

SUBMISSION 4 – Blackmores Ltd

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BLACKMORES

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Submission to the Joint Standing Committee on Treaties (JSCOT) on the China Australia Free Trade Agreement

Blackmores is the Australasian market leader in the natural vitamin, herbal and mineral supplement market, with strong market positions in Australia, New Zealand, Thailand, Malaysia, Singapore, Hong Kong, Taiwan, Macau, Korea, Cambodia and a growing presence in China. Blackmores has over 800 employees across Australia, New Zealand and Asia.

Blackmores is strongly supportive of the signing of the China Australia Free Trade Agreement which we believe delivers significant benefits for Australia and Australian companies doing business with China in a number of key areas:

- Bilateral partnerships of the level and nature of the ChAFTA place Australian companies in a more favourable position with Chinese consumers, retail buyers and government agencies through the recognition of Australia as a strategic partner of the Chinese Government and the trust and reputation that partnership carries with it.
- Reductions in tariff and import barriers to facilitate more open access to Australian products into the Chinese market.
- Creation of new employment opportunities for Australian businesses and their supply chain partners flowing from the growth in their China-facing business.
- Deeper engagement at multiple levels with Australia's largest trading partner, the largest consumer market in Asia and the market that will positively influence Australia's economic development for decades to come through trade, tourism, investment, social and cultural exchange.

Blackmores exemplifies the position that China can take in an Australian business' Asia and global growth strategy. Since launching in China in 2012, Blackmores has established itself as a high-quality premium natural health brand with Chinese consumers. Through the establishment of a Wholly Foreign Owned Enterprise (WFOE) in Beijing, and Branch offices in Shanghai and the Shanghai Free Trade Zone we have rapidly expanded our presence in the market and now have over 20 staff in China, servicing over 3,000 points of physical distribution for our products, including an extensive presence online on all major internet portals in China.

Blackmores is building a strong export business in China with significant double-digit growth in the export of our Australian-manufactured products to China. We expect this growth to continue as China becomes an increasingly important part of Blackmores' Asian, and Group, business. Our products are manufactured in Australia and the expansion of our China business continues to expand opportunities for ourselves and an extensive range of suppliers and partners who support our business.

Over the past 12 months Blackmores has employed an additional 50 staff across our Australian operation to support the very strong growth of our business. The majority of this growth, and the requirements for increased staffing across our supply, production and distribution teams, has been a direct result of the very strong growth of sales of our products to Chinese consumers.

Under the oversight of the Australian Therapeutic Goods Administration, all Australian exported health foods (often known as Complementary Medicines in Australia) are subject to one of the most stringent and rigorous regulatory environments which ensures the safety and the quality of the products to be one of the best in the world. Naturally, this means Australian Health Food products are in some cases more expensive to develop and manufacture relative to products manufactured in other countries and makes Australian products intrinsically less price competitive in China.

Depending on the product classification, Australian health food products currently face **average tariff rates of 20%** on importation into China. These tariff rates are some of the highest for vitamins and dietary supplements in any of our markets in Asia.

The conclusion of the ChAFTA will provide significant benefits to Blackmores, and other Australian health supplement companies, with the reduction in the high current average tariff rate of 20% to a rate of 0% (zero percent) over the four year implementation period of the agreement. This tariff reduction will considerably increase the price competitiveness of Australian health food products against cheaper local and imported products and drive increased exports of Australian products into the China market.

Under CHAFTA, China will provide tariff-free entry for almost all of Australia's pharmaceutical, vitamin and health supplement products within four years of entry into force of the Agreement.

"Blackmores is pleased with the positive conclusion of the ChAFTA negotiations and welcomes a new era of competitive trading that awaits Australian companies exporting to China," said Blackmores CEO and Managing Director, Christine Holgate.

Blackmores is strongly supportive of the benefits derived from the ChAFTA for Australian companies in the vitamins and dietary supplements sector which will further support increases in exports in this growing market segment in China and further enhance Australian price competitiveness and expanded penetration into the China market.

Blackmores would welcome the opportunity to provide further comments if required by the JSCOT at any stage in the treaty consideration process.

Yours sincerely

Peter Osborne
Managing Director Asia