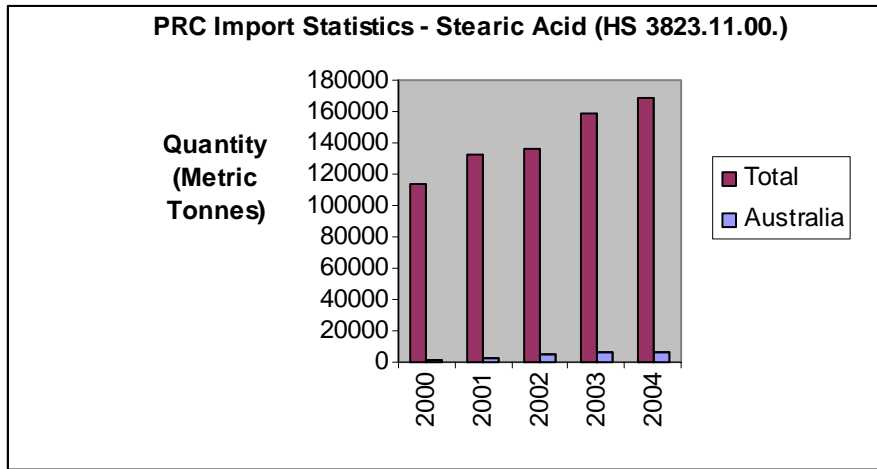
SUBJECT: AUSTRALIA-CHINA FREE TRADE AGREEMENT NEGOTIATIONS

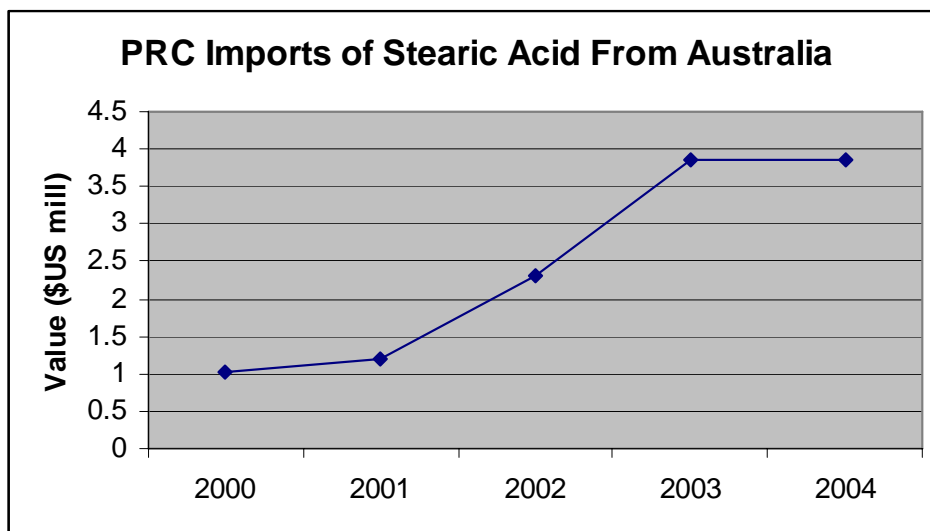
I am writing to make a submission on an issue which we feel is relevant to the negotiations with China for a comprehensive free trade agreement.

Oleo products are chemicals that are derived from naturally occurring fats and oils. The global market for oleo chemicals is around five billion dollars. The fastest growing market for oleo chemicals over the last two years has been The People's Republic of China. This is driven by a large growth in demand for plastics to support their expanding manufacturing sector. Oleo chemicals are used very extensively in the production of plastics, both to make plastic stabilizers and as plastic lubricants.

The People's Republic of China previously imposed a 16% import duty on stearic acid (Harmonized Tariff code 3823.11.00) from all countries. From the 1st of January, 2004 they reduced the import duty from Malaysia to 10% whilst from Australia the duty remained at 16%. From the 1st of January, 2005 the duty for stearic acid from all ASEAN countries (including Malaysia) was reduced to 6% whilst the import duty imposed on stearic acid imported from Australia remains at 16%. The import duty on the raw materials to make these products is imposed at 8%. As such Australian manufacturers are at a clear disadvantage, not only to our Malaysian and Indonesian competitors, but also to oleo-chemical manufacturers within China itself.

Since this change in duty structure, Australia has been losing market share. We have seen a reduction in the Australian share of the Chinese imports from 5% in 2003 down to 4% in 2004 with a further reduction in market share in 2005. This can be compared to oleic acid (Harmonized Tariff code 3823.12.00) where the duty structure has not changed and Australia has grown its market share from 37% in 2003 to 45% in 2004.





For the oleo chemicals industry in Australia to continue to grow we need to have a level playing field. There are huge benefits in being able to add the value to our precious raw materials here in Australia rather than overseas.

Prior to the change in duty structure the exports of stearic acid from Australia to China were growing at an average rate of 53% per annum. In 2004 exports from Australia actually contracted by 6%, whilst China's total imports continued to grow at a rate of 6%, due to this competitive disadvantage.

Since the FTA with the United States came into effect we have seen a significant increase in sales to that market. As such we can already see the benefits of negotiating such agreements.

We would strongly urge that your team consider negotiating to achieve a tariff reduction for Australia, so that we are on an even footing with ASEAN, in advance of the full FTA.

For your information Symex employs 100 people in the process of adding \$40 million of value to \$35 million worth of Australian tallow that would otherwise be exported in the raw form. We export around 70% of our production with our major markets being Japan, Taiwan, South Korea, China and South Africa.

If you have any questions or require further information please do not hesitate to contact me.

Sincerely,

Matt Ellis
Marketing Manager
Symex Holdings Ltd