



AUSTRALIAN  
**FOOD &  
GROCERY**  
COUNCIL

# **AFGC SUBMISSION**

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AUSTRALIA EUROPEAN UNION TRADE  
NEGOTIATIONS

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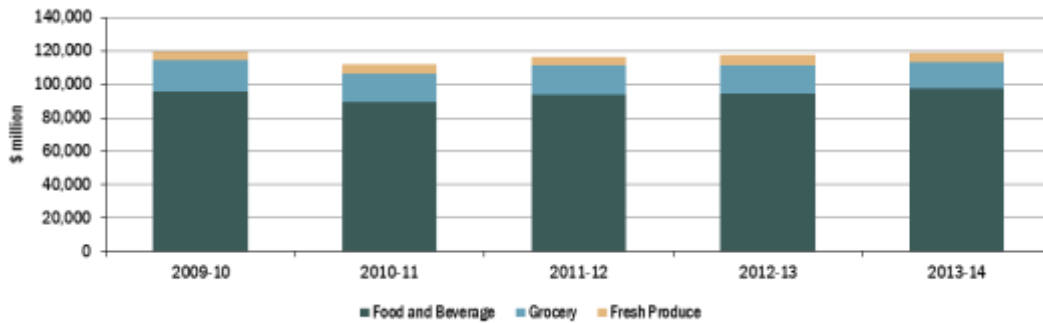
*Sustaining Australia*

## PREFACE

The Australian Food and Grocery Council (AFGC) is the leading national organisation representing Australia's food, drink and grocery manufacturing industry.

The membership of AFGC comprises more than 178 companies, subsidiaries and associates which constitutes in the order of 80 per cent of the gross dollar value of the processed food, beverage and grocery products sectors.

Composition of the defined industry's turnover (\$2013-14)



With an annual turnover in the 2013-14 financial year of \$119 billion, Australia's food and grocery manufacturing industry makes a substantial contribution to the Australian economy and is vital to the nation's future prosperity.

Manufacturing of food, beverages and groceries in the fast moving consumer goods sector is Australia's largest manufacturing industry. Representing 30 per cent of total manufacturing turnover, the sector accounts for over one quarter of the total manufacturing industry in Australia.

The diverse and sustainable industry is made up of over 26, 551 businesses and accounts for over \$61.7 billion of the nation's international trade in 2014-15. These businesses range from some of the largest globally significant multinational companies to small and medium enterprises. Industry spends \$541.8 million in 2011-12 on research and development.

The food and grocery manufacturing sector employs more than 322,900 Australians, representing about 3 per cent of all employed people in Australia, paying around \$16.1 billion a year in salaries and wages.

Many food manufacturing plants are located outside the metropolitan regions. The industry makes a large contribution to rural and regional Australia economies, with almost half of the total persons employed being in rural and regional Australia. It is essential for the economic and social development of Australia, and particularly rural and regional Australia, that the magnitude, significance and contribution of this industry is recognised and factored into the Government's economic, industrial and trade policies.

Australians and our political leaders overwhelmingly want a local, value-adding food and grocery manufacturing sector.



The AFGC Agribusiness Forum represents businesses with a role, or interest, in the transformation of raw materials and commodities that are used as inputs to the manufacture of fast moving consumer goods (FMCG).

The AFGC Agribusiness Forum's role is to develop and advocate a policy, regulatory and business environment that facilitates a profitable and internationally competitive agribusiness sector which, in turn, makes a significant contribution to the Australian economy.

The initial priorities of the Forum are to improve the cost competitiveness of the sector, and increase exports of food and beverage products.

# EXECUTIVE SUMMARY

The European Union is a significant trade and investment partner for Australia, and the largest market not yet covered by a bilateral trade agreement. There are significant opportunities to continue building on the bilateral economic relationship – a trade agreement must be a substantive contribution to liberalisation.

**A trade agreement between Australia and the European Union must secure:**

## **RECOMMENDATION 1. SUBSTANTIVE MARKET ACCESS**

- Providing significant and commercially meaningful opportunities for Australian exporters

## **RECOMMENDATION 2. IMPROVED FRAMEWORKS TO ADDRESS NON-TARIFF BARRIERS**

- Facilitating an increase in two way trade by addressing non-tariff barriers

## **RECOMMENDATION 3. CONTINUED INCREASES IN TWO WAY INVESTMENT FLOWS, SERVICES AND MOVEMENT OF PEOPLE**

- Facilitating greater services and investment flows, and movement of skilled people between the two economies.

**The agreement must also provide for:**

## **RECOMMENDATION 4. CONTINUED USE OF COMMON FOOD NAMES**

- Supporting the use of common food names while providing for Geographical Indications under existing World Trade Organisation agreements.

## **RECOMMENDATION 5. A COMMITMENT TO MULTILATERAL TRADE REFORM**

- The European Union maintains a significant level of subsidies to farmers which will not be addressed under a bilateral trade agreement. An EU-Australia Trade Agreement must include a commitment to return to the World Trade Organization to eliminate farm subsidies.

## INTRODUCTION

The European Union is one of the largest economies in the world with a combined population of more than 500 million people (2014) and more than USD 18 trillion combined Gross Domestic Product (GDP in 2014). The European Union is a significant trade and investment partner for Australia, and the largest market not yet covered by a bilateral trade agreement. There are significant opportunities to continue building on the bilateral economic relationship – a trade agreement must be a substantive contribution to liberalisation.

## RECOMMENDATION 1. SUBSTANTIVE MARKET ACCESS

The European Union is one of the world's most significant economies in agriculture and food: as a consumer, producer and exporter.

As for all of Australia's other trade negotiations, the starting point for discussions with the European Union should be the complete elimination of tariffs, and the reduction of non-tariff barriers, to increase trade between both parties.

It is critical that Australia secures substantive and commercially meaningful market access across the full range of Australia's agri-food exports, including:

- Australia's significant interests in improved market access for meat into the EU market, particularly for high quality meat, which will require removal of tariffs and other barriers,
- For the Australian dairy industry to be able to utilise market access opportunities in the EU, there would need to be comprehensive reform of both tariff and non-tariff barriers to trade,
- The EU is an important producer and market for the grains industry globally, continued reform through tariff eliminations, and addressing technical barriers to trade, is vital, and
- Australia's processed and packaged food continues to face tariffs and significant non-tariff barriers into the EU, tariff elimination is required to support continued two way trade.

When compared with the bulk of international trade agreements in existence, Australia has achieved high levels of trade liberalisation and market access in all of its trade agreements. A trade agreement with the European Union must include significant liberalisation.

## **RECOMMENDATION 2. IMPROVED FRAMEWORKS TO ADDRESS NON-TARIFF BARRIERS**

A wide range of players have recognised the impact of non-tariff barriers on international goods trade including multilateral agencies, governments and industry. Non-tariff barriers (NTBs) can be considered broadly as all government measures that affect trade in agri-food products other than formal tariffs and quotas.

Underscoring the critical importance of quarantine and food safety measures for global agri-food trade flows, it is important to recall the WTO disciplines, under which members are obligated to implement measures that are the least trade restrictive method of achieving a desired policy goal.

NTBs can be characterised along a continuum, from measures that are considered to be legitimate, to those viewed to be unnecessarily trade restrictive and protectionist. NTBs have the potential to distort international trade whether the intent of such measures are protectionist or not.

A trade agreement between the European Union and Australia must provide improved frameworks to identify, discuss and address non-tariff barriers to trade in both countries. This includes regulations, requirements and standards as well as the implementation of those government measures.

A trade agreement does not provide the opportunity to resolve individual non-tariff barriers but the opportunity to establish frameworks and principles, consistent with obligations in the World Trade Organization. Ongoing engagement on regulatory cooperation is vital as new and emerging issues increasingly affect goods, services and investment flows.

The objective for both parties should be to remove barriers to goods, services and investment flows rather than institute new measures.

## **RECOMMENDATION 3. CONTINUED INCREASES IN TWO WAY INVESTMENT FLOWS, SERVICES AND MOVEMENT OF PEOPLE**

Investment, services and the movement of people are key elements to the success of any agri-food supply chain, and are particularly important for Australia. The European Union remains one of the largest investors in Australia, including in agriculture and food. A proposed trade agreement should continue to improve the framework for two way investment flows, trade in services and movement of skilled people.

The Australian agri-food sector continues to be a net importer of capital, which is only expected to increase given the significant capital requirements to expand food production. Capital investment from the European Union includes access to knowledge, expertise and services available in the EU. In time, it is expected that Australian and European

countries will more actively consider partnership opportunities to meet food demand opportunities throughout Asia.

Services trade between Australia and the European Union is significant and a trade agreement provides an opportunity to continue expanding services trade. There are a range of opportunities to exchange services expertise across the agri-food supply chain to the benefit of both countries.

Skilled people are essential to the high technology and connected nature of agricultural production, food processing and food supply chain industries. The movement of skilled people between the European Union and Australia will benefit both markets as knowledge, expertise and innovation are shared between both markets.

An EU-Australia trade agreement provides the opportunity to continue liberalising arrangements for investment, services, and the movement of people which is vital to maintain agri-food productivity, innovation and growth in both markets.

#### **RECOMMENDATION 4. CONTINUED USE OF COMMON FOOD NAMES**

One of the impacts of globalisation in food has been the growing production, manufacturing and consumption of a variety of foods around the world. Different types of food and beverages developed in distinct parts of the world are now available from a range of countries and growing regions. There are significant benefits to consumers as production is dispersed reducing risks to availability, while supporting innovation as new market entrants develop innovative approaches to long standing food products, meals and experiences.

Moves by traditional producers of particular foods and beverages to protect food names (called 'Geographical Indications' or 'GIs') have the potential to disrupt a wide range of food producers across the globe if common food names are reserved for exclusive use or 'owned' by one party. The objective of Australian industry is to strike a balance between the demands of food producers in particular regions and the interests of the broader global community of food producers.

The following principles must be a starting point for any agreement on geographical indications:

- **Use of compound terms:** GIs, as a general rule, should be compound terms that include the name of the region or sub-region where the product is produced, along with the name of the product (as illustrated by "Camembert de Normandie".) The product name would be considered as being generic (eg camembert)
- **Protection in entirety:** Protection should be accorded to a registered name in its entirety, that is, the full compound term (e.g., Parmigiano Reggiano) and not to the individual components or derivative terms (e.g., parmesan)

- **Reference points for generic names:** As food trade becomes more globalised and interdependent, establish reference points for identifying common names, such as existence of a Codex standard or other international standards; use of the term in dictionaries, newspapers, product descriptions in tariff schedules or in explanatory notes; levels and diffusion of global production; international trade
- **Transparent objection procedures:** GIs regimes should provide the opportunity for stakeholders around the world to comment on applications for GI registrations to ensure that officials have fully considered the request and its impact on other farmers and food producers, that is, allow for objection procedures.

## **RECOMMENDATION 5. A COMMITMENT TO MULTILATERAL TRADE REFORM**

Despite continued reform of the European Union's Common Agricultural Policy (CAP), OECD analysis<sup>1</sup> highlights that more than 18 per cent of a German, French and Italian farmers' income is provided by the European Union through CAP. By contrast, Australian farmers receive just 2 per cent of their income from the Australian Government.

The impacts of CAP are a lack of structural adjustment in the farming sector in the European Union, and subsidisation of the full market cost of commodities and food manufactured from those commodities. Thereby, allowing EU farmers and food manufacturers to undercut farmers and food processors in Australia.

While Australia's trade negotiations with the EU may not cover (domestic support) subsidies to farmers, as per convention under bilateral trade negotiations, the agreement must include a commitment to return to the WTO to reduce and eliminate farm subsidies.

The European Union is a significant player in multilateral negotiations given its economic size and member states, while Australia occupies an influential position as the chair of the Cairns Group of agricultural exporting countries. Renewed commitment from the European Union and Australia for an outcome in the WTO has the potential to drive new conversations about multilateral liberalisation.

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<sup>1</sup> OECD Agricultural Policy Monitoring and Evaluation Report 2015





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