

20 October 2008

Trudy Witbreuk
Office of Trade Negotiations (OTN)
Trade Commitments Branch
Department of Foreign Affairs and Trade
R.G. Casey Building
John McEwen Crescent
Barton ACT 2600

Dear Ms. Witbreuk,

R.E. Trans-Pacific Strategic Economic Partnership (TPSEP)

Australian Pork Limited (APL) welcomes the opportunity to comment on the Department of Foreign Affairs and Trade (DFAT) call for submissions into Australia's participation in the Trans-Pacific Strategic Economic Partnership (TPSEP) Agreement.

Australian Pork Limited (APL) is the national representative body for Australian pig producers. It is a producer-owned, not-for-profit company combining marketing, export development, research & innovation and policy development to assist in securing a profitable and sustainable future for the Australian pork industry. APL works in close association with key industry and government stakeholders.

There are new opportunities to supply growing world demand for human food given our geographic proximity to China, Japan, Korea and the ASEAN, and growing tourism to the Asian region and other export markets. However, Australia cannot capture this opportunity competitively without greater liberalisation in world agricultural markets, and Australia joining the TPSEP as a solo effort would not achieve this.

APL cannot support Australia's intention to join the TPSEP at this time. Parties to the agreement including New Zealand, Singapore, Brunei and Chile already have Free Trade Agreements (FTAs) with Australia, and in their agreements have delivered significant market access gains for Australian pork. Similarly, while the United States has also announced its intention to join the TPSEP, this is also not expected to deliver improved terms of trade for pork into the U.S. due to the AUSFTA.

APL recognises the interest that Peru and Vietnam have in joining the TPSEP; however, unless the details from the ASEAN¹ FTA are made available, it is unclear whether Vietnam's accession to the TPSEP would deliver additional market access for Australian pork exporters. It is also questionable whether the TPSEP would alone arouse interest from major Asia-Pacific economies, such as Japan. However, APL would be interested in joining the TPSEP should more economies in the Asia-Pacific region actively consider participation. Countries that are of particular interest to Australian pork exporters include Hong Kong and Taiwan, which are large consumers of pork.

APL believes that DFAT's efforts should instead be focused on existing FTA negotiations with China, Japan and Korea, which are Australia's largest trading partners. They are by far the largest consumers of pork and are a priority for Australian pork exporters. Therefore, Australian further engagement in the Asian region is a priority.

APL is committed to opening immediate market access to the Asian region. The Australian Farm Institute predicted in a study of twelve Asian nations that by 2020 pork consumption would increase by 17.7 million metric tonnes, of which 16.5 million metric tonnes will be produced domestically; an additional 1.2 million metric tonnes will be imported. The forecasted additional import requirements of these nations would be equivalent to 260 per cent of Australia's current total pork production.

APL is seeking to increase the number of markets into which Australia sells pork. In particular those, which enable us to capitalise on our ability to provide product that is fresh chilled, value-added, services niche and affluent markets and is cost efficient to ship to e.g. "one flight". These markets need to be sustained over the cycle of exchange rate fluctuations; and that can support a high quality/high price chilled pork positioning. China, Japan and Korea are key markets considered to be markets of this nature, yet Australia's success there relies heavily on a positive outcome for pork in their respective FTAs, and demonstrably not on Australia's inclusion in the TPSEP.

Japan

Japan is an important niche market for Australian pork exporters due to the demand for high value fresh meat cuts. It is by far the world's largest and most valuable export destination for fresh pork. However, this has not prevented Japan from listing pork, as well as other agricultural goods as sensitive products, even excluding the sector entirely in its FTA's. Japan has never significantly liberalised its complex tariff regime on pork imports, which include a combination of a snap-back tariff, safeguard tariff, the gate price mechanism and the import quota. If Japan were to join the TPSEP and excluded agriculture, this would be contrary to the objective, in Australia's view, of a comprehensive agreement. All of Australia's existing FTAs improved market access in agriculture, which in Australia's case has always been positive to Australia's terms of trade.

In 2008, Japan remained one of Australia's largest and most valuable export markets for pork meat. Pork exports are an integral part of the Australian industry's future growth; being a key focus for future improvement in value and volumes. Therefore, the simplification of

¹ ASEAN members include Burma, Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Vietnam.

Japan's complex tariff regime on pork is important to future success. This cannot be achieved in the TPSEP without Japan.

China

China is the world's largest consumer of pork and China's imports of pig meat and pork offal account for around five percent of world pork trade. China's per capita pork consumption is among the highest in the world, accounting for around sixty-eight percent of all total meat consumed. Since 1990, the import volumes of pig meat have increased strongly due to growing affluence and disease outbreaks in local herds. Demand-supply constraints have increased pork prices with no signs of demand abating.

APL believes that there is opportunity to export Australian pork to China and believes that opening and developing the Chinese market will be in the Australian pork industry's long term interests. Pork, as China's most consumed protein is high on the Chinese political agenda. Although China has a policy of agricultural self-sufficiency, the acute short supply of pork in China gives impetus to promote Australian pork exports. Australia is offering to supplement China's short supply in niche markets. Australia's small production scale and interest in securing niche markets therefore does not threaten China's long-term interest but rather complements it.

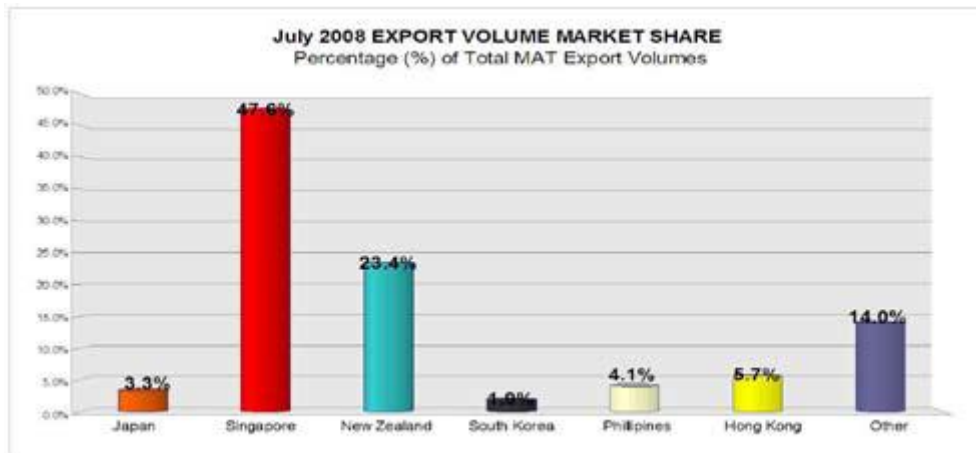
APL is dissatisfied with DFAT's efforts to date on Australian pork export access. In recent discussions with DFAT officers on the China-Australia FTA negotiations, APL was advised that tariff negotiations tended to be prioritised on the basis of significant exporters and that at this stage the pork industry is still to achieve a quarantine protocol to export to China. China has on a number of occasions linked reciprocal access for pork products to progressing Australia's draft protocols. Prior to 2005 Australian pork had access to the Chinese market; however since late 2005, Australian pork exports to China have been blocked. China has already signed bilateral pork trade protocols with non-threatening suppliers such as France, Germany, Spain and the United Kingdom. China's FTA's with New Zealand and Chile have already negotiated tariff reductions in pork.

Before Australia does negotiate access, Australian pork exports will still face tariffs of up to 20 percent. As part of the China-Australia FTA negotiations, the Australian Quarantine and Inspection Service (AQIS) have been seeking for the Australian quarantine to be treated on par with the USA, i.e. that acceptance of Australia's production system as a whole without the necessity to have a specific protocol agreed and for AQIS to be able to list establishments.

Korea

Korea is the 7th largest export market for Australian pork. However, like Japan, Korea has trade prohibitive barriers in place and has trade distorting domestic support available to domestic producers. Like China, pork is Korea's most consumed protein, with up to 17.9kg pork consumed per capita annually. Poor confidence continues in U.S. beef following the discovery of bovine spongiform encephalopathy (BSE) in 2003 and consumer anger at the announcement of lifting of an embargo on U.S. beef imports in Korea. Concerns about avian influenza related to poultry production are encouraging increased demand for pork protein. U.S. pork in Korea is already being promoted by the U.S. Meat Export Federation (USMEF) as having similar qualities to Korean produced pork, at a lower cost to Korean consumers.

The Korea-U.S. FTA negotiations are expected to reduce the level of tariffs applied to U.S. exports to Korea, which will put Australian pork exporters at a significant price disadvantage and erode our increasing capacity to open the market to Australian pork exports. Without Korea, the TPSEP will not be able to realise market access gains for Australian pork exports to Korea.



Source: APL from Australian Bureau of Statistics (ABS)

Figure 1 - Singapore was Australia's largest export market for Australian pork in July 2008 (47.6%), followed by New Zealand (23.4%), "Other" (14.0%), Hong Kong (5.7%), the Philippines (4.1%), Japan (3.3%) and the Republic of Korea (1.0%).

APL acknowledges that the TPSEP is a long-term strategic agreement which, into the future, may become the basis for negotiating an Asia-Pacific regional trade agreement. This assessment is featured in the *Review of Export Policies and Programs (2008)*. However, the current grouping of Brunei, Chile, New Zealand, and Singapore in the TPSEP does not provide the market access requirements Australian pork exporters need for larger and more valuable export markets such as Japan, Korea and China.

Yours sincerely,



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