

Australian Food and Grocery Council SUBMISSION

4 JULY 2014

TO:
JOINT STANDING COMMITTEE ON TREATIES

IN RESPONSE TO:
REVIEW OF THE WORLD TRADE ORGANIZATION
AGREEMENT ON TRADE FACILITATION



Australian Food and Grocery Council

PREFACE

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The Australian Food and Grocery Council (AFGC) is the leading national organisation representing Australia's food, drink and grocery manufacturing industry.

The membership of AFGC comprises more than 178 companies, subsidiaries and associates which constitutes in the order of 80 per cent of the gross dollar value of the processed food, beverage and grocery products sectors.

With an annual turnover in the 2012-13 financial year of \$111 billion, Australia's food and grocery manufacturing industry makes a substantial contribution to the Australian economy and is vital to the nation's future prosperity.

Manufacturing of food, beverages and groceries in the fast moving consumer goods sector¹ is Australia's largest manufacturing industry. Representing 28 per cent of total manufacturing turnover, the sector accounts for over one quarter of the total manufacturing industry in Australia.

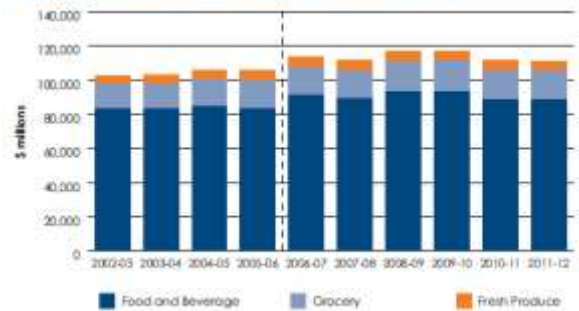
The diverse and sustainable industry is made up of over 25,662 businesses and accounts for over \$50.8 billion of the nation's international trade. These businesses range from some of the largest globally significant multinational companies to small and medium enterprises. Industry spends \$535.8 million a year on research and development.

The food and grocery manufacturing sector employs more than 298,825 Australians, representing about 3 per cent of all employed people in Australia, paying around \$11.3 billion a year in salaries and wages.

Many food manufacturing plants are located outside the metropolitan regions. The industry makes a large contribution to rural and regional Australia economies, with almost half of the total persons employed being in rural and regional Australia². It is essential for the economic and social development of Australia, and particularly rural and regional Australia, that the magnitude, significance and contribution of this industry is recognised and factored into the Government's economic, industrial and trade policies.

Australians and our political leaders overwhelmingly want a local, value-adding food and grocery manufacturing sector.

Figure 4.1: Composition of the industry's turnover (\$2011-12)^a



Source: Based on ABS catalogue number 8221.0, 8159.0 and 8155.0

¹ Fast moving consumer goods includes all products bought almost daily by Australians through retail outlets including food, beverages, toiletries, cosmetics, household cleaning items etc.

² About Australia: www.dfat.gov.au



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The AFGC Agribusiness Forum represents businesses with a role, or interest, in the transformation of raw materials and commodities that are used as inputs to the manufacture of fast moving consumer goods (FMCG).

The AFGC Agribusiness Forum's role is to develop and advocate a policy, regulatory and business environment that facilitates a profitable and internationally competitive agribusiness sector which, in turn, makes a significant contribution to the Australian economy.

The initial priorities of the Forum are to improve the cost competitiveness of the sector, and increase exports of food and beverage products.



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EXECUTIVE SUMMARY

The Australian Food and Grocery Council (AFGC) strongly supports the World Trade Organization (WTO) Agreement on Trade Facilitation as a substantive contribution to the international trading system, which will create a truly global arrangement for customs and border procedures with significant benefits to Australian agri-food exporters.

The WTO Agreement on Trade Facilitation will provide Australian exporters with: better access to information on customs requirements in foreign markets, the opportunity to gain advance rulings on product entering foreign markets, new procedures to support the timely transit of perishable goods into market, and greater certainty on procedures and arrangements when disputes arise.

The WTO Agreement on Trade Facilitation is also an important demonstrator of the strength of a multilateral trade deal in the WTO. The proliferation of bilateral and regional trade agreements across the world is creating an incredibly complex international trading environment. Building on the WTO Agreement on Trade Facilitation, renewed efforts are required to conclude a comprehensive and commercially meaningful trade agreement in the WTO which supports a new boom in global trade flows.

1. INTRODUCTION

The Australian Food and Grocery Council (AFGC) is the peak national body representing the food, beverage and grocery manufacturing industry, Australia's largest manufacturing sector. Through the Agribusiness Forum, the AFGC also represents companies involved in the early stage processing of agricultural commodities (otherwise known as semi-processed food).

The Australian agri-food sector is heavily reliant on international markets as both a source of, and destination for, agri-food products. There are a wide range of regulatory or policy factors affecting Australia's agri-food exports into foreign markets, including:

- Market access issues (i.e. tariffs and quotas),
- Customs and border procedures,
- Sanitary and phytosanitary measures (SPS),
- Food regulations, and
- Food product labelling.

Bilateral and regional trade agreements are focussed on market access issues and may also contribute to a supporting framework on customs and border procedures, and sanitary and phytosanitary measures.

The WTO Agreement on Trade Facilitation addresses both the framework and specific issues for customs and border procedures, and in that sense the agreement is a significant development in the global trading system.

2. IMPACT ON GLOBAL TRADING SYSTEM

A wide range of commentators, officials and Ministers have cited the OECD research on the WTO Agreement on Trade Facilitation, which highlights the benefits of a fully implemented agreement. Whether or not the forecast USD 1 trillion improvement to global GDP, 21 million jobs or up to 10 per cent reduction in trading costs are fully realised will depend on the extent and rate of implementation, and the impact of other trade restricting measures.

What we do know is that the agreement represents a determined effort by the 159 WTO member countries to improve the global trading system to the benefit of all countries but particularly developing countries. The agreement is a positive step in addressing the concerns of companies, large and small, across the world who lament the increase in country specific standards, procedures and processes as barriers to international trade.

All countries and companies will benefit from a common framework and arrangements for customs and border procedures. Full implementation of the agreement will provide certainty and stability for companies engaged in international trade and eliminate one of the regulatory variables to navigate. The special and differential treatment provisions will provide flexibility for developing countries. The funding envisaged from donor to developing countries will have direct benefits for improvement of procedures and processes, which will hopefully lead to greater global trade.

3. THE AUSTRALIAN AGRI-FOOD SECTOR

The Australian agri-food sector's heavy reliance on international markets has meant that the increasing number and variation in customs and border procedures in export markets has been acutely felt by Australia's agri-food exporters.

Implementation of the WTO Agreement on Trade Facilitation will benefit Australian agri-food exporters by creating a consistent system for customs and border procedures across all export markets. Examples of specific benefits to Australian agri-food exporters under the Agreement include:

- Article 1, Publication and availability of information: the relatively simple requirement to publish information on procedures, forms and fees will ensure Australian exporters have access to the requirements for foreign markets;
- Article 3, Advance rulings: the opportunity for Australian agri-food exporters to seek advance rulings from foreign customs agencies will ensure that exporters are able to minimise delays at the border for time sensitive products therefore reducing costs and spoilage;
- Article 7, Release and clearance of goods: the ability to submit paperwork in advance, electronic payment, and the perishable goods provision prioritising the inspection and release of perishable goods, will reduce delays and therefore costs and spoilage at foreign borders; and
- Article 10, Formalities connected with importation, exportation and transit: the streamlining and simplification of trade procedures will reduce the regulatory burden faced by Australian exporters.

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4. AGREEMENT IN CONTEXT

With the lack of progress in the WTO Doha Round of Trade Negotiations there has been a drive across the globe to conclude a range of bilateral and regional trade agreements. This is understandable and indeed essential for countries like Australia not to fall behind competitors however bilateral and regional trade agreements remain a 'second best' policy option behind a comprehensive multilateral agreement in the WTO³.

Bilateral and regional trade agreements create preferential arrangements and unique procedures and requirements which are leading to an incredibly complex global trading environment. For example, Australia may have up to five individual and overlapping trade agreements applying to trade with a single country should all current negotiations be completed. Companies have difficulty managing the requirements of individual agreements, let alone multiple arrangements for trade with the same market.

The WTO Agreement on Trade Facilitation is an important demonstrator of the strength of a multilateral trade deal in that the agreement will improve the global trading system by creating a common global system for customs and border procedures. This is an encouraging development for broader WTO negotiations.

Acknowledging the strong leadership role of Australia in the WTO, including as leader of the Cairns Group of agricultural exporting countries, it is critical that the Australian Government continue to seek a way forward on the broader trade agenda in the WTO. A conclusion to broad trade negotiations in the WTO must include commercially meaningful market access outcomes and improvements to the global trading system which support a new boom in global trade flows.

5. CONCLUSION

The Australian Food and Grocery Council strongly supports the WTO Agreement on Trade Facilitation as a substantive contribution to the international trading system, which will create a truly global arrangement for customs and border procedures with significant benefits to Australian agri-food exporters.

The WTO Agreement on Trade Facilitation will provide Australian exporters with: better access to information on customs requirements in foreign markets, the opportunity to gain advance rulings on product entering foreign markets, new procedures to support the timely transit of perishable goods into market, and greater certainty on procedures and arrangements when disputes arise.

The WTO Agreement on Trade Facilitation is also an important demonstrator of the strength of a multilateral trade deal in the WTO. The proliferation of bilateral and regional trade agreements across the world is creating an incredibly complex international trading environment. Building on the WTO Agreement on Trade Facilitation, renewed efforts are required to conclude a comprehensive and commercially meaningful trade agreement in the WTO which supports a new boom in global trade flows.

³ **NB:** A comprehensive and commercially meaningful outcome in the WTO is the AFGC's ultimate trade priority. In the absence of a WTO outcome, it is vital that Australia secure market access outcomes through bilateral and regional trade agreements, particularly with our largest trading partners.

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