

25 November 2009

Korea FTA Task Force
Department of Foreign Affairs and Trade
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Dear Sir/Madam,



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Re: Submission to the Department of Foreign Affairs and Trade regarding the current round of negotiations of the Free Trade Agreement between Australia and Korea.

Thank you for the opportunity to make a written submission to the Department of Foreign Affairs and Trade ('DFAT') regarding the current round of negotiations of the Free Trade Agreement between Australia and Korea ('Korea FTA'). The Australian Plantation Products & Paper Industry Council (A3P) has not lodged a previous submission.

1. THE AUSTRALIAN PLANTATION PRODUCTS & PAPER INDUSTRY COUNCIL'S (A3P) INTEREST IN THE KOREAN FTA.

A3P is the national industry association representing the interests of all segments of the plantation-based wood products and paper manufacturing industry. A3P member's employ more than 13,500 people in plantation management, sawmills, panel board, and paper manufacturing plants, mainly in rural and regional areas. Each year A3P members create and sell more than \$4 billion of products, produce more than 12 million cubic metres of logs, 3 million cubic metres of sawn timber and more than 2 million tonnes of paper.

Australia has a trade deficit in wood and paper products of approximately \$2.12 billion per annum (2008/2009). Paper products, the most highly manufactured component of industry's production, accounts for virtually the entire deficit.

A3P considers that a bilateral Korean FTA may offer some benefits to the Australian economy generally, and to the Australian plantation wood products and paper industry specifically. However, given the nature of trade with the Korean economy, a FTA could also involve significant risks for Australian companies, particularly manufacturers.

As a strong initial statement A3P seeks to ensure that the Korean FTA contains provisions for a strong anti-dumping and countervailing measures regime and maintenance of trade safeguard provisions in order to ensure a level playing field for both countries industries. This submission outlines the various ways in which the Australian plantation products and paper industry might be impacted by changes to trade arrangements between Australia and Korea.

Australia's wood and paper products trade with Korea.

To describe the current trading picture and the comparative size of the trade in wood and paper products, some of the key statistics of Australia's trade with Korea include (*from the Market Information and Research Section of DFAT*):

- Exports to Korea (2008/09) = \$19.2bn;
- Imports from Korea (2008/09) = \$6.5bn;
- Total trade with Korea (2008/09) = \$25.7bn.
- Major Australian Exports (2008/09) = Coal, Iron ore & Concentrates, Crude Petroleum, Aluminium;
- Major Australian Imports (2008/09)= Refined Petroleum, Passenger motor vehicles, telecom equipment, monitors, projectors and TVs;
- Exports in wood and paper products to Korea = \$56.7m (0.2% of Australia's trade with Korea).

Table 1 below provides an updated summary of the volume and value of Australia's wood and paper products exported to Korea. Exports to Korea represent approximately 2.4% of Australia's total wood and paper products exports (in 2008). Comprehensive import data on all categories of wood and paper products is not readily available from Korea but **Table 2** below details some of the more important paper product imports from Korea (total imports are likely to be relatively small and less than exports).

Table 1: Australian Wood and Paper Products Exports to Korea (2008-09)

Product	2007-08		2008-09	
	Volume	Value (\$m)	Volume	Value (\$m)
Round-wood	451,600 m ³	31.8	326,500 m ³	31.0
Sawn-wood	20,800 m ³	4.3	49,500 m ³	5.5
Plywood & veneer	0 m ³	0	0 m ³	0
Panels	64,700 m ³	21.0	49,700 m ³	14.5
Paper & paperboard	6,900 t	4.3	6,400 t	4.6
Paper manufactures	NA	0.6	NA	0.6
Miscellaneous forest products	NA	0.5	NA	0.5
Total	NA	\$62.5	NA	\$56.7

Source: ABARE Australian Forest and Wood Products

Table 2: Selected Paper Products Imports from Korea (2008)

Paper & paperboard Products	2008
	Volume
Coated Woodfree Papers	124.3 kt
Newsprint	38.0 kt
Tissue	0.9 kt
Total	NA

Source: 2008 IndustryEdge P/L

A3P's membership is diverse and member organisations operate at different points along the value-chain for wood and paper products, as such they have differing perspectives and priorities in relation to trade issues and the proposed Korean FTA. The nature and perspectives of the three main groupings of A3P members are outlined briefly below.

Pulp and Paper Manufacturers

Australian paper manufacturers produce the full range of paper types (packaging, newsprint, tissue, and printing & writing) primarily for the domestic market using mostly locally grown fibre and recovered paper. As most paper grades are internationally traded commodities, Australian manufacturers continue to face very strong competition from large scale producers around the world. Given the fierce nature of competition in paper markets, Australian producers are very susceptible to adverse impacts from non-tariff barriers, including direct subsidies, enjoyed by producers in a number of countries in our region. Australian paper manufacturers would hope to see these type of concerns thoroughly addressed in any potential Korean FTA.

Sawn Timber Manufacturers

Australian sawn timber manufacturers process domestically grown plantation logs into sawn wood which is used primarily in structural applications in the domestic housing market. In the future, wood supply and processing capacity in Australia is forecast to continue to increase and in turn so is the potential to export sawn timber. Korea represents a potential market for sawn timber particularly material suitable for use in house construction, although currently still reasonably small and under developed. Australian sawn timber producers would like to have access to Asian markets generally but potentially face significant non-tariff barriers such as building codes, standards and associated regulation. To date, the industry has not identified specific non-tariff barriers of this type in the Korean market but this is probably because of low volumes of sawn timber currently exported to Korea. An FTA between Australian and Korea should seek to promote international standardisation in the interests of more efficient trade between nations, and building codes, standards and associated regulation should be a key area in this regard.

Plantation Growers & Log Exporters

Plantation growers invest in, and manage, plantations with the aim of supplying logs to the market which best meets their objectives in terms of price, volume, reliability and other factors. In order to maximise their returns growers would like to have open access to as many markets as possible for their logs and other products. There is a perception amongst some plantation growers and log exporters in Australia and New Zealand that they may be disadvantaged in some Asian markets relative to other countries because of discriminatory tariffs and non-tariff barriers. For example, Australian exporters have experienced difficulties in gaining agreement on quarantine protocols for the export of forest products to China.

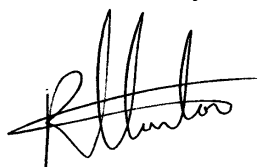
A FTA would provide the opportunity to implement improved processes for the recognition and adoption of quarantine protocols and standards. On the flip-side Australian plantation growers also have significant concerns about any trade agreement which may lead to a lessening of the quarantine barrier which protects the Australian plantation resource and should be taken into account in any consideration of changes to quarantine arrangements between Korea and Australia.

Conclusion

A3P would support strengthening of, but not any further dilution of, the current trade position with Korea. Given the plantation products and paper industry's diverse range of interests in the proposed Australia-Korea Free Trade Agreement, I would be grateful if you would keep me informed of developments and continue to involve A3P in the proposed industry consultation process.

The plantation products and paper industry looks forward to working constructively with DFAT as negotiations of the Korean/Australia FTA proceed.

Yours sincerely



RICHARD STANTON
Chief Executive Officer