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RED MEAT ADVISORY COUNCIL

Joint Standing Committee on Trade and Investment Growth -
Understanding and utilisation of benefits under FTAs

June 2024

TABLE OF CONTENTS

Introduction	3
Overarching position	3
Red meat industry position on trade policy	4
Red meat industry trade policy objectives	5
Specific comments on relevant terms of reference	5
1. What level of understanding is present of the social and economic benefits provided by FTAs? ..	5
2. The uptake of economic benefits to Australian businesses created by FTAs across Australia	7
3. To what extent regional, diaspora, and First Nations communities take advantage of trade opportunities including the benefits created by FTAs	8
4. What difficulties are faced by Australian businesses, workers, and communities in accessing the benefits created by FTAs, including non-tariff trade barriers	9
5. How the Australian Government monitors and measures utilisation of FTAs.....	10
6. How the Australian Government works with stakeholders, including State and Territory Governments, to promote trade including the benefits created by FTAs	10
Opportunity to facilitate greater two-way investment	10
Conclusion.....	11

Introduction

The Red Meat Advisory Council (RMAC) and its members welcome the opportunity to provide a submission to the Joint Standing Committee on Trade and Investment Growth inquiry into *the Understanding and Utilisation of Free Trade Agreements (FTAs)*. This commentary draws on industry's experience in utilising the benefits of Australia's FTAs over many decades.

RMAC is Australia's only policy leadership and advisory forum made up of producers, lot feeders, processors, manufacturers, retailers and livestock exporters and thus represents the entire red meat supply chain from paddock to plate. RMAC members are the following prescribed industry representative bodies under the *Australian Meat and Live-stock Industry Act 1997* (AMLI Act):

- Australian Livestock Exporters' Council,
- Australian Lot Feeders' Association,
- Australian Meat Industry Council,
- Cattle Australia,
- Goat Industry Council of Australia, and
- Sheep Producers Australia

Australia's red meat and livestock industry is comprised of more than 74,000 businesses and collectively services 26 million Australians and over 100 export destinations every day with safe, high quality and nutritious red meat. Approximately 433,000 people are employed in the industry, representing 1.5% of Australia's key industry total employment, and 66% of Australia's direct employment in agricultural production¹.

Overarching position

- *Preferential access to international markets, derived via free trade agreements, is essential in removing costs from the red meat supply chain, assisting with market diversification and maintaining and improving industry's international competitiveness. As such, the Australian Government is strongly encouraged to continue to negotiate trade liberalising bilateral trade agreements.*
- *As an export focused sector with close involvement in trade negotiations, industry participants proactively seek out detail of ensuing FTA benefits. These benefits are subsequently incorporated into commercial interactions upon entry into force of an agreement.*
- *The Australian Government, via DFAT and DAFF, socialises the outcomes from FTAs as soon as these are publicly available. In turn, red meat industry representative organisations (such as RMAC members and industry service providers) ensure this information is disseminated widely amongst members / participants so that the outcomes / benefits are well known.*
- *Both the Australian Government and industry simplify the often-complex text of an agreement so that it is readily digestible – as this is essential in helping secure uptake. DFAT's FTA summaries and the FTA portal are an important reference sources in this regard.*
- *Overall, knowledge and uptake of the benefits derived from an FTA requires collaborative outreach by both Government and industry - a partnership which should continue as additional trade reform is secured.*

¹ [State of the Industry Report 22-23](#)

Red meat industry position on trade policy

Australia's, and specifically the red meat industry's prosperity, is highly dependent on international trade. Access to overseas markets is critical not only for the export of produce and underpinning our domestic industries, but also for the sourcing of inputs, technology and capital equipment. These trade transfers are paramount for business efficiency.

This efficiency can only be derived by Australia embracing trade liberalisation – with numerous economic research entities clearly pointing to the fact that liberalised trading regimes promote higher economic growth, investment, jobs and improved standards of living.

Fostering liberalisation through international fora that promote open trade should remain an Australian Government priority. In so doing, pursuit of the three key pillars of trade negotiation reform via multilateral (World Trade Organization [WTO]), bilateral (free trade agreement) and regional partnerships / alliances, must continue to be actively pursued.

The multilateral process, despite its shortcomings, has preserved and enhanced Australia's economic interests. In so doing, WTO negotiations concluded to date have produced direct benefits for the red meat sector by reducing a number of border protection measures – primarily through tariff reductions and quota expansion / removal as well as transparency of trading partners' technical barriers to trade. The WTO has also proved invaluable via the rules that govern trade and in settling trade disputes, which has directly assisted in keeping some of our key markets open or via reinstating lost access.

The WTO rules governing trade also include important provisions on Sanitary and Phytosanitary (SPS) regulations. Contemporary trade problems are increasingly characterised by the unreasonable application of SPS conditions – with some imposing significant ongoing costs and / or preventing access in a number of export markets.

The WTO process provides the best opportunity to fix many of the structural problems associated with market access - specifically domestic support measures and export subsidies, which litter world trade. Clear examples include the pressure the multilateral arena has exerted on the European Union (EU) in reforming its Common Agriculture Policy and on the United States (US) in relation to the Farm Bill. In many cases distortions in agriculture can only be addressed multilaterally, and the need for significant reform will only increase as the world strives towards efficient and effective resource use required for global sustainability and food security.

The multilateral process, however, needs to be supplemented by closer ties with strategically important trading partners – and the red meat industry has been strongly supportive of the Government's initiatives on the bilateral front.

FTA negotiations to date have generated welcomed new or enhanced trade flows for the red meat industry. These have been realised by not only by addressing economic market access issues (tariffs or quotas), but also by tackling behind the border technical barriers (certification, labelling, systems recognition) as well as establishing formal consultative processes between the parties - such as SPS and TBT Committees - to facilitate ongoing improvements to technical terms of trade.

In pursuing bilateral deals our position is simple. An FTA must be comprehensive, WTO-consistent, secure free access for Australian red meat without perpetual quotas, tariffs or safeguards and deliver the outcomes in the shortest possible timeframe. And the Government's FTA report card to date has delivered.

Regional trade agreements are also worthy of pursuit. Although perhaps more difficult to secure given the diverse economic status of the membership, alliances such as ASEAN, RCEP and CPTPP have delivered significant reform benefits and trade integration / harmonisation amongst some of the Australian red meat industry's closest trading partners.

Overall, the Australian red meat industry is highly supportive of the continuation of a three-pronged multilateral, bilateral and regional approach to trade negotiations – as well as the ongoing review / upgrading of completed agreements in order to ensure that all the potential benefits are realised.

Red meat industry trade policy objectives

In light of the above position, the Australian red meat industry invests in a co-funded (producer levy and processor contribution) market access program.

This program actively engages with Australia's trade negotiation officials and Ministerial representatives in a coordinated / collaborative effort in seeking to:

- defend existing favourable market access conditions in overseas markets;
- position industry for multilateral, FTA and regional trade reform initiatives / negotiations; and
- alleviate the impact of non-tariff barriers.

Via Red Meat 2030², which outlines industry's shared vision and direction over the next decade, our key success factors in respect of market access include:

- trade agreements have delivered preferential access in a majority of Australia's red meat export markets; and
- non-tariff trade barriers have been reduced by \$1 billion by 2030 compared to a 2020 baseline.

Specific comments on relevant terms of reference

Industry's ongoing trade interface coupled with insights from the suite of FTAs Australia has secured to date, sit behind the following comments on the understanding and utilisation of free trade agreements.

1. What level of understanding is present of the social and economic benefits provided by FTAs?

The Australian red meat industry has a high level of understanding of the social and economic benefits provided by FTAs – and hence its quest to secure a 'world without trade barriers'.

² [Red Meat 2030](#)

Social benefits:

FTAs, pending agreement of the parties, can contribute to a range of social benefits including stronger people-to-people and business-to-business links.

In relation to people links, improved labour standards internationally and the mobility of labour across the globe are of key interest to the red meat sector – especially as the industry is a major direct and in-direct employer.

Shortages of labour in meat processing, for example, is an ongoing challenge and requires access to offshore staff (via 457 visa holders i.e. skilled workers) which trade agreements can help facilitate. There are also very clear subsequent flow-on social effects from bolstering the workforce via further associated local job creation and maintenance of rural / regional social frameworks - where the industry's production and processing is largely based.

These issues can be and are brought forward by a range of interested parties during the FTA consultation process and are also often of interest to the counterpart country – and hence affirming obligations as members of the International Labour Organization, for example, are also often on the trade agenda.

The Australian red meat industry is aware of and supportive of trade agreements that include labour provisions which ensure skilled worker availability as well as the provision of frameworks for dialogue, cooperation, and/or monitoring of labour issues.

On a business-to-business basis, FTAs have the ability to bring supply chain partners, both on and off-shore, closer together – with reductions in the cost of doing business and a lower administrative burden of particular benefit. Closer trading ties also encourages Australian company investment in off-shore subsidiaries and trading offices.

Regarding other social matters, the Australian red meat industry is wary of including a number of items in treaty-level international agreements without careful regard to the potential impacts, and right of the Australian Government to regulate, as well as delegate to commercial arrangements where appropriate.

This is particularly the case in areas such as prescriptive animal welfare clauses, where we would support a similar approach as is taken with regard to SPS, as well as biosecurity matters. While there is scope for and support of cooperation provisions, standards and commitments on these highly technical and important areas are best left to processes outside of trade and investment agreements. This is because these measures should be focused on science, risk assessments and outcomes rather than traded or negotiated as part of an international agreement.

Economic benefits:

Economic impacts i.e. the benefits secured by a trade agreement primarily through market access improvements, are the key area of interest for the Australian red meat industry.

FTAs are pivotal for reducing tariffs, eliminating quotas and in certain cases addressing non-tariff trade barriers, which are critical for industry's growth and competitiveness. FTAs enable industry to enter new markets on a preferential basis and can enhance expansion in existing markets.

Improved market access directly translates into increased export opportunities, revenue growth, and job creation within local communities and the broader national industry.

There have been major advantageous shifts in Australia's red meat trade flows and commercial relationships related to the enhanced access offered by FTAs in the past 20 years. Australia's red meat trade has rapidly diversified into a much broader range of markets as lower tariffs have created expanded opportunities for red meat traders - and commercial relationships have grown.

This diversification has helped cushion the industry from the negative impact of market / political disruptions, while preferential access has enabled Australia to maintain a foothold in an increasingly competitive international market place.

Knowledge of these benefits has underpinned the red meat industry's ongoing trade reform strategy and has also resulted in a very high level of FTA literacy amongst those in the sector.

In terms of the reform process, industry identifies (then subsequently specifies to government) which tariffs and / or quotas should be reformed, plus ascertains if any trade restrictive non-tariff barriers are present for specific markets (i.e. clearly identifies the economic benefits) and seeks to also have these incorporated in the formal trade negotiation process - or in the case of some non-tariff barriers, pursued via a parallel and specific technical alleviation initiatives.

The potential impacts / benefits of an outcome are often quantified by industry utilising its proprietary global meat industry trade flow model - or in the case of non-tariff / technical barriers, supplementary impact analysis to identify the opportunity cost / lost value.

This material / data in turn forms the basis of industry's market access request to the Australian Government – which is formally submitted (on a confidential basis) to the negotiating team and followed up regularly during the course of the negotiations / discussions.

Via close collaboration with Australia's trade officials, counterpart positions / offers are subsequently scrutinised, and input provided into potential revisions / pathways forward to ensure any potential benefit creation is realised and hopefully not compromised.

The Australian red meat industry is highly appreciative of this approach– which involves a very close and trusted working relationship with the Department of Foreign Affairs (DFAT), the Department of Agriculture Fisheries and Forestry (DAFF) and the respective ministers' offices in advancing trade reform and in securing potential economic benefits.

It is only through an industry-Government collaborative effort that benefits can be realised – a model which has assisted the red meat industry secure and maximise the economic benefits emanating from all trade agreements (multilateral, regional, bilateral and technical) conducted to date.

2. The uptake of economic benefits to Australian businesses created by FTAs across Australia

Australian red meat businesses actively capitalise on the economic benefits generated by FTAs. As previously indicated, the red meat industry analyses and quantifies the benefits arising from an FTA and these outcomes are widely distributed amongst commercial entities.

For example the trifecta of north Asian FTAs involving Japan, Korea and China, were estimated to generate an extra \$1billion in revenue per annum over 20 years for the red meat industry (primarily as a result of eliminating / reducing tariffs). This put into perspective the potential benefit – which in turn was factored into export market targeting and provided industry participants with a ‘thirst’ for additional reform.

The uptake of this benefit is subsequently evident not only in industry's increased exports to these markets (and the market's subsequent ongoing demand for quality Australian red meat) but in capturing and / or maintaining Australia's share of an increasingly competitive imported market segment.

Notably, the removal of tariffs and non-tariff barriers, coupled with improved trade facilitation initiatives (for example improvements in customs clearance procedures and the streamlining of administration) under FTAs has facilitated smoother and more cost-effective trade flows, benefiting red meat businesses across Australia.

Additionally, due to the predominant focus on servicing international markets, Australian red meat exporters have developed a unique ability to utilise new FTA provisions as soon as the agreement enters into force i.e. tariff preferences are eagerly awaited and ‘jumped on’.

Exporters are also proactive in ensuring importers are also across any tariff changes – with in-market operatives often needing to clarify with their own Government officials that relevant new preferences / procedures applicable to Australian product are in place and are being implemented. This across border dialogue is essential in ensuring FTA benefits are fully captured.

Overall, the uptake of improved market access arising from FTAs amongst red meat exporters is extremely high. This is apparent from anecdotal evidence arising from export member consultations and can be confirmed by DFAT statistics on the use of tariff preferences - coupled with DAFF export data on increases in red meat trade from Australia and Australian Bureau of Statistics figures on the increase in value from export returns.

3. To what extent regional, diaspora, and First Nations communities take advantage of trade opportunities including the benefits created by FTAs

Regional, diaspora, and First Nations communities are integral to the red meat industry's success. The industry's operations in rural and regional areas provide significant employment and economic benefits to these communities. FTAs also play a crucial role in sustaining and expanding our industry footprint which in turn provides ongoing multiplier community support.

Industry does its utmost to ensure that all community segments are able to benefit from trade opportunities. One such example would be the industry's advocacy for labour mobility provisions within FTAs that addresses critical skill shortages in regional areas, thereby supporting both economic and social development in these communities.

4. What difficulties are faced by Australian businesses, workers, and communities in accessing the benefits created by FTAs, including non-tariff trade barriers

FTAs by their very nature are complex legal treaty documents comprising hundreds of pages and thousands of tariff lines. The language utilised is also not always 'business friendly' – understandable given it is a legal document.

The key therefore is to distil the text and outcomes so that it is readily digestible – which is essential in securing uptake.

DFAT's FTA summaries and the associated interactive FTA portal are an important reference source in this regard and are to be commended. As is the outreach undertaken by DFAT in consulting with stakeholders and conducting FTA engagement seminars.

Another essential component is the service offered by Australia's Embassies, High Commissions and Consulates in communicating the outcomes in-market. At times this necessitates capacity building to ensure all relevant procedures are in place to ensure both FTA partners and their stakeholders are aware of any new import procedures and can thereby readily access the benefits. This outreach by Australian trade officials remains an imperative.

While FTAs benefit Australian businesses, workers, and communities greatly, there are still a number of challenges in accessing the full benefits. With FTAs having a focus on granting improved tariff or quota access for Australian goods to overseas markets, often non-tariff barriers (NTBs) remain outside the scope of an FTA— especially where a trading partner is insistent on their exclusion.

NTBs imposed by trading partners create challenges, and in some cases, the complete inability for exporters to access certain markets for red meat and meat products – despite having a trade liberalising FTA in place. Commonly, these NTBs come in the form of stringent sanitary and phytosanitary standards, technical regulations, and customs procedures. Geo-political relationships can also create hurdles. These barriers restrict market access and increase the cost and complexity of exporting products.

Research undertaken by industry to identify and quantify NTBs in key export markets, estimated the impact value to be around \$4.3b per annum. Given this impost, NTB alleviation is understandably a high industry priority.

While the red meat industry incorporates NTBs in its FTA market access requests, where these cannot be addressed in that fora, industry engages in parallel dialogue with DAFF and DFAT with the aim of mitigating the NTB. This involves providing detailed evidence of the barriers' impact on trade and advocating for their removal or reduction through formal technical / sectoral specific negotiations.

In formalising this process, the red meat industry and the Australian Government have established a Market Access Prioritisation Tool (MAPT) framework - a tool shared in a tripartite approach between industry, DAFF, and DFAT to prioritise and alleviate NTBs. This collaborative approach involves structured consultations through a MAPT Working Group and regular feedback sessions. This has become an essential tool in optimising effort and resources in addressing technical issues and thereby further enhancing trade flows enabled via FTAs.

5. How the Australian Government monitors and measures utilisation of FTAs

The red meat industry in conjunction with DFAT and DAFF employ frameworks to monitor and measure the utilisation of FTAs. For example, regular consultation between industry and government during entry into force of an FTA and during the subsequent implementation period readily identifies any major utilisation impediments – with commercial exporters quick to seek clarification of procedures or to call out any obstacles.

These are then addressed via immediate adjustments where feasible or via the in-built review / consultation committees established with trading partners as a component of an FTA.

Where multiple FTAs are in effect with a particular trading partner, DFAT and industry work closely to ensure that exporters are aware of and utilise that agreement which provides the better preference arrangement. This is monitored by DFAT (i.e. via trade flows per tariff line) and the difference in preferences is also highlighted on DFAT's FTA portal.

6. How the Australian Government works with stakeholders, including State and Territory Governments, to promote trade including the benefits created by FTAs

The Australian Government and the red meat industry collaborate closely to ensure the benefits created by FTAs are promoted. Examples include:

- red meat industry representatives being regular participants in DFAT convened seminars, held in a number of States, which highlight the benefits of FTAs;
- industry providing case study material of an FTA's benefit – which is widely disseminated in print and social media and used in Government media releases. This has been beneficial in informing not only other industry participants but also the general public of FTA outcomes and their application; and
- Government trade officials and Ministers are often invited to industry events where outcomes of FTAs are highlighted and discussed.

Ongoing promotion of trade reform is seen as vital - particularly where there is scepticism about the benefits and in some jurisdictions, rising protectionist sentiment.

Opportunity to facilitate greater two-way investment

Australia has, for almost its entire history, relied on inward foreign investment to bridge the domestic savings-investment gap and maintain Australia's high consumption levels and standards of living. Therefore, FTAs should be seen not just as a transactional exercise devoted to reducing tariffs, but rather an opportunity to set a broader framework for deeper interactions between two countries, or across regions (e.g. CPTPP or AANZFTA).

It is critical that the Australian Government provide regulatory certainty to foreign businesses operating in Australia and seeking similar assurances for Australian businesses operating abroad. As a bare minimum, FTAs should include regular consultation mechanisms. This will in turn facilitate the formation of deeper and more resilient supply chains and deeper geopolitical relationships more broadly. FTAs that have achieved this have given businesses on both sides much greater capacity and incentives to trade goods and services across international borders.

Conclusion

RMAC and its members appreciate the opportunity to provide the above comments and welcome the opportunity to engage further on the content.

Alastair James
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On behalf of:



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