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Committee Secretariat
The Joint Standing Committee on Trade and Investment Growth
PO Box 6021
Parliament House
Canberra ACT 2600
Via [Website](#)

Dear Committee Secretariat

New Inquiry: The Understanding and Utilisation of Benefits Under Free Trade Agreements

Thank you for the opportunity to provide a submission on the New Inquiry into the Understanding and Utilisation of Benefits Under Free Trade Agreements following a referral from Senator the Hon Don Farrell, Minister for Trade and Tourism the Joint Standing Committee on Trade and Investment Growth on 15 May 2024.

Queensland Cane Growers Organisation Ltd (CANEGROWERS) is a not-for-profit public company with the sole purpose of promoting and protecting the interests of sugarcane growers since inception in 1925.

Representing over 70 per cent of Australia's sugarcane growers, CANEGROWERS is the peak body for the sugarcane industry. With 13 district offices in Queensland, our strong regional presence ensures that services and advocacy are provided in local communities as well as at the highest levels of industry and government decision-making.

CANEGROWERS strongly supports Australia's efforts to improve the sugar industry's trade environment by improving market access through strategic reforms to trade policy in bilateral, regional and multilateral agreements and by using all processes available to ensure third countries comply with their international commitments. CANEGROWERS objective in providing this support is to secure a more favourable and profitable export market environment for Australian sugar and to prevent the erosion of access opportunities and conditions in key markets.

Background

The Australian sugar industry is the most trade exposed of the world's sugar producers. Except for small tonnages sold at preferential prices to the United States, all Australian sugar whether in the domestic or export markets is sold in relation to the world sugar price. Reflecting Australia's world market exposure, changes in the terms of market access affects the profitability of both cane growers and sugar mills.

In many countries sugar is treated as a politically sensitive product. A range of mechanisms including, amongst others, import tariffs, import quotas, administered domestic prices, storage subsidies and export subsidies, amongst others are used to protect domestic producers in those countries from import competition. The web of support structures makes the world sugar market one of the most distorted of all agricultural commodity markets.



Refiners choose to import sugar from specific origins for a variety of reasons. Commercial and technical considerations include vessel size limitations, availability of product, reliability of supply, counterparty risk and sugar quality. As a longstanding reliable supplier, Australia rates highly on each of these criteria.

Government policy settings such as tariff preferences, quota restrictions and import licencing arrangements are also important considerations. An important challenge for the Australian government and industry working together is to ensure that Australia can compete on equal or better footing than its principal competitors. The terms on which Australia has market access affects the profitability of both cane growers and sugar mills. Ongoing effort is required to defend existing access, secure further gains and ensure all countries comply with their international obligations.

The multilateral (World Trade Organization (WTO) and its predecessor the GATT) trade agreements, bilateral trade agreements (including those Australia has with Indonesia, Japan, Korea, Malaysia, Peru and the United Kingdom) together with regional trade agreements (ASEAN-Australia-New Zealand FTA (AANZFTA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) have improved the Australia sugar industry's market access arrangements for sugar, prevented a deterioration in the terms of trade for Australian sugar in those markets and required countries to comply with their international obligations.

The benefits from the trade activities are difficult to quantify as such calculation is based on an assessment of what incomes would have been like in the absence of achieving an outcome. Despite the disappointment of no new market access gains being made sugar in the Australia-US FTA (AUSFTA), the world's most remunerative market¹, in 2004 and from the China-Australia FTA (ChAFTA), one of the world's largest sugar importers², in 2015 or in the Regional Comprehensive Economic Partnership Agreement (RCEP) in 2022, Australia's trade activities have delivered very strong results over a long period of time, examples include:

- 1989 – successful case taken in the GATT by Australia against US sugar policies. While the outcome led to the current US sugar quota structure, the overwhelming outcome was the prevention of the US becoming a significant exporter of subsidised sugar to the world market.
- 2005 – successful case taken in the WTO by Australia, Brazil and Thailand against EU sugar export subsidies. The EU reduced its annual exports of subsidised sugar by more than 5Mt. This resulted in a significant structural shift in the world market in favour of cane sugar exports and was an important factor contributing to the sustained increase in world sugar prices that followed.
- 2014 – The Korea-Australia FTA (KAFTA) entered into force on 12 December 2014. This removed the possibility of the 3% tariff differential that would otherwise favour Thai sugar imports from being reinstated.
- 2015 – The Japan-Australia Economic Partnership Agreement (JAEPA) opened the possibility of high pol Australian raw sugar entering Japan on more competitive terms. Although there was little commercial benefit flowing from that outcome, it opened the way for a more commercially worthwhile outcome in the TPP and CPTPP.
- 2015 – TPP negotiations concluded with improved access opportunities to the US, Japan, Canada, Mexico, Malaysia and Vietnam. This agreement is yet to be implemented.

¹ The US domestic raw sugar price is consistently a strong premium to the world raw sugar price. At the time of writing the US domestic raw sugar price was US37.83c/lb, the world raw sugar price was US19.01c/lb

² China imports more than four million tonnes of sugar annually (source: International Sugar Organization).

This annual import requirement is increasing and is expected to exceed five million tonnes this year (2024). In 2018, Australia exported around 180,000 tonnes of raw sugar to China.



- 2017 – Indonesia reduced the tariff on Australian raw to 5 per cent, removing the tariff advantage Thai sugar enjoyed over Australian sugar.
- 2018
 - CPTPP entered into force. This agreement implemented many of the market access gains negotiated in the TPP, including for Japan, Canada, Mexico, Malaysia and Vietnam. a significant improvement in access to Japan for high pol Australian sugar. Commercial arrangements have been made to manage a technical issue, Japan’s approach to pol measurement, which remains unresolved.
 - Modest gains for sugar were made in the Peru-Australia FTA (PAFTA).
- 2021 – case taken in the WTO by Australia, Brazil and Guatemala against India’s trade-distorting sugar support measures. The WTO Panel found that India was acting inconsistently with its WTO obligations. India has appealed the decision. The case is yet to be resolved, leaving the world sugar market and the Australian industry heavily exposed to India’s sugar policy decisions.
- 2023 – Australia-United Kingdom FTA (AUKFTA) entered into force, enabling the resumption of an historical commercial relationship that ended in 1973, when the UK joined the (then Common Market) European Union.

Australia’s trade agreements have enhanced the market access provisions for the sugar industry, safeguarded against a decline in the trade conditions for Australian sugar within those markets, and required several countries to comply with their international commitments. At the same time, Australia’s approach to fostering competition and innovation in Australian raw sugar marketing structures by continuing the mandatory Sugar Code of Conduct overseen by the Australian Competition and Consumer Commission (ACCC) is world leading. It has enabled growers to deal with the sugar mill and the marketer of their choice, in good faith and without intimidation on whatever terms they agree with an arbitration process to deal with any deadlocks in negotiations.

CANEGROWERS offers the following proposals in response to the focal points of the Committee’s Terms of Reference:

The level of understanding the social and economic benefits provided by FTAs

Despite being highly trade exposed the value of Australia’s trade agreements can be misunderstood. This is why CANEGROWERS is actively involved in improving the understanding of trade agreements. Our aim is to ensure our members, the wider industry and the broader community, are well-informed about the benefits and implications of these agreements.

- Advocacy and Negotiation: CANEGROWERS works closely with the Trade Minister and senior government officials to ensure that the interests of Australian cane growers are represented in trade negotiations.
- Public Statements: CANEGROWERS congratulated the Trade Minister and government securing worthwhile trade agreements for example the CPTPP and AUKFTA and for stepping away from a potentially unfavourable deals such as with the European Union.
- Education and Collaboration: as a key participant in managing trade and market access activities, in the sugar industry CANEGROWERS educates stakeholders about the need for full inclusion of sugar in all trade agreements and the removal of export subsidies and non-tariff barriers.
- Global Sugar Alliance: as a founding member of the Global Sugar Alliance, CANEGROWERS works to unite international partners to strengthen trade negotiations and ensure compliance with international obligations, thereby enhancing the collective understanding of trade agreements and supporting Australia’s international efforts.



The Joint Standing Committee's inquiry is an important step towards ensuring that the advantages of trade agreements and their contribution to the prosperity of Australian communities and the wider economy is fully understood.

Uptake of economic benefits to Australian businesses created by FTAs

Australia's FTAs and other trade agreements have brought significant economic benefits to the Australian sugar industry. The increased market diversity arising from the agreements provides export options and increases competition amongst importers seeking high quality sustainably produced Australian sugar. The increased demand enables Australia to extract its full premium value in all markets, helps offset the impact of other trade distortions and results in higher export returns than otherwise would be available.

The higher sugar export returns mean higher prices for sugarcane production. The economic benefits flow throughout Queensland's coastal economies, for many of which sugarcane production is the cornerstone of their social and economic fabric, in the form of stronger economic growth, higher incomes and stronger direct and indirect employment and investment opportunities. The Queensland Economic Advocacy Service (QEAS) found that for every \$1.00 of economic activity in sugarcane growing, an additional \$6.40 in economic activity is generated elsewhere in the economy³. In coming to this conclusion, QEAS also found that sugarcane farming:

- i. Supports nearly \$1.1 billion in economic activity each year.
- ii. Provides more than 9,800 direct jobs and \$379 million in wages and incomes.
- iii. Underpins a value chain worth approximately \$4 billion in economic activity each year.
- iv. Enables more than 23,650 value chain jobs providing \$1.36 billion in wages and income.
- v. Contributes to around \$1.1 billion in taxation revenue to federal, state, and local governments from the sugar industry value chain.

Providing opportunities for growth and diversification for the industry, Australia's FTAs and other trade agreements have enhanced the competitiveness of Australian sugar in global and regional markets.

Regional communities benefit from the improved trade outcomes created by FTAs

As noted, Australia's FTAs have delivered a significant benefit to the sugar industry contributing to greater economic activity, job creation and investment opportunities throughout Queensland's regional communities. These benefits also flow to First Nations communities.

Ensuring the benefits created by FTAs flow to both cane growers and sugar millers

Australia's trade agreements have enhanced the market access provisions for the sugar industry, safeguarded against a decline in the trade conditions for Australian sugar within those markets, and required several countries to comply with their international commitments.

Australia's world leading approach to fostering competition and innovation in Australian raw sugar marketing structures through the mandatory Sugar Code of Conduct overseen by the Australian Competition and Consumer Commission (ACCC) ensures these benefits flow to cane growers and across the broader supply chain. It enabled growers to deal with the sugar mill and the marketer of their choice, in good faith and without intimidation on whatever terms they agree with an arbitration process to deal with any deadlocks in negotiations.

³ Queensland Economic Advocacy Services (2019), *The Economic Contribution of the Sugarcane Industry to Queensland and its Regional Communities*.



Continuation of the Sugar Code of Conduct will ensure the benefits of FTAs continue to flow across the supply chain.

Ensuring agreements remain fit-for-purpose

While Australian FTAs have brought benefits, continuous efforts are needed to:

- i. Address barriers in those agreements where politically sensitive products such as sugar have been excluded
- ii. Promote informed engagement both in Australia and internationally of the benefits of trade.
- iii. Ensure market access gains are not eroded by third country agreements providing market access to competitors on better terms than are available to Australian exporters.

To ensure existing and new agreements provide benefits by facilitating market access for all sectors of the economy CANEGROWERS recommend that when FTA general review processes include an assessment of the gains from trade to both parties (importers and exporters) to the agreement. Such a process would provide opportunity to dispel some myths and concerns in importing countries that improving market access terms for Australian sugar will displace domestic producers.

It would also provide opportunity to revisit market access provisions in both the AUSFTA and ChAFTA, agreements in which new market access opportunities for Australian raw sugar were excluded.

- i. AUSFTA – was finalised in 2004 and entered into force on 1 January 2005. In US FY2004 the US imported 1.643 million short tons raw value (STRV) of sugar⁴. By US FY2023 US sugar imports had increased to 3.614 million STRV short tons⁵. Despite the 120 per cent increase in US sugar imports during this period, as noted above US domestic raw sugar price has consistently traded at a significant premium to the world price. This suggests that the inclusion of sugar in the AUSFTA would help meet a US raw sugar supply short fall without harming the US domestic sugar industry.
- ii. ChaFTA – entered into force on 20 December 2015. Importing more than 4.1 million tonnes of raw sugar in calendar year 2015, China was one of the world's largest sugar importers in that year⁶. Australia supplied 350.4kt of this import requirement. In 2019, China imposed 'unofficial' sanctions on the import of Australian raw sugar. In 2024, China continues to be one of the world's largest sugar importers and its sanctions on the import of Australian sugar remain in place.

Conclusion

Australia's FTAs have strengthened the Australian sugar industry's international competitiveness. The main gains are:

- i. Economic Impact: enhancing the sugar industry's contribution to the Australian economy, including through increased export revenues, employment growth, and regional economic development.
- ii. Market Access: Australia's access to high returning markets, particularly in the Asia-Pacific region, has been improved.
- iii. Trade Barriers: non-tariff measures (pol restrictions and quota restrictions) have eased in some markets.

With many economic, strategic and geopolitical uncertainties impacting the world economy and commodity markets, uncertainties about future disruptions to trade remain. In this environment,

⁴ USDA (2013), *Sugar and Sweeteners Outlook*, SSS-M-296, April 16, USDA Economic Research Service.

⁵ USDA (2023), *Sugar and Sweeteners Outlook*, SSS-M-424, December 14, Economic Research Service.

⁶ International Sugar Organization (2021), *Sugar Year Book*.



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securing access to a wide range of markets is vitally important. The value of market diversity must not be understated. It provides export options and increases the competition amongst importers seeking cane sugar which is produced to the highest environmental and sustainability standards. This enables Australia to extract the full premium value of our sugar in all markets.

It is important that improved market access opportunities be secured in all FTAs that Australia negotiates. This will secure a more favourable and profitable export market environment for Australian sugar and to prevent the erosion of access opportunities and conditions in key markets. This is why CANEGROWERS is a strong advocate for the inclusion of sugar in all FTAs and supported the Trade Minister and government's decision to step away from potentially unfavourable deals.

Regards

Dan Galligan
Chief Executive Officer