Australian Dairy Industry Council Inc.

Dairy Australia

General Review of the Regional Comprehensive Economic Partnership Agreement (RCEP)

Submission to the Department of Foreign Affairs and Trade (DFAT)

October 2026

Introduction

The Australian Dairy Industry Council (ADIC) and Dairy Australia welcome the opportunity to provide this submission to the Department of Foreign Affairs and Trade (DFAT) as part of the General Review of the Regional Comprehensive Economic Partnership Agreement (RCEP), conducted under Article 20.8.

DFAT is reviewing the implementation, operation and impact of the RCEP, including its benefits, remaining trade and investment barriers, and opportunities to strengthen the Agreement.

ADIC's submission will focus on the experiences and priorities of Australia's dairy farming and manufacturing sectors, including market access, tariff preferences, rules of origin, non-tariff barriers and opportunities to strengthen international competitiveness and trade outcomes.

RCEP entered into force for Australia in January 2022. For the Australian dairy industry, the agreement has not delivered any new, commercially meaningful market access for Australian dairy.

Dairy farming is Australia's third largest rural industry, with a farmgate value of approximately $5.97 billion, in 2024-25. The dairy industry contributes approximately $20.7 billion in economic value, and directly employs 30,400 people Around 36 per cent of Australian milk production is exported, with total dairy exports valued at approximately $3.8 billion.

Many of Australia's most important dairy export markets, including China, Japan, Indonesia, Malaysia, Singapore, Korea and Vietnam, are RCEP members. The effectiveness of RCEP in improving market access and reducing trade barriers is therefore important to the competitiveness of Australian dairy exports and the long-term profitability of dairy farming and processing.

Through this Review, the Australian dairy industry recommends that the Australian Government:

- **Pursue improved market access**: Use RCEP's review and amendment mechanisms to secure reciprocal and commercially meaningful market access outcomes in key dairy markets, particularly where Australian exporters remain at a competitive disadvantage relative to New Zealand, the European Union or the United States.
- **Establish measurable outcomes**: Assess progress against clear and measurable outcomes, including reduced compliance costs, faster regulatory approvals and improved market access certainty for exporters.
- **Reduce non-tariff barriers:** Prioritise the removal or reduction of unnecessary regulatory barriers affecting dairy trade, including import licensing, product registration, establishment approval, certification and traceability requirements.
- **Address unfair international competition:** Ensure the Review considers the impact of trade-distorting support measures that disadvantage Australian dairy exports, undermine the competitiveness of domestic production and reduce profitability and investment across the dairy supply chain.
- **Maintain industry consultation:** Consult closely with dairy farmers, processors and industry representatives throughout the Review process to ensure outcomes reflect industry priorities and strengthen the long-term competitiveness, profitability and sustainability of Australian dairy production.

Key Issues and Supporting Rationale

1. Limited commercial value for the Australian dairy industry

The Australian dairy industry acknowledges RCEP's strategic value in advancing regional economic integration and strengthening the broader regional trade architecture. However, for the dairy industry, the Agreement has not delivered significant additional commercial benefits beyond those already secured through existing free trade agreements, including the ASEAN Australia-New Zealand FTA, China-Australia FTA, Japan-Australia Economic Partnership Agreement, Korea-Australia FTA, Malaysia-Australia FTA and Indonesia-Australia Comprehensive Economic Partnership Agreement.

As a result, industry awareness and utilisation of RCEP remains relatively low compared to agreements that offer clear commercial advantages. Many exporters continue to rely on existing bilateral and regional agreements that provide more favourable outcomes, reducing the incentive to utilise RCEP preferences.

2. Barriers to trade that could be addressed through enhancements to RCEP

Australia's suite of existing FTAs has improved the tariff landscape for Australian dairy exports, resulting in non-tariff barriers increasingly representing the key barriers to trade across the region. Australian dairy exporters routinely face a range of regulatory and administrative requirements, including import licensing regimes, product registration processes, establishment approvals, certification and labelling obligations, sanitary and phytosanitary measures, customs administration, and complex documentary requirements. Recent examples include Indonesia's halal certification requirements, which will apply to imported dairy products from 18 October 2026, proposed amendments to Vietnam's Food Safety Law that may introduce additional registration, testing and traceability requirements, and Thailand's import permit allocation system for skim milk powder (SMP), despite commitments under TAFTA to provide unrestricted duty-free access from January 2025.

The Australian dairy industry encourages the Australian Government to use the General Review to strengthen RCEP commitments relating to transparency, regulatory cooperation, customs administration and trade facilitation, with particular attention to timely, transparent and predictable approval processes, greater regulatory alignment, improved information sharing between regulators, and practical, effective mechanisms to identify and resolve emerging trade barriers before they disrupt market access and trade flows.

3. Opportunities to improve commercially meaningful and fair market access

The value of RCEP to the dairy industry is ultimately determined not by tariff preferences alone, but by the commercially meaningful market access and competitive conditions it provides relative to major exporting competitors, principally New Zealand, the European Union and the United States. Additionally, Australian dairy farmers and manufacturers operate with comparatively low levels of government support and must compete against international producers and exporters benefiting from subsidies, government incentives and other market-distorting measures.

RCEP has done little to improve Australia's relative position against these competitors, particularly where existing bilateral and regional agreements already provide comparable or more favourable market access. Two examples from Australia's existing bilateral agreements with RCEP members illustrate the scale of the gap RCEP could help close.

<u>Korea</u>

KAFTA entered into force in 2014 and did not provide Australian dairy exporters with a comparative advantage over major competitors. The Agreement was negotiated after the United

States and European Union had already secured preferential access through their respective FTAs, allowing them to establish favourable commercial positions in the market. KAFTA excludes milk powders from tariff elimination and provides comparatively limited quota access, while New Zealand, which negotiated its agreement later, secured access for milk powders and larger quotas, giving its exporters a significant competitive advantage. Furthermore, KAFTA contains no review mechanism for tariff and quota commitments, limiting opportunities to improve outcomes over time.

In this context, the Australian dairy industry encourages the Australian Government to use RCEP's built-in review and upgrade mechanisms to explore opportunities to address competitive disparities that persist under existing FTAs. This should include consideration of improved market access outcomes for dairy products, particularly where Australian exporters remain at a disadvantage relative to competitors in RCEP markets despite being party to the Agreement.

It is important to note that improved tariff access alone will not necessarily deliver fair competition. Australia should use RCEP to advance greater transparency and more equitable trading conditions, while continuing to address agricultural subsidies and unfair trade practices through the World Trade Organization and other appropriate mechanisms.

Japan

JAEPA imposes a domestic content ratio on "Natural Cheese for Processing" (1 part Japanese cheese to 3.5 parts imported Australian cheese) to access the zero per cent tariff quota. Alternatively, 'Natural Cheese for Processing' can be entered under the non-country specific 'Pooled Quota' at zero per cent tariff but at a less favourable domestic cheese content ratio of 1-part Japanese produced cheese to 2 parts imported cheese.

Japanese customers report that sourcing domestic cheese is increasingly challenging and expensive due to declining domestic production. This is particularly the case for those customers that do not manufacture cheese in Japan and must source it from competitors.

Demand for Australian product continues to be strong, but Australian market share is slipping against cheaper EU and US product, which is in effect subsidised.

Under the JAEPA, reviews of Agricultural Market Access were scheduled in Year 5 (2020), followed by a General Review in year 6 (2021). These reviews were intended to provide opportunities for the Australian dairy industry to address long-standing market access restrictions, safeguard our strong historical positioning in this crucial market, and improve competitiveness. However, these reviews have not occurred, leaving key market access issues unresolved and reinforcing the importance of pursuing further improvements through RCEP.

The Australian dairy industry encourages the Australian Government to use the RCEP General Review and amendment processes to pursue more commercially meaningful outcomes in Japan, including addressing competitive disadvantages that have emerged relative to New Zealand, the EU and the United States. Priority areas include improving access conditions for cheese and reviewing provisions that reduce Australia's ability to compete on equal terms with key dairy-exporting competitors. While RCEP cannot directly amend JAEPA commitments, it provides an important forum through which Parties can identify and address market access disparities and establish a pathway for future improvements.

Article 20.4 (Amendments) provides a mechanism through which Parties may agree to improve RCEP commitments. The General Review presents an opportunity to test whether RCEP can act

as a catalyst for addressing longstanding competitive disadvantages that have proven difficult to resolve through existing bilateral mechanisms.

Imported dairy

While Australia continues to pursue improved export opportunities, trade policy must also consider the competitiveness and sustainability of domestic dairy production. Increased imports, particularly where products benefit from overseas agricultural subsidies or other trade distortions, can place pressure on Australian dairy manufacturing, farmgate returns and regional employment. Any future expansion of RCEP commitments should be assessed against these impacts and the need to maintain a competitive, productive and sustainable Australian dairy supply chain.

Conclusion

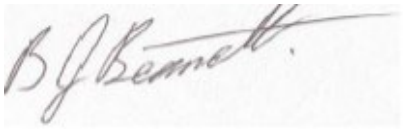
RCEP has not delivered significant additional commercial benefits for Australian dairy since entering into force, with most meaningful market access outcomes having already been secured through pre-existing bilateral and regional trade agreements. Structural gaps under KAFTA and JAEPA, including Korea's exclusion of milk powders from tariff elimination and the outstanding JAEPA reviews, sit outside what RCEP can directly resolve.

The RCEP General Review nonetheless presents a genuine and important opportunity to address remaining market access barriers, strengthen regulatory cooperation, improve utilisation and transparency, and pursue more commercially meaningful outcomes in key dairy markets, particularly Korea and Japan.

Success should be measured by tangible commercial outcomes, rather than simply the number of trade commitments amended. The Australian Government should work with dairy industry representatives to establish clear, measurable market access priorities, monitor progress on non-tariff barriers and report on improvements in market access, compliance costs, regulatory approval processes, and export competitiveness. The ultimate objective must be fairer trading conditions and a stronger, more profitable and internationally competitive Australian dairy farming and manufacturing sector.

The Australian dairy industry looks forward to continuing to work closely with the Australian Government through the RCEP General Review process.

Yours sincerely,





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