

AUSTRALIAN PORK LIMITED
Submission to Foreign Policy White Paper
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I. Introduction

Australian Pork Limited (APL) welcomes the opportunity to comment on the Australian Government's Foreign Policy White Paper.

APL is the national representative body for Australian pork producers. APL is a producer-owned not-for-profit company combining marketing, export development, research and innovation and policy development to assist in securing a profitable and sustainable future for the Australian pork industry.

The Australian pork industry employs more than 20,000 people in Australia and contributes approximately \$3 billion in gross domestic product to the Australian economy. The pork industry contributes approximately 2.13% of total Australian farm production with roughly 2500 pig producers producing around 5 million pigs annually.

Under the Australian Pork Industry Export Plan, producers aim to increase exports as a percentage of total production to 30 per cent (from the current 10 per cent) by 2046. This increase is targeted at Asian markets where the Australian pork industry offers a high-value, niche chilled pork product, overnight freighted to the destination.

To achieve this target, the pork industry requires a stable, prosperous and economically integrated region, backed by smart and effective national trade policies.

I.1 Global Trade Environment

In the 13 years since Australia's last Foreign Policy White Paper, the global trade system has faced a number of major setbacks:

- The 2008 financial crisis disrupted global trade flows. Mature markets in North America and Europe are yet to fully recover.
- Multilateral liberalisation is at a standstill. The World Trade Organization (WTO) Doha Round of talks on liberalising trade in agriculture was abandoned.
- Ambitious plurilateral agreements, such as the Trans-Pacific Partnership (TPP) and Trans-Atlantic Trade and Investment Partnership (TTIP) failed or stalled.
- While agriculture tariffs are declining, protectionist national policies, and non-tariff barriers to trade are increasing.
- Popular support for globalisation has eroded. This is reflected in the success of free trade-sceptic policy positions, notably in the US and UK.
- China's emergence as a major trading power is reshaping regional supply chains and challenging established trade norms. The global readjustment is a source of growing trade friction.

During this time, and guided by the 2003 White Paper, Australia has lived up to its free trade principles, pursuing a reduction in import tariff levels, phasing out state trading enterprises, abolishing subsidies and support programs, and carrying out deregulation and privatisation across a range of sectors. Australia has crafted high-ambition free trade agreements, substantially liberalising trade and investment with key partners.

Australia's willingness to take action consistent with words is admirable. The problem has been that many of our trading partners have been playing a double game – loudly boosting free trade in public, while quietly maintaining a system of state support for domestic industry at the expense of outside competitors. Against Australia's best intentions, our competitors have ensured that the playing field is not level, but skewed in their favour.

The world's leading trade powers, including the US, EU, Japan, China, Canada, South Korea, and Brazil – despite some being vocal proponents of free trade – administer the world's most trade-distorting subsidy and support programs, abuse anti-dumping investigations, countervailing duties, and dispute resolution processes, cynically deploy non-tariff measures as barriers to trade, manipulate currencies to gain export advantage, guarantee prices, and pander to domestic industry.

With the election of President Donald Trump in the United States, even the veneer of US government support for orthodox free trade principles, as espoused and practiced by Australia, has fallen away. This should be a wake-up call to policymakers that the world market is openly and vigorously contested.

In the new global trade environment, with liberalisation in retreat, we need a clear-eyed approach to trade policy that does not simply accept free trade platitudes at face value. We must judge trading partners by their actions and calibrate our own policies in response.

We need trade policy that robustly and unapologetically advances the interests of Australia.

1.2 Australia's Pork Trade

1.2.1 Exports

The Australian pork industry is minor by world standards, accounting for 0.2 percent of total production. It is not export-orientated, with exports accounting for roughly ten percent of domestic production, valued at A\$135 million. High costs of production significantly limit our industry's export competitiveness.

Figure 1 2016 exports (volume and value by state)

Dec 16	Volume kg's SW		Value \$A		Per unit Value	
	MAT (000's)	% Change vs. YA	MAT (000's)	% Change vs. YA	MAT Avg. \$A/kg	% Change vs. YA
NSW	8,088	28.1%	27,980	22.3%	\$3.46	-4.5%
VIC	7,531	-9.6%	33,108	6.1%	\$4.40	17.3%
QLD	4,134	-28.5%	10,936	-40.7%	\$2.65	-17.1%
SA	7,135	60.9%	22,969	67.3%	\$3.22	4.0%
WA	8,541	13.5%	37,367	11.6%	\$4.38	-1.6%
NT	147.0	-67.4%	384	-47.9%	\$2.61	59.8%
Re-Export	492	-49.8%	1,828	-35.1%	\$3.72	29.5%

Singapore is our largest export market, absorbing more than half of exports by value. Australia exported almost 15,000 tonnes (valued at A\$77 million) to Singapore in 2016, representing an 8 percent increase in volume over the previous year and an increase of 18 percent by value. The pork export relationship with Singapore is mature and stable – Australia's record as a reliable, safe and disease-free supplier of high-quality chilled pig meat has been rewarded with dominant market share in this segment.

Other export markets include New Zealand, Hong Kong, Philippines, and Papua New Guinea. China, Taiwan, South Korea, and Japan are markets with potential for growth.

Figure 2 Major Export Markets 2016

Dec 16	Volume kg's SW		Value \$A		Per unit Value	
	MAT (000's)	% Change vs. YA	MAT (million)	% Change vs. YA	MAT Avg. \$A/KG	% Change vs. YA
Singapore	14,664	7.8%	77.2	18.4%	\$5.27	9.8%
New Zealand	3,927	-16.5%	13.2	-27.7%	\$3.49	-16.3%
Hong Kong	3,588	5.6%	12.2	31.1%	\$3.47	21.7%
Philippines	4,827	46.8%	5.9	46.4%	\$1.23	0.7%
Papua New Guinea	4,237	-0.6%	11.1	-26.1%	\$2.69	-25.0%

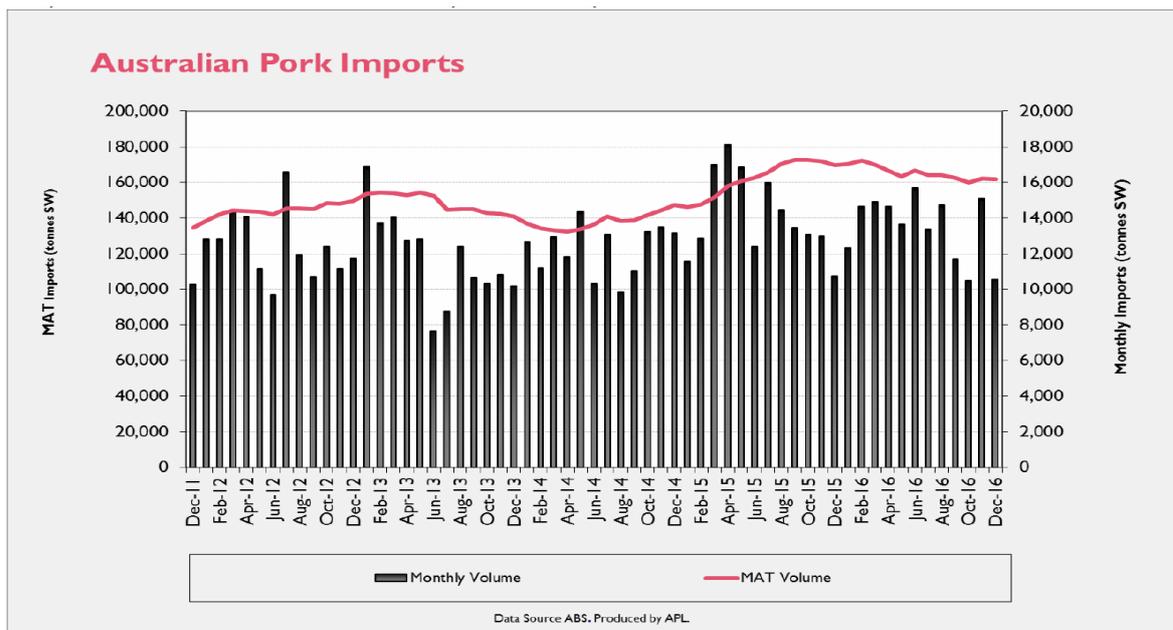
1.2.2 Imports

Australian pork competes with imported product in the domestic processed market. APL estimates around 70 percent of the ham and bacon sold in Australia contains imported meat, primarily from Canada, Denmark and the US. Pork imports are also now displacing fresh meat in cooked pulled pork and ribs, primarily destined for the service channel but also marketed direct to the consumer.

Current quarantine requirements prohibit the import of fresh pork for sale into Australia. Pork imported into Australia must meet strict quarantine conditions and processing requirements, amongst which are specific cooking time and temperature protocols to eliminate disease incursion risk. This must take place before processed pork products made from imported pork, such as ham and bacon, can be sold in Australia. Most imported pig meat arriving onshore frozen is ready to be cooked and processed on arrival at an approved premises, and under the supervision of Department of Agriculture and Water Resources.

Despite these restrictions – necessary to protect our disease-free status - over the five years to 2016, annual pork imports have increased from around 135,000 tonnes to more than 160,000 tonnes.

Figure 3 Monthly Import Volumes December 2011 – December 2016



I.4 Global Pork Trade

Pork is the most consumed meat globally, with one and a half times more pork consumed than beef. Reflecting its size and dietary preferences, China is the largest producer, consumer, and – recently – importer of pork. Major exporters include the US, Germany, Spain, Denmark, Canada, and Brazil. After China, major importers include Japan, Russia, Hong Kong, South Korea and Mexico.

Pork is an important global commodity, and often the source of friction between trade partners:

- Disagreement between the US and Taiwan over pork import regulations prevented the latter from entering the TPP negotiations
- Belgian Walloon pork industry objections to Canadian pork subsidy programs in part led to the last-minute renegotiation of the EU-Canada Comprehensive Economic and Trade Agreement in 2016
- Russia's ban on the import of EU pork, and the EU's subsequent WTO complaint, has caused considerable trade tension between the two

While Australia is a small player, the shifting and contested dynamics of the global pork trade affect our industry's ability to succeed. This includes success in both international and home markets.

For example, disruptions in market access, such as in the EU-Russia case, contribute to global supply and price volatility as unsold product searches for new markets. As a high-cost producer, Australia is especially vulnerable to sudden inflows of foreign pork produced at much lower cost than Australia.

On the flip side, growing demand for pork in mainland China - combined with food safety concerns, lower domestic capacity, and the gap between domestic and international prices - has created a boom in pork exports to that market. Australian industry is anxious to seize the opportunity.

These global trade and investment patterns, as well as Australia's policy settings, influence the Australian pork industry. For this reason, APL is putting forward a set of industry priorities and recommendations to contribute to the White Paper process, to ensure that it delivers for the pork industry - and for the wider Australian economy.

2. Industry Priorities

2.1 Market Access

2.1.1 Technical Market Access

At the conclusion of the China-Australia Free Trade Agreement (ChAFTA), the Australian pork industry found itself in a frustrating position. Australia's negotiators had secured world's best tariff treatment for pork exports to China, but industry lacked the market access arrangements to take advantage of it.

Without market access, even the best trade agreement is irrelevant.

Trade in food, and meat in particular, is governed by stringent sanitary and phytosanitary (SPS) protocols that must be agreed between the competent authorities of the exporting and importing markets before any trade can take place. Issuing of health certificates and listing of establishments adds to the complexity and timelines associated with technical market access.

The Department of Agriculture and Water Resources (DAWR) is responsible on the Australian side for technical market access negotiations. In recent years, as Australian food exporters have rushed to enter the mainland China market, DAWR has been unable to keep up with demand for access. Resource constraints also mean DAWR has faced challenges to remedy and restore disrupted market access. This has led to missed opportunities, including for the pork industry.

Opening trade with key mainland Chinese cities is APL's priority export challenge. In 2014, APL commissioned the China Market Access Strategy to guide industry efforts and assist government in progressing our market access request. Industry is also seeking access to Taiwan and Vietnam, both major pork-consuming markets. However, pork competes with a number of other important food-exporting sectors for DAWR bandwidth. Progress has been slow.

Recommendation 1

Provide additional resources to DAWR to support the technical market access needs of Australian agricultural exporters.

This should include recruitment of more technical staff, and better training opportunities to give existing non-technical staff the skills they need to secure and maintain market access.

2.1.2 Export Market Development Assistance

Government can support Australian business in other practical aspects of market access.

APL welcomes government initiatives to assist Australian agricultural exporters' entry into new markets, including through programs such as the Export Market Development Grant, Agricultural Trade and Market Access Cooperation, and through facilitation of trade missions and other outreach programs, as well as the work of Austrade. All of these are beneficial and should continue, but could be better-funded and improved.

Recommendation 2

Increase resources dedicated to trade missions, market development activities, trade advocacy and outreach programs.

Improving coordination of overseas trade missions between state and federal levels would help achieve better focus and consistency in messaging. Australia should put forward a single, national brand, rather than disparate

state brands. The Council of Australian Governments (COAG) Ministerial Council on International Trade would be one vehicle for cooperation.

2.2 Non-tariff Measures

Formal tariff barriers have been successfully reduced or eliminated through trade liberalisation efforts in many of Australia's key pork export markets. In some instances, these gains have been offset by the rising number and complexity of non-tariff measures (NTMs) affecting trade.

2.1.3 Technical and Non-technical Measures

The United Nations Conference on Trade and Development (UNCTAD) International Classification of Non-tariff Measures categorises NTMs into technical measures, non-technical measures, and export measures.

Technical measures have had the most direct negative impact on industry. In particular, technical SPS measures (UNCTAD classification: A) prevent access – as described earlier – to a number of priority markets, including China, Taiwan and Vietnam. Precaution on SPS matters is justified, but some requirements are not science-based, and are unnecessarily burdensome and time-consuming for industry.

Non-technical measures which directly affect industry include: opaque import licensing arrangements (Indonesia, Philippines, and Thailand); product registration processes (Indonesia, Malaysia); import quotas (Malaysia); and distribution restrictions (Indonesia).

2.1.4 Domestic Support

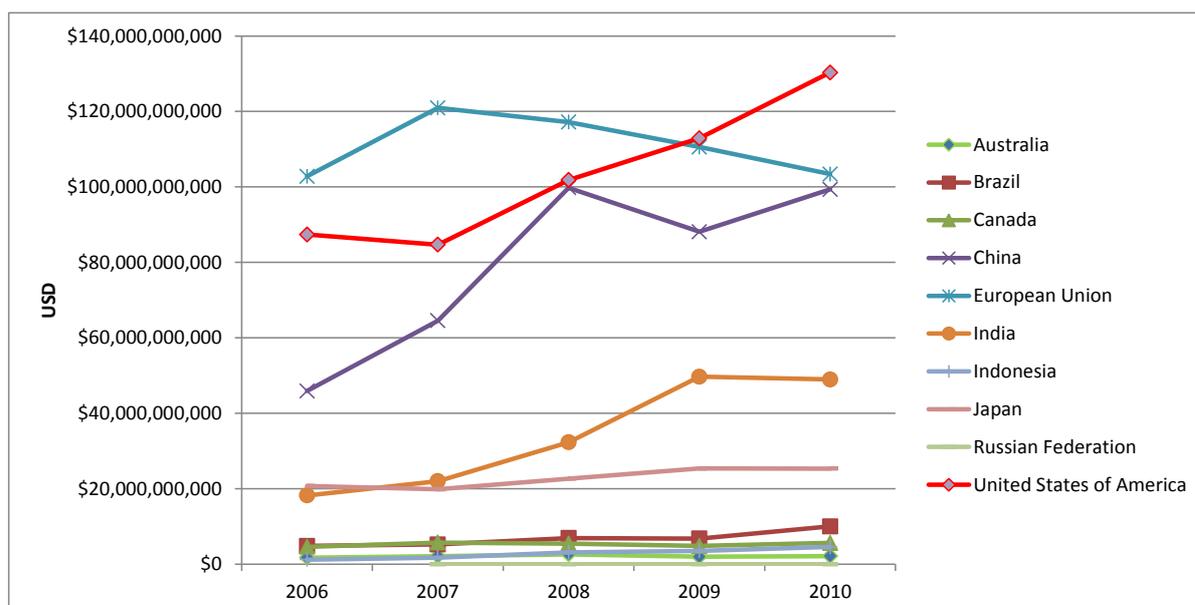
By far the larger danger to Australian producers and the most insidious form of NTM is domestic support. In the pork industry, support commonly takes the shape of price-control measures (UNCTAD classification: F) and/or subsidies (UNCTAD classification: L). Levels of WTO consistency vary by support measure and market, but – across the board – they slowly, severely, erode Australia's agricultural competitiveness in export markets.

For example, Vietnam maintains a reference price scheme to assess import duties on pork. Under the scheme, assessed import duties on certain pork cuts are not based on the actual price, but reference prices established by the Vietnamese authorities. This measure, which is not WTO-compliant, disadvantages foreign suppliers.

Japan's reference price system for pork – called the 'gate price system' - is actually a highly-convoluted web of tariffs applied to specific cuts. It essentially requires that all pork imports—from high-end tenderloin to offal—meet a government-set reference price, and then imposes a 4.3 percent duty on top of that price. The gate price system is not only unnecessarily complicated, but distorts trade by encouraging legitimate traders to import a mix of high and low value pork cuts out of synch with actual demand. It imposes higher tariffs on lower priced pork imports and encourages tariff fraud via over-invoicing of lower value pork cuts.

Producer Support Estimates (PSEs) are used by the WTO to estimate the level of financial and other support provided by governments to industry. The graph below shows all support classified under Article 6 of the WTO Agreement on Agriculture as well as non-trade distorting spending by major agricultural producers.

Figure 3 Total support of all kinds notified, 2006-2010



The United States, for all its talk of free trade, maintains by far the highest overall PSE levels. The trade distorting portion of this amount stands at around US\$14 billion – the second highest level globally. What is more alarming is that US agricultural support levels are increasing. At the same time, US trade officials are working to shut down progress in multilateral talks aimed at limiting domestic support.

In late 2016, Washington reported to the WTO on its farm subsidy programs since the 2014 Farm Bill. The amount of officially notified ‘trade-distorting support’ showed no decrease. However, the US reported a twenty-fold increase in subsidies that do not specifically target a product, but which still distort trade.

As its PSE has climbed ever higher, US trade negotiators have sought to sabotage multilateral efforts to limit domestic support. Under the Doha framework proposed in 2008, WTO members would have limited total trade-distorting subsidies to US\$14.5 billion – a ceiling the US has very nearly reached. It is not surprising that the US led efforts at the 10th WTO Ministerial Conference (MC10) in 2015 to officially abandon the Doha Development Round.

APL commissioned research in 2014 to quantify the value of subsidies to the pork industries of competing exporters. It produced the following results:

Brazil: US\$11.77billion annually; or US\$3.56 per kg

USA: US\$23billion annually; or US\$2.42 per kg

Canada: US\$2.2billion annually; or US\$1.11 per kg

Denmark: US\$1.35billion annually; or US\$0.67 per kg

High PSE levels place Australia at a competitive disadvantage, as Australian pig farmers do not receive any subsidy support beyond the matching government research and development commitments.

APL welcomes the government’s efforts to address the impact of all NTMs on Australian exporting industries, including through the WTO, in our region, bilaterally with key markets, domestically through outreach programs and workshops, government-led NTM working groups, and the NTM focus assigned to the Assistant Minister for Trade, Investment and Tourism, the Hon Keith Pitt MP.

APL recognises that non-tariff measures can be justified. The key to minimising impact, where the measure is legitimate, is through a process of regulatory harmonisation and information-sharing to narrow the gaps and inconsistencies between national standards.

Recommendation 3

Increase efforts to address NTMs affecting Australian exports, and agricultural exports in particular.

These should encompass:

- **Multilateral efforts:**
 - resist pressure to abandon the WTO Doha Development Round
 - more strongly support proposed caps on domestic support and farm subsidies, including through non-Doha initiatives, such as the upcoming MC11
 - support implementation of the MC10 decision to eliminate export subsidies as soon as possible before 2018
 - advance WTO efforts to implement and build on the outcomes of the Trade Facilitation Agreement
 - more actively engage in WTO dispute resolution processes to call out unsubstantiated, discriminatory NTMs, especially subsidy programs
- **Regional efforts:**
 - push for expanded inclusion of measures to address NTMs in regional negotiations, including the Regional Comprehensive Economic Partnership Agreement
 - closely engage and support the ASEAN Economic Community in its work to harmonise regional standards through regulatory convergence
- **Bilateral efforts:**
 - empower ministers to intervene with political counterparts to resolve particularly troubling NTMs
 - increase Australian Embassy and Austrade resources dedicated to tracking and attacking illegitimate NTMs in key markets
 - include a dedicated chapter addressing NTMs, including domestic support, in all future Australian trade and investment agreements
 - amend existing trade and investment agreements through appropriate review mechanisms to include dedicated NTM chapters
- **Unilateral efforts:**
 - increase outreach to industry, including through workshops and seminars, to lift exporters' ability to independently navigate and minimise the impact of NTMs
 - collaborate with industry on projects to better understand the impact of NTMs and devise new methods to address them
 - as a last resort, allow industry better access to countermeasures, including anti-dumping investigations and countervailing duties, to defend against competitors that unfairly and unscrupulously deploy NTMs to benefit their own producers
 - government must assist industry to meet the high thresholds of evidence required to launch countervailing action, where this is warranted

2.1.5 Biosecurity Measures

Like all trading nations, Australia maintains its own non-tariff measures. Our robust biosecurity restrictions are science-based measures that protect Australia's unique biological profile from foreign pest and disease incursion.

These rules protect the physical health and wellbeing of Australia's people, livestock, and wildlife. Australia's agricultural export competitiveness and overseas market access arrangements are also explicitly linked to our disease and pest-free status through the strict SPS protocols that govern trade.

Relaxing biosecurity measures puts our nation's physical and economic health at risk. Unfortunately, major pork exporting nations are seeking to discredit and dismantle them. They wish to expand their already generous access to the Australian market. For example, the US - leading the push - already counts pork as its largest agricultural export to Australia.

Government must resist the commercially-motivated calls of competitors to relax our science-based biosecurity arrangements. Australia's disease and pest-free status is not up for negotiation.

Recommendation 4

Staunchly maintain Australia's biosecurity measures, recognising our disease and pest-free status' direct role in guaranteeing market access for agricultural exporters.

2.2 Trade and Investment Agreements

Australia's trade and investment agreements, or free trade agreements (FTAs), have delivered significant positive outcomes for Australian pork exporters, principally through the lowering and elimination of tariffs in markets including, Japan, Korea, China, and ASEAN.

For the pork industry, many of these gains exist on a theoretical basis only. As noted above, Australian pork access to key markets is impeded by non-tariff barriers. Our exporters are unable to realise the full potential benefits of FTAs until these barriers are removed or minimised.

Australia should continue to build and upgrade its network of bilateral and regional FTAs, ensuring they reflect the needs of Australian exporters. The agreements themselves should better address non-tariff barriers.

2.2.1 Emerging Issues in FTAs: Labour, Environment and Animal Welfare

In addition to tariffs and traditional trade rules, modern FTAs often include coverage of emerging issues. These so-called "21st century FTAs" can contain disciplines on matters such as the environment, labour, and animal welfare. The Australian pork industry is ethical, and operates to a high standard in these areas.

For example, Australian producers are increasingly investing in energy technologies that reduce emissions and waste, shrinking the pig industry's environmental footprint. APL estimates thirteen per cent of our industry is investing in biogas, and similar investments would be viable for around 75 percent of eligible commercial producers (those with more than 500 sows).

In contrast to some agricultural industries, the pork sector has a high requirement for skilled labour. This means better-paying jobs with competitive conditions for our skilled workforce.

The pig industry's voluntary decision to phase out sow confinement in the form of sow stalls demonstrates our ethical approach to animal welfare outcomes. The Australian industry standard on this issue is second-to-none globally.

But our ethical practices have a cost. This affects the industry's ability to compete internationally with low-cost producers that do not maintain environmental, labour, and animal welfare standards at a similarly high level.

APL does not seek to wind these outcomes back. On the contrary, we wish to see them extended beyond Australian shores. FTA disciplines on environmental, labour, and animal welfare issues help to improve the ethical practices of our trading partners and bring them more into alignment with Australian norms. This reduces NTM-related frictions (through greater regulatory convergence), helps to level the playing field in terms of competitiveness, and promotes Australian values internationally.

The proposed EU-Australia FTA provides an opportunity to pursue ambitious outcomes in these areas with a like-minded negotiating partner. For example, the EU-Chile FTA provision on animal welfare standards could form the basis of a similar article in the EU-Australia agreement.

2.2.2 Geographical Indications

Measures relating to geographical indications (GIs) are another feature of modern FTAs. The EU champions the GI concept, pushing it outwards through its FTA and parallel negotiations. The aim is to exclude foreign competitors in the EU and third markets from a number of key food product categories. With alcoholic beverages and dairy, processed pork products (i.e. smallgoods) are one of the principal targets.

Under the EU-Singapore FTA, GI protection for smallgoods takes the relatively benign form of composition nouns. This means that the EU-Singapore FTA protects ‘Mortadella Bologna’ and ‘Prosciutto di Parma’ (including translations), while Australia could export ‘Australian Mortadella’ or ‘Australian Prosciutto’, and would not infringe the GI protections established under the agreement. Australian smallgoods exports to this critical market are not currently threatened by restrictive GIs. However, the danger exists.

There is some evidence to suggest that the EU position on GIs has softened in the face of concerted push-back from rival producers, notably in North America. For example, as part of the EU-Canada Comprehensive Economic and Trade Agreement, a number of EU GI terms were specifically nominated that could be used by Canadian producers, provided they used terms including ‘like’ or ‘style’. And so, for example, ‘gorgonzola-style’ cheese for Canadian gorgonzola, whereas the EU product would have exclusive rights to be called ‘gorgonzola’.

Australia should maintain vigilance – especially in its own FTA negotiations with the EU – to ensure that GI protections do not expand and lock down Australia’s ability to produce and export like products.

2.2.3 Bilateral versus Plurilateral Outcomes

The bilateral FTA program has secured superior market access relative to our competitors in key markets. Ironically, the pursuit of ambitious regional FTAs can undermine the trading advantages exporters enjoy under the bilateral network. This happens when the same level of access is granted to competitors in markets where an Australian bilateral FTA currently delivers comparatively better access.

The TPP provides a good example of this dynamic. Japan is a significant global pork importer and, although current volumes are low, Australia enjoys improved pork market access under the Japan-Australia Economic Partnership Agreement (JAEPA). The US, which dominates Japan’s imported pork market, has no bilateral agreement with Japan. Under the proposed TPP outcomes for pork, Australian and US access to Japan would be lifted to the same level, eliminating our relative advantage. This outcome applies to a wide range of Australian export commodities across TPP markets.

Building and maintaining our competitiveness means protecting our relative market access advantages – not negotiating them away. Officials should bear this in mind as they pursue ambitious regional trade deals.

2.2.4 Transparency

Australia’s FTA negotiation processes would benefit from greater transparency. Greater participation by industry and civil society would lead to better commercial outcomes and improved public perceptions of FTAs. More rigorous evaluation of existing and proposed FTAs would improve their credibility and help clarify priorities.

Recommendation 5

Enlarge, improve and update Australia's network of trade and investment agreements

The government should:

- initiate new bilateral FTAs with priority markets, including Taiwan and Mexico
- advance current bilateral and plurilateral negotiations with Indonesia and India, and the RCEP countries
- upgrade existing bilateral agreements to improve access and widen coverage
- steer all agreements towards better addressing NTMs, including
 - specific NTM chapters
 - establishment of NTM committees
 - NTM review mechanisms
 - annexes that address specific issues
- include consideration of 21st century issues, such as
 - Labour
 - Environment
 - Animal welfare
- maintain vigilance and join efforts to push back on the expansion of GI protections
- balance bilateral and plurilateral agreements to maintain Australia's comparative market access advantages
- improve transparency, consultation and participation processes, for example
 - permit appropriate representatives from business and civil society to see Australian positions being put as part of negotiations
 - consider a process through which independent modelling and analysis of a proposed trade agreement is undertaken by the Productivity Commission, or equivalent organisation to improve assessment of the agreement

2.5 Multilateral Policy

2.5.1 Multilateral Agricultural Trade Liberalisation

In the WTO, reinvigoration of the Doha Round should remain Australia's priority. While the Round faces a number of grave challenges, true multilateral liberalisation in agricultural trade should remain the WTO's highest aspiration. Australia, as a major player in agricultural trade, maintaining an already substantially liberalised domestic market, has everything to gain from a successful conclusion to the Round.

Australia must reinvigorate its leadership in the Cairns Group as a platform to pursue agricultural trade liberalisation and reform in the WTO. This includes championing stronger disciplines on special safeguard mechanisms and promoting greater WTO efforts to address technical barriers to trade. Australia should encourage members to ratify the Trade Facilitation Agreement, and seek to build on its outcomes.

2.5.2 Battlefield: WTO

Many of Australia's competitors are sophisticated and cynical in their interpretation and use of WTO rules, exceptions, and dispute resolution processes. Increasingly, the WTO has become a battlefield for litigious players that are seeking to gain maximum legal and commercial advantage over trade rivals. This goes against the spirit of the WTO, without technically breaching a member's commitments.

If Australia is to remain competitive against this backdrop, officials must improve their ability and willingness to deploy legitimate WTO countermeasures against members who act in bad faith. This will require more resources for our mission in Geneva, more activism in disputes, and providing more access to countervailing measures for Australian industry by, for example, reforming our anti-dumping regime.

Australia's current anti-dumping legislation does not favour primary production. Sections 269T(4A) & (4B) of the Customs Act 1901 (Cth) are designed to allow producers of raw agricultural products to be considered part of an Australian industry producing like goods where the like goods are processed 'substantially or completely' from the relevant raw agricultural goods.

The pig carcasses generated by Australian pig farmers are used to produce a range of specific cuts and processed foods. It is unfeasible that a carcass can be 'substantially or completely' devoted – as per the wording in the Customs Act - to producing a single processed product.

But Australia does not import carcasses – only certain cuts or processed pork. If, for example, pork middles were imported into Australia at dumped prices which consequently caused injury to Australian pork producers, those pork producers would not be considered part of the relevant Australian industry under the current system. This is because the carcasses they produce are not devoted 'substantially or completely' to the production of the pork middles.

The meanings of the words, 'substantially', 'close relationship' and 'significant part' are weaknesses in the Customs Act and impair industry attempts to substantiate injury to an industry.

The anti-dumping regimes administered by other pig producing nations are less restrictive, and have been used successfully to defend producers against dumped product. For example, the US has applied a number of anti-dumping measures against Canadian pig and pork imports, one in 1984, a second in 1989 and again in 2005. Some aspects of the U.S. countervailing and anti-dumping system make it easier to initiate investigations. For example, the U.S. has broader product definitions, allowing their investigations, in turn, to be broader.

The administration of Australia's anti-dumping and countervailing investigations should be benchmarked to competitors' practice. This would eliminate inequities between Australia's investigation processes and that of our major pork competitors.

2.5.3 Emerging Issues

Australia should project its values through the WTO. Trade officials should advocate WTO consideration of issues relating to labour, the environment, and animal welfare. The membership has been reluctant to engage on these matters to date. But there is a clear mandate for the WTO to consider ethical issues under Article XX of the General Agreement on Tariffs and Trade (GATT), which refers to measures necessary to "protect public morals, and to protect human, animal or plant life or health". For example, the WTO dispute resolution panel set a precedent on animal welfare when it ruled to uphold the EU ban on seal products in 2013.

E-commerce is another emerging area of interest for Australian agricultural exporters. WTO work to develop and clarify a common set of rules governing cross-border e-commerce would be of value.

Recommendation 6

Increase engagement with the WTO to advance Australia's interests in agricultural trade liberalisation, back Australian industries in an increasingly combative multilateral environment, and promote Australian values.

Specifically, our WTO policy should include:

- renewed support for the Doha round
- strong leadership in the Cairns Group

- support for the WTO addressing domestic support, technical barriers to trade, and special safeguards at MCII and beyond
- smarter, more frequent deployment of legitimate countermeasures and complaints
- review of Australia's anti-dumping regime, making it more accessible for vulnerable industries
- more resources for our Geneva-based mission, enabling it to pursue these objectives meaningfully
- support for WTO consideration of issues including labour, the environment, and animal welfare, consistent with Australia's national values

2.6 Foreign Policy

A stable economic environment is underwritten by a stable political environment.

We are witness to epoch-defining events, as the centre of world power shifts back to Asia. This shift has been relatively smooth to date, but there is ample room for disastrous miscalculation and conflict. The ultimate suspension of market access is war.

It has been widely noted that, for the first time in its history, Australia's most important economic partner and its most important strategic partner are rivals. This puts our foreign and trade policy in a precarious position. The Howard-era view that Australia does not have to choose between these two has held until now. But it may not hold for much longer.

It would be irresponsible of policymakers not to consider and plan for a scenario in which Australia is forced to choose. At the very least, they should be thinking of ways in which we can delay the eventuation of a 'choice', or avoid it entirely.

APL supports a foreign policy that minimises the risk of Australian strategic involvement in regional disputes between the great powers. To this end, Australia must keep a lower foreign policy profile on these matters, steering clear of antagonising either of our great power partners, lest we bring the 'choice' – or some other form of retaliation – upon ourselves.

Recommendation 7

Minimise involvement in great power disputes to ensure Australia does not become the target of economic or strategic retaliation

3. Conclusion

The White Paper is an exciting, challenging, and timely opportunity to update Australia's foreign and trade policy settings in the rapidly changing international context. The global trade environment has become particularly challenging in recent years, and looks set to become an even greater arena for competition and conflict.

APL is confident that policymakers will design a foreign and trade policy framework that reflects the needs of the Australian pork industry, enabling our members to prosper at home and internationally. In summary, we recommend policies that:

Provide more resources for DAWR to support the technical market access needs of Australian agricultural exporters.

Increase resources dedicated to trade missions, market development activities, trade advocacy and outreach programs.

Increase efforts to address NTMs affecting Australian exports, and agricultural exports in particular.

Staunchly maintain Australia's biosecurity measures, recognising our disease and pest-free status' direct role in guaranteeing market access for agricultural exporters.

Enlarge, improve and update Australia's network of trade and investment agreements.

Increase engagement with the WTO to advance Australia's interests in agricultural trade liberalisation, back Australian industries in an increasingly combative multilateral environment, and promote Australian values.

Minimise involvement in great power disputes to ensure Australia does not become the target of economic or strategic retaliation.

Should you have any questions about this submission, please do not hesitate to contact Andrew Robertson on 02 6270 8888 or via email andrew.robertson@australianpork.com.au.



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