

AUSTRALIAN PORK LIMITED

Trans-Pacific Partnership

13 February 2013

Australian Pork Limited (APL) welcomes the opportunity to provide a supplementary submission to the Department of Foreign Affairs and Trade (DFAT) regarding the Trans-Pacific Partnership Agreement (TPP). APL made a submission regarding the TPP on 20 October 2008, at which point we noted the existing membership did not provide sufficient potential market access for Australian pork exports for APL to support the TPP. Given the significant expansion in TPP membership since 2008, APL has taken the opportunity to reassess our position.

2 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.

3 APL is committed to expanding market access and is seeking to increase the number of markets into which Australia sells pork, particularly key Asian markets.

The Australian pork industry

4 The Australian pork industry employs more than 20,000 people in Australia and contributes approximately A\$2.8 billion in gross domestic product to the Australian economy. The pork industry contributes approximately 2.13% of total Australian farm production with roughly 1500 pig farmers producing around 4.7 million pigs annually. Australia exports a small quantity of pork, totalling A\$105.4 million (MAT) to August 2012, relatively stable from A\$105.6 million to August 2011.

5 The Australian pork industry is efficient and has some of the highest animal welfare standards in the world. The industry is responsive and innovative, for example; in climate change - having the first methodology approved under the new Carbon Farming Initiative, and in animal welfare - voluntarily committing to phasing out sow-stalls by 2017.

6 From a trade perspective, Australia has an open pork market, having 0% tariff for imports, with domestic producers receiving no government support. Compared to Australia, the United States and Canada have high levels of government support that shield producers from market risk and secure their income. European and North American tariffs and import barriers effectively prevent these two continents from trading with each other in pig meat which means that they look for other “freer” markets, such as Australia, to export their surplus subsidised product to. Australian producers expect the Australian government to enable them to compete on a level playing field at the international level by reducing barriers to trade, both at and behind the border.

7 Beyond the simple tariff imposed on Australian exporters, the complexity of dealing with the transactional export costs, eg. complying with varying tariff regimes in different jurisdictions, makes a case for a broad-based approach to tariff reduction in the TPP. Simplified and harmonised trade rules through high-quality FTAs reduce both the up-front tariff cost, and the transactional costs involved in compliance.

8 Australia’s pork industry, due to its small-scale production and interest in niche market areas, should be seen as non-threatening. As Asia’s large and rapidly growing middle class demand higher quality pork with guaranteed health and hygiene status, the

Australian pork industry, with its higher health, hygiene and manufacturing standards is well positioned to meet this need.

The Trans-Pacific Partnership

9 APL has actively followed deliberations under the TPP, participating in several rounds, including the most recent round in Auckland, New Zealand in December 2012. APL has met with DFAT on several occasions to explain the position of the Australian pork industry, and supports the position of the NFF on certain other related issues including the ISDS mechanism, Rules of Origin and accumulation.

10 APL supports the Australian government's international efforts to liberalise trade, and remove trade distorting barriers and subsidies in export markets. APL believes the progressive liberalisation of Asia-Pacific markets will be in the Australian pork industry's long-term interests.

11 APL is supportive of a dual bilateral and pluri-lateral negotiating approach to ensure a greater chance of accessing and defending key export markets. The proliferation of bilateral and regional free-trade agreements in the shadow of a moribund WTO Doha round risks disadvantaging pork producers. The TPP should improve upon market access arrangements for markets with which Australia already has an FTA, and provide at least equal access compared to third countries.

12 Concordant with the high ambition expressed by leaders in the margins of the APEC leaders' summit in Honolulu in November 2011, negotiators should pursue tariff reduction rates on all pork products on a faster schedule than provided in third-party FTAs. The harmonisation of tariff schedules amongst TPP participants would further increase Australian pork producers' potential markets.

13 APL encourages the government to pursue a greater degree of coherence in the regulations that govern global supply chains to streamline international trade creating benefits for Australian pork exporters, removing unnecessary duplication and reducing costs.

14 APL is concerned about the use of subsidies, such as Canada's Ontario Risk Management Program which Canada's own Federal Minister of Agriculture, the Hon Gerry Ritz publically described as "completely countervailable" in comments to the Canadian House of Commons. These subsidies cause significant distortions in the Australian market, and put Australian producers at a major competitive disadvantage; in reality we cannot "compete on a level playing field". The termination of these subsidy programmes must be pursued if the vision of a comprehensive free trade agreement is to be achieved. Their persistence is contrary to the spirit of the TPP.

15 Any SPS consultative mechanism set up under the TPP must not compromise Australia's first-rate bio-security system. The disease free herd health status of Australia's pork industry is something of which Australia can be proud, and enables consumers both domestically and internationally to be confident that Australian pork is of the highest quality.

Conclusion

16 APL notes the Australian Government's recent release of the *Australia in the Asian Century White Paper* which states that 'free trade agreements give concrete benefits and help agriculture and food exporters to compete on equal terms.' APL agrees with this view, and supports an eventual TPP agreement which is ambitious, comprehensive in coverage, and represents both a 21st century living agreement, and a blueprint for an eventual Asia-wide trade agreement.

17 The TPP should provide outcomes which counteract our competitive disadvantages, address the use of trade-distorting subsidies in TPP member States and deliver market access gains for Australia's pork producers.