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Subject Australia-ROK Free Trade Agreement (FTA)
[SEC=UNCLASSIFIED]

ODIN Topic: TRADE

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SUBMISSION TO:

The Korea FTA Task Force - Department of Foreign Affairs & Trade

1. BACKGROUND:

1.1 It is with disquiet that this submission is being made because experience has taught that free trade agreements invariably fall short of their initial intent.

1.2 The reasons for the short-fall are many and varied; the least of which is the level of expertise (of which experience in international trade is a key element) of those with the unenviable task of negotiating the content thereof.

1.3 The very fact that it is a "negotiation" speaks volumes about the uncertainty of the outcome thereof and the resultant economic consequences.

1.4 This submission seeks to support those who are of the opinion that it must in the final analysis be about better economic outcomes for both parties. It must never end up with a give-and-take settlement for the sake of a FTA. The principle of "current decisions limit future actions" is paramount.

1.5 If the FTA levels the playing field it will be for the better, if not, then for worse. One only needs to look at the outcome of the FTA with the USA, especially the on sided quota system and punitive import duties for "out of quota" imports.

1.6 In essence the FTA must ensure that there are no artificial trade barriers and that tariffs, levies, duties, taxes and/or any other monitory imposition, that is not a legitimate service level expense must be prohibited. If this is not possible then it should not be called a free trade agreement, but rather a bilateral trade agreement.

2. FROSTY BOY AUSTRALIA'S BUSINESS PROFILE:

Frosty Boy's success story began in 1976 when it was born out of a need for better quality soft serve and a larger unique range of soft serve blends at affordable prices. The brand is well recognized throughout the soft serve industry and synonymous with quality. Our geographical location gives us easy access to fresh, top-quality Australian ingredients, using only credible suppliers with strict food safety accreditations in place, hence, we are known for our superior quality and extensive range of products that have been developed over many years. Our combined knowledge, expertise and commitment to meet changing customer needs set our company apart. We manufacture under a strict HACCP Food Safety code of practice with regular audits done by QAS (Quality Assurance Systems) as well as by external customers such as YUM Restaurants, Burger King, Wendy's USA. Frosty Boy exports to 33 countries, including to South Korea (To South Korea for the past 5 years). Frosty Boy employs on average 20 people at its factory in Loganholme, Brisbane. In addition we have 24 distributors across Australia employing on average 5 people. Abroad we have a distributor in most of the 33 countries we export to, including South Korea. (We have not quantified the multiple employment effect taking into account all our suppliers, especially to the dairy farm level. However a

cursorily look indicates that we use the milk of approximately 3,500 dairy cows a month).

3. WHAT FROSTY BOY NEEDS FROM AN AUSTRALIAN FTA WITH SOUTH KOREA:

3.1 Frosty Boy would like to see zero import duties (i.e. taxes) on its soft-serve and beverage powder blends irrespective of the formulations, especially the dairy/sugar and other ingredients ratios which are manipulated by the Korean Customs to set import duties as high as 38% on our high quality full dairy soft serve powders.

3.3 The FTA needs to be clear and concise about the prohibition on artificial trade barriers of any kind. Zero rating everything and then allowing artificial technical trade barriers will negate a reduction or scrapping of import duties. This argument includes the concept of a zero rated quota with punitive taxing of out of quota imports.

4. COMPETATIVENESS:

4.1 The low end regular Vanilla soft-serve market is large in Korea and our market intelligence leads us to believe that we would not be able to fulfil demand. For example; one of the Korean ice-cream companies that specialize in ice-cream products has a yearly turnover in excess of US\$ 500-Million. They have repeatedly requested us for ice-cream powder mixes but the import duties simply make us uncompetitive.

4.2 If there are no import duties the demand for Frosty Boy powders would increase our employment requirements by at least 50% because Frosty Boy powders would then be competitive in the low end soft serve market and ice cream ingredient blends sector, not only in the high end frozen Yogurt market which Australia is sharing with frozen Yogurt powders from Italy.

Should you require more detailed information, please request same.

Yours sincerely



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