Know-how for Horticulture™

ASEAN-AUSTRALIA-NEW ZEALAND FREE TRADE AGREEMENT

Submission to the Joint Standing Committee on Treaties of the Parliament of Australia

On behalf of the Australian Horticulture Industry by the Horticultural Market Access Committee

Submission dated 13 May 2009

1. Note on this Document and Supporting Parties

The views on the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) contained in this submission to the Joint Standing Committee on Treaties (JSCOT) are those of the industry members of the Horticulture Market Access Committee (HMAC). HMAC is the peak market access committee for the horticulture industry and is administered by Horticulture Australia Ltd (HAL). These views are supported by the horticulture industries to which the outcomes of the AANZFTA are relevant. A number of these horticultural industries have individually contributed to this submission. Two of these industries, namely citrus and vegetables, have made supporting submissions that are provided to the JSCOT together with this document.

To the analysis of horticulture, the horticulture tariff outcomes under AANZFTA which are the focus of this submission are in significant cases below optimal outcomes and lock Australian horticulture either temporarily or permanently into certain inferior trading positions against Australian horticulture's competitors into the ASEAN markets. Sections 1 to 4 provide an introduction to the submission. The principal points of this submission are found in Section 5, 'Principal Tariff Outcomes under AANZFTA for Horticulture'. Subsequent sections provide elaborating detail.

2. Definitions for this Submission

In this report horticulture trade is defined as covering all products in HS Categories 06 (nursery), 07 (vegetables), 08 (fruit and nuts) and 20 (prepared and preserved- 'p/p'- vegetables, fruit and nuts). This definition of horticulture however excludes leguminous vegetables in Category 07. ASEAN is defined as the full current ASEAN membership encompassing Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand (also known as the 'ASEAN 6'), and Cambodia, Laos, Myanmar and Vietnam (also known as the 'ASEAN 4').

3. Announcement of Finalisation of the AANZFTA FTA Negotiations

Negotiations for the AANZFTA commenced in 2005. Conclusion of negotiations was announced in Singapore on 28 August 2008. AANZFTA was signed in Thailand on 27 February 2009. It is apparently expected that the AANZFTA will enter into force in late 2009 or, in any event, no later than 1 January 2010. AANZFTA will enter into force between Australia and New Zealand and a minimum of 4 ASEAN members when these national ratification processes have been completed. Other ASEAN members will join upon their ratification.

4. Topic of this Submission is AANZFTA Tariff Outcomes

This submission focuses on the tariff outcomes under AANZFTA, as this issue appears the most important issue under the Agreement for the Australian horticulture industry. A review of the Agreement has indicated no other equally significant issues for horticulture. With respect to tariff outcomes under AANZFTA, it should be noted that Australia has, from 2010, removed all tariffs on horticultural produce imported from the ASEAN excepting for one tariff line (20059000- other prepared or preserved vegetables or mixtures of vegetables, on which the 5% tariff is retained until 2019).

The AANZFTA tariffs identified in this submission are sourced from the negotiated AANZFTA tariff schedules. The submission also includes reference to tariff rates under other agreements with the ASEAN countries, which are also relevant to trade under certain tariff lines. For example Australia has already in place agreements with Singapore (Singapore-Australia Free Trade Agreement- SAFTA) and with Thailand (Thailand-Australia Free Trade Agreement-TAFTA). Also relevant to this report are the 'Most Favored Nation' (MFN) tariff rates which are applicable equally to all to members of the WTO and which apply to all trade in the absence of bilateral or multilateral agreements such as FTAs.

With respect to Australian horticultural exports to the ASEAN, Brunei currently has a zero MFN tariff schedule. Singapore has a zero tariff schedule under SAFTA. In addition, there are currently (2007/08) no recorded Australian horticultural exports to either Laos or Myanmar. Accordingly, in discussing tariff outcomes, this submission on AANZFTA focuses on the remaining 6 ASEAN countries, namely Malaysia, Indonesia, Thailand, the Philippines, Vietnam and Cambodia.

HMAC made a detailed submission to DFAT dated 7 February 2005 entitled 'ASEAN-Australia-New Zealand Free Trade Agreement', as information in the area of horticulture for the AANZFTA Australian negotiators. The majority of the points referenced in this submission were raised with DFAT both at the time of the 2005 submission and on occasions since.

4. Significance of ASEAN to Horticulture Trade

The Department of Foreign Affairs and Trade (DFAT) describes AANZFTA as the largest FTA that Australia has concluded. Australia's ASEAN partners in AANZFTA account for A$62.7 billion of Australia's total two-way goods trade, or A$328 million of Australia's two-way total horticultural produce trade in 2007/08. Horticulture's share of two-way trade in goods with ASEAN is therefore 5.2% in 2007/08.

Collectively the 10 ASEAN nations are on recent historical data Australian horticulture's largest export destination, with exports worth A$164.3 million in 2007/08, ahead of all single export markets such as New Zealand, Japan, Hong Kong and the United States. Headline points of 2007/08 horticulture trade with the ASEAN are found in Attachment 1.

5. Principal Tariff Outcomes under AANZFTA for Horticulture

1) **No achievement of comprehensive zero tariffs on EIF.**

    - Australian horticulture identifies that the target outcomes on tariffs into any country under any FTA should optimally be immediate zero tariffs across all horticultural product lines as would most likely be, and usually is, granted by Australia to imports from the partner country or countries in the particular FTA.

    - This target outcome was previously not achieved under TAFTA. As a result it has since been further pushed by horticulture to apply to AANZFTA and other future FTAs. This target outcome was also not achieved under AANZFTA.

    - The horticulture industry urges current and future Australian FTA negotiators to take a stronger position against FTA partner countries on their tariff liberalisation, while being realistic enough to recognise that these countries will most likely always claim certain 'sensitivities'.

2) **Potential and achieved value of AANZFTA tariff liberalisation.**

    - Under horticulture's optimal target FTA scenario of complete tariff removal, and given the current horticulture tariff structure into ASEAN and the level of total Australian horticultural exports in 2007/08 into ASEAN of A$164.3 million, the value of total tariff removal by the ASEAN countries under AANZFTA can be calculated as the equivalent of around A$7.7 million annually.

    - In comparison this submission calculates, on the same basis of 2007/08 exports, that the value of horticultural tariff reductions and removals actually achieved under AANZFTA by 2012 (the last year of the current Horticulture Market Access Strategic Plan) is A$2.9 million. This figure rises to A$4.7 million in 2020.

    - While these calculations are based only on a single year's trade and annual trade fluctuates, they are considered to give an indicative order of magnitude of benefit to horticulture from tariff liberalisation under AANZFTA. These figures would be underestimates in the context of future trade growth. For example, allowing for say 5% annual growth in horticultural exports, they would become A$3.3 million and A$4.8 million in 2012 and 2020 respectively.

    - Therefore on a rough calculation as above, AANZFTA outcomes on horticulture tariffs over the coming decade achieve only from 40% in 2010 rising to 60% in 2020 of an optimal (zero) tariff liberalisation outcome.

3) **Contributing factors to low achievement against potential under AANZFTA.**

    - The difference between the 'maximum' of A$7.7 million and the lower, albeit growing, levels of tariff reductions and removals can be attributed to four areas.

- These are 1) the number of lines and their value to which a zero tariff applies on entry into force (EIF) of the Agreement; 2) the number of lines and their value where tariff reductions are excluded from the Agreement; 3) the number of lines and their value where a greater than zero tariff continues to apply at the furthest points in the schedule, and 4) the speed with which the remaining tariff lines are reduced to zero over time.

- Contributing factors to less than optimal (zero) tariff outcomes need to be more deeply considered by the Australian negotiators to improve FTA negotiated outcomes for those FTAs currently or in future underway.

4) **Future FTA negotiations need to better address exclusions, non-zero tariffs and tariff drawdowns.**

- The horticulture industry requests future Australian FTA negotiators to more advantageously address tariff exclusions from FTAs, non-zero (that is continuing) tariffs under FTAs, as well as faster tariff drawdowns.

- Categorisation of tariff outcomes, as was the case under previous FTAs but not under AANZFTA, would make analysis of the tariff outcomes easier than has been possible under the AANZFTA schedules.

5) **Future negotiations need at least to match existing tariff levels.**

- Future Australian negotiators should absolutely avoid agreement to tariffs that are higher than other FTA tariff outcomes or MFN tariffs, of which AANZFTA examples five cases in horticulture, being those in respect of mandarins, carrots, non-seed potatoes, shallots and mangoes into Indonesia. Such outcomes make no sense, as lower, pre-existing tariffs will continue to apply.

- A strong effort should be made under the anticipated Australia-Indonesia FTA negotiation to correct these significant anomalies on key horticultural produce exported into Indonesia, the value of which is several million dollars, and outweighs the value of tariff outcomes under all horticulture achieved under AANZFTA. For example the value of Australian mandarins exported to Indonesia in 2004 under a 5% tariff was A$9 million. This fell to a value of A$4.7 million under a 25% tariff in 2008. The citrus industry separately calculates (see the citrus industry submission) the value of trade lost through the continuance of the high tariff on mandarins into Indonesia as around $6 million annually.

6) **Missed opportunity under AANZFTA to improve on key TAFTA lines.**

- While most horticulture tariffs into Thailand are by 2010 zero under TAFTA, the AANZFTA appears to have missed an opportunity to remove or significantly improve upon the Special Safeguards in force through TAFTA under two key horticultural product lines into Thailand, namely those affecting mandarins and table grapes. These will now continue until the tariff is abolished under TAFTA in 2015. The removal of these safeguards on mandarins and table grapes would be valuable to these Australian exports.

- AANZFTA has excluded the tariff rate quota (TRQ) covering potatoes into Thailand from consideration, or at least has not further addressed the Australian specific quota that was established under TAFTA as part of Thailand's global quota that is a WTO commitment.

7) **Missed opportunity under AANZFTA to match China's tariffs.**

- The Australian negotiators of the AANZFTA have not achieved equal tariffs into the ASEAN to those faced by Chinese horticultural commodities that are basically nearly zero across the board. This point was strongly made to the Australian negotiators in horticulture's original submission in 2005.

- Competition against China is difficult due to China's generally advantageous cost of production structure. To disadvantage a range of Australian horticulture, as indicated in this submission, on a tariff basis against Chinese produce significantly disadvantages Australia's horticultural export performance.

- There is a case for Australia to negotiate in future FTAs that tariff outcomes should be at least equal to those granted by the negotiating country/countries under its/their other FTAs.

8) **Tariffs other than AANZFTA would be used.**

- To help minimise any confusion, the Australian horticulture industry has been advised to be aware that AANZFTA tariffs will not necessarily be those applied to future exports, as supply will be possible under lower/more preferable, existing MFN or other FTA tariffs. Accordingly Attachment 2 of this submission that describes AANZFTA tariff outcomes by principal horticultural commodities also indicates other, lower tariffs for the same lines, which would be applied in preference to the AANZFTA tariffs.

9) **Some acceptable value of tariff liberalisation achieved under AANZFTA.**

- Nonetheless the value of the tariff outcomes under AANZFTA are superior to no tariff liberalisation outcomes, considering for example that the total value of tariff reductions and removals say over the 11 years to 2020 could be of the magnitude of A$44 million.

10) **Table grapes is the principal horticulture beneficiary under AANZFTA.**

- The principal horticulture industry beneficiary of the tariff outcomes achieved under AANZFTA is the table grape industry. Of the total value of tariff reductions and removals of A$2.9 million in 2012, the figure attributable to the table grape industry is A$1.7 million, or 59% of the total, on produce exported principally into Indonesia, Malaysia and Vietnam.

11) **Value of bindings on the AANZFTA tariff rates**

- It has been suggested that there is value in tariff outcomes under AANZFTA as the AANZFTA negotiated tariffs rates are bound and therefore potentially advantageous as, should any ASEAN member increase its applied MFN rates in future, the rates for Australian exports would not move upwards. Horticulture does not currently recognise any such value, as the industry is unaware that any ASEAN member is planning to raise their applied rates. Also, for produce such as mandarins, carrots, non-seed potatoes, shallots and mangoes which face a 25% AAANZFTA tariff into Indonesia for the next decade and more, a 25% bound tariff rate would seem of no foreseeable benefit.

6. Structure and Detail of Horticulture Tariff Outcomes under AANZFTA

The following Table 1 summarises horticulture tariff line structure and all horticulture tariff line outcomes as negotiated under AANZFTA, excluding Singapore and Brunei that already have zero horticultural tariff schedules.

Table 1: Horticulture tariff structure and tariff line outcomes under AANZFTA (excluding Brunei and Singapore)

Country	Number hort tariff lines*1	Lines zero tariff on EIF*2	Lines excluded*3	Lines non zero tariff*4	Lines phasing zero over time*5
Cambodia	243	17	17	42	167
Indonesia	252	220	0	26	6
Laos	243	0	0	17	226
Malaysia	345	298	0	20	27
Myanmar	286	69	0	119	98
Philippines	246	75	0	12	159
Thailand	184	53	11	0	120
Vietnam	243	31	0	1	211
Total	2,042	763	28	237	1,014

Notes:
*1 As defined by HS Codes, 06 nursery, 07 vegetables excluding leguminous vegetables, 08 fruit and nuts, and 20 processed horticulture.
*2 'EIF' or 'Entry into Force' of AANZFTA in the context of this table is read as zero tariff rates in 2010.
*3 Lines denominated by the letter 'U' ('Unbound') in the schedules mean that there are no tariff commitments under AANZFTA for these lines.
*4 Lines with non zero tariff refers to those lines in the schedules where the last reported year of tariff, namely 2020 or 2025, refers to continuance of a non-zero tariff into subsequent years.
*5 These lines variously phase to zero over the period from 2009 to as late as 2025. Unlike with other Australian FTAs, under AANZFTA there are no described groups of defined time periods for phasing down of tariff.

As it relates specifically to lines of current horticultural trade, Table 2 below provides a superior indicator of relevant tariff line outcomes under AANZFTA than Table 1. They are lines where the value of 2007/08 trade is A$100K and can be described as 'target tariff lines' for horticulture. Note that the AANZFTA tariff lines for Thailand are inferior to the existing TAFTA tariff outcomes, and hence are not relevant to current or future trade in respect of exports to Thailand.

Table 2: Horticulture tariff structure and tariff line outcomes of current Australian horticultural export relevance under AANZFTA (covering all ASEAN countries)

Country	Number hort tariff lines*1	Lines zero tariff on EIF*2	Lines excluded*3	Lines non zero tariff*4	Lines phasing zero over time*5
Brunei	11	11	0	0	0
Cambodia	2	0	2	0	0
Indonesia	33	19	0	10	4
Laos	0	0	0	0	0
Malaysia	37	32	0	2	3
Myanmar	0	0	0	0	0
Philippines	13	2	0	4	7

Singapore	46	46	0	0	0
Thailand	25	6	2	0	17
Vietnam	9	0	0	0	9
Total	176	116	4	16	40

Notes: *1, *2, *3, *4 & *5- see notes to Table 1.

- As Table 2 indicates, 116 or 66% of 176 key AANZFTA tariff lines are zero on entry into force of the Agreement, which is here assumed to be 2010. This number compares poorly with the single Australian horticulture tariff line that continues at greater than zero tariff after 2010.

- As Table 2 indicates, 4 AANZFTA horticultural tariff lines are excluded from the Agreement. Table 3 describes these tariff lines.

Table 3 Horticultural Tariff lines excluded from AANZFTA

Product	Country	2007/08 Val A$K	2007/08 Vol t.	HS Code	Current Tariff(%) MFN	Future Tariff AANZFTA
Category 07						
Potatoes, seed	Thailand	894	1,129	070110	TRQ *1 for detail	U
Potatoes, except seed, nesoi	Thailand	144	203	070190	TRQ *1 for detail	U
Category 08						
Grapes, fresh	Cambodia	180	50	08061000	7	U
Category 20						
Mixtures, fruit or veg juices	Cambodia	103	137Kl	20099000	35	U

*1 Details of the Thai TRQ are as follows and apply to 070100 potatoes seed and 070190 potatoes except seed nesoi, jointly: Quota- 30.2 tonnes (2005) increasing to 114.68 tonnes (2019) and zero 2020; In-quota tariff- 27% (2005) reducing to zero 2020; Out-quota tariff- WTO rate with Margin of Preference (MOP). This specific Australian quota is part of a global quota of 302 tonnes under WTO commitments.

Note: It might be expected that the Thai TRQ covering potatoes would be excluded from AANZFTA as TRQs are usually handled under multilateral negotiations such as the Doha Round. The TRQ itself is unreasonable and will need to be addressed under the Doha negotiations.

- As Table 2 indicates, 16 or 9% of 176 key AANZFTA horticultural tariff lines retain a non-zero tariff at the end of the identified period and into subsequent years. 10 of these lines are Indonesian, 4 are found on the Philippines schedule and 2 on the Malaysian schedule.

Table 4: Key AANZFTA horticultural tariff lines with non-zero tariff at the end of the identified period.

Product	Country	2007/08 Val A$K	2007/08 Vol t.	HS Code	Current Tariff (%) MFN	Future Tariff AANZFTA
Category 07						
Potatoes, excl. seed, nesoi	Indonesia	342	711	0701900 000	25 (2005) reducing to 20 (2009) 10 (2010)	25% to 2024, 18.75% 2025
Potatoes, excl. seed, nesoi	Philippines	324	400	0701900 0	TRQ IQ & OQ 40%	TRQ IQ & OQ 40% to 2019 32% 2020
Tomatoes	Indonesia	224	49	0702000 000	5	5% to 2014, 4% to 2025

Cauliflower	Indonesia	68	27	0704101 000	5	5% to 2014 4% to 2025
Cauliflower	Philippines	40	14	0704101 0	25	25% to 2019 20% 2020
Headed broccoli	Indonesia	188	42	0704102 000	5	5% to 2014 4% to 2025
Headed broccoli	Philippines	205	70	0704102 0	25	25% to 2019 20% 2020
Cabbages	Indonesia	188	101	0704901 010	5	5% to 2014 4% to 2025
Other brassicas	Indonesia	101	54	0704909 000	5	5% to 2014 4% to 2025
Head lettuce	Indonesia	846	172	0705110 000	5	5% to 2014 4% to 2025
Lettuce, excl. head lettuce	Philippines	101	21	0705190 0	25	25% to 2019 20% 2020
Carrots	Indonesia	755	1,063	0706101 000	25 (2005) reducing to 20 (2009) 10 (2010)	25% to 2024, 12.5% 2025
Turnips	Indonesia	N/a	N/a	0706102 000	5	5% to 2024 2.5% 2025
Category 08						
Mangoes	Malaysia	N/a	N/a	0804502 00	5% + RM220.45/ tonne	5%+220.49 2010 & declining annually to 20.04 2019 5% 2020
Mandarins, fresh or dried	Indonesia	3,067	2,173	0805200 000	25 (2005) reducing to 20 (2009) 10 (2010)	25% to 2024, 18.75% 2025
Melons excl. water, & papayas	Malaysia	302	203	0807190 00	5% + RM661.4/ tonne	5%+601.27 2010 & declining annually to 60.13 2019 5% 2020

Note that regarding Table 4:

1) Most of the lines with non-end period zero tariff in Table 4 are vegetables entering into Indonesia and the Philippines. 3 are fruits, being 2 into Malaysia and 1 into Indonesia.
2) It is questionable why any of these countries would bother with a end-of-period and continuing tariff for example of 5% or lower.
3) The AANZFTA tariffs into Indonesia that are for seed potatoes, carrots and mandarins (they also apply to mangoes and shallots) are in fact above the current and foreseeable MFN rates. It is totally unreasonable and unexplained why Indonesia would ask for tariffs above the MFN rates and why Australia would agree, particularly as the MFN rates can be chosen to continue to apply.

- As Table 2 indicates, 40 or 23% of 176 key AANZFTA horticultural tariff lines are subject to phase down to zero tariff over different time periods. Phase-down time periods can be quite lengthy, anything up to 16 years (2025).

7. Lost Opportunity of Improvement to TAFTA Tariff Outcomes.

Nearly all key Thai horticultural tariff lines will enjoy zero tariff by 2010 under TAFTA. The exceptions are 3 key Thai horticultural tariff lines, as described in the following Table 5. These 3 Thai lines are those to which a Special Safeguard (SSG) applies. The SSG is a tariff trigger back mechanism in any year. Once imports reach an identified volume level, a higher (MFN or base line) tariff is imposed for the reminder of the particular year. Under TAFTA the tariff on these lines will be reduced to zero and the SSG will be removed in 2015. In the case of these 3 lines, the AANZFTA outcomes are inferior to those of TAFTA and therefore do not provide any opportunity for improvement before elimination of the tariff and SSG in 2015.

Table 5: Thai tariff lines under TAFTA subject to Special Safeguards

Product	Country	2007/08 Val A$K	2007/08 Vol t.	HS Code	Current Tariff(%) TAFTA	Future Tariff AANZFTA
Category 08						
Mandarins, fresh or dried	Thailand	254	142	080520	18% 2009 15% 2010 12% 2011 9% 2012 6% 2013 3% 2014 0% 2015 +SSG *	40% to 2019 0% 2020
Grapes, fresh	Thailand	12,587	4,769	080610	18% 2009 15% 2010 12% 2011 9% 2012 6% 2013 3% 2014 0% 2015 +SSG *	30% to 2019 0% 2020
Category 20						
Potatoes p/p, not frozen	Thailand	109	14	200520	18% 2009 15% 2010 12% 2011 9% 2012 6% 2013 3% 2014 0% 2015 + SSG *	30% to 2019 0% 2020

Note: * Special safeguards (SSG) are applicable during the transitional period (2005 to 2015). 2006 trigger levels are determined for each product and are increased by 5% annually. Once imports reach the trigger level in a given year, which they often do early in the year, the current MFN rate or the base rate, whichever is lower, shall be applied.

8. AANZFTA Tariff Outcomes in Context of Chinese Competition

The impact of China's competitiveness in horticultural produce within the markets of ASEAN is evident. China has achieved exceptional growth in horticultural exports to the ASEAN (up 132% to US$1.6 billion in the 4 years to 2007/08), on the basis of its highly cost competitive base of production and supporting marketing efforts. As Table 6 below describes, substantially improved sales into the ASEAN markets have resulted.

Table 6: Growth in China's Exports of Horticultural Produce to ASEAN 2003/04 to 2007/08 (US$M, HS Categories 06, 07, 08 and 20)

Exports to:	2003/2004 (US$M)	2007/08 (US$M)	4 years increase (%)
World	5,268	10,683	+ 102
ASEAN 10 nations	701	1,624	+ 132
Malaysia	197	432	+ 119
Indonesia	164	403	+ 146
Thailand	97	285	+ 194
Philippines	76	185	+ 143
Vietnam	81	181	+ 123
Singapore	72	131	+ 82
Brunei	1	3	+ 200
Myanmar	10	2	- 80
Cambodia	2	1	- 100
Laos	0.5	1	+ 100

Source: China Customs Data

Table 7 provides a more specific picture of Chinese exports to the ASEAN in horticultural commodity terms and identifies where Chinese and Australian horticultural exports are most likely to be in competition in ASEAN markets.

Table 7: Growth in Chinese principal horticultural exports to the ASEAN 2003/04 to 2007/08 (US$M)

Export Commodity	Code	2003/2004 (US$M)	2007/08 (US$M)	Change 4 years (%)	Competitive with Australia?
Garlic	070320	149	310	+ 108	No
Apples	080810	136	241	+ 77	Yes
Mandarins	080520	58	188	+ 224	Yes
Mushrooms p/p	200310	49	107	+ 118	No
Pears	080820	49	101	+ 106	Yes
Peanuts p/p	200811	32	68	+ 112	No
Carrots/turnips	070610	15	57	+ 280	Yes
Potatoes non seed	070190	21	51	+ 143	Yes
Veg nesoi dried	071290	11	45	+ 309	Yes?
Brassicas nesoi	070490	4	45	+ 1025	Yes
Onions/shallots	070310	15	40	+ 166	Yes
Tomato paste	200290	16	37	+ 131	No
Mushrooms dried	071239	12	33	+ 175	No
Fruit prep nesoi	200899	15	30	+ 100	Yes?
Oranges	080510	3	27	+ 800	Yes

Source: China Customs Data

China's competitiveness within the markets of ASEAN has been aided by the outcomes of the China-ASEAN FTA. This FTA is described by a Framework Agreement for Comprehensive Economic Cooperation between China and ASEAN signed in November 2002 and a Protocol of Amendment signed in November 2004, and the tariff reduction and elimination schedules that they contain. Excepting certain sensitive or exempted lines, China's horticultural exports under all HS horticultural categories 06, 07, 08 and 20 into the ASEAN 6 nations are free of tariff beyond 2010, if not earlier in most cases, and into the ASEAN 4 by 2015 at the latest at the latest, with tariff reductions in the meantime.

In light of the above picture horticulture viewed it important that where Australia competes with China into ASEAN markets, Australia under AANZFTA should achieve at least no less competitive tariff outcomes than China has secured under the China-ASEAN FTA. Disappointingly the result of AANZFTA tariff outcomes are that, where Australian horticultural lines are faced with tariffs any higher than zero, and where these horticultural commodities are in competition with similar Chinese produce, Australian produce is at a competitive disadvantage in terms of differential tariffs.

9. About the Horticultural Market Access Committee

HMAC is a committee administered by Horticulture Australia Ltd and is the major coordinating body of the Australian horticulture industry for market access issues. Its responsibilities cover the consideration, prioritisation, promotion and communication of those market access issues that are significant to the industry and the development of strategies for key identified industry access priorities. The Committee undertakes these responsibilities in consultation with industry associations and their members, government agencies, the export community, the research community and others who are instrumental in promoting and achieving market access outcomes. It seeks, through collaborative activities with these stakeholders in the market access process, to maximise trade access for Australian horticultural producers into new and existing markets under commercially viable conditions.

10 Enquiries

Enquiries regarding this submission and contact on the issues raised may be addressed to:

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Attachments:

1. Extent and Significance of Australia-ASEAN Horticultural Trade
2. Headline Tariff Outcomes under AANZFTA for Key Horticultural Commodities

Attachment 1

Extent and Significance of Australia-ASEAN Horticultural Trade

Broadly defined as HS categories 06, 07 but excluding leguminous vegetables, 08 and 20, global Australian horticultural exports were worth A$986 million in 2007/08. Horticultural exports to ASEAN of A$164.3 million were 16.7% of the total. On these figures ASEAN as a group is Australia's largest export market.

Australian horticultural global imports, defined by the same categories, were worth A$1,506 million in 2007/08. Imports from ASEAN were worth A$163.8 million or 10.9% of this total, ranking ASEAN 4th in the list of Australia's horticultural produce country import sources after New Zealand, the United States and China.

Australian horticulture, broadly defined as above, recorded a small trade surplus of the order of A$0.4 million with ASEAN in 2007/08 (see following Table A1.1). This trade surplus is achieved across categories 07, vegetables, and 08, fruit, while a trade deficit is recorded for categories 06, plants, bulbs, roots and cut flowers, 08 nuts and 20 prepared/preserved vegetables, fruit and nuts.

Table A1.1: Horticultural Trade between Australia & ASEAN (2007/08)

HS Category	Australian Exports to ASEAN (A$M)	Australian Imports from ASEAN (A$M)	Balance Exports-Imports (A$M)
06 Nursery	0.6	6.5	- 5.9
07 Vegetables	38.2	15.9	+ 22.3
08 Fruit	99.4	10.4	+ 89.0
08 Nuts	4.5	78.3	- 73.8
Subtotal- fresh	142.7	111.1	+ 31.6
20 p/p veg, fruit & nuts	21.5	52.7	- 31.2
Total	164.2	163.8	+ 0.4

Source: ABS

Australian horticultural exports to ASEAN have declined substantially in recent years, due to factors which include severe drought conditions and stronger competition into the ASEAN market particularly from China, compared for example to a peak of A$319 million in 2001/02.

Australian exports of fruit/nuts (category 08) and vegetables excluding leguminous (category 07) in 2007/08 are significant at A$103.9 million and A$38.2 million respectively. Exports of prepared/preserved products (category 20) are lower at A$21.5 million. Exports of nursery produce (category 06) are minimal.

As described by the following Table A1.2, Australia recorded a trade surplus in the full range of horticultural products with 5 of the 10 ASEAN nations, principally with Singapore, Malaysia and Indonesia, and with smaller surpluses in trade with Brunei and Cambodia. Australia recorded a trade deficit with 3 of the ASEAN nations, namely Vietnam, Thailand and the Philippines. No direct trade is recorded between Australia and each of Laos and Myanmar.

Table A1.2: Horticultural Trade between Australia & ASEAN members (2007/08)- HS Categories 06, 07, 08 and 20

Country	Australian Exports (A$M)	Australian Imports (A$M)	Balance Exports-Imports (A$M)
Singapore	53.9	1.7	+ 52.2
Malaysia	35.4	2.2	+ 33.2
Indonesia	35.2	6.0	+ 29.2
Thailand	23.9	64.0	- 40.1
Vietnam	8.1	71.3	- 63.2
Philippines	4.2	18.6	- 14.4
Brunei	2.9	0	+ 2.9
Cambodia	0.6	0	+ 0.6
Myanmar	0	0	0
Laos	0	0	0
Total	164.2	163.8	

Source: ABS

The major Australian horticultural produce exports to ASEAN in 2007/08 are: table grapes A$50.3 million, oranges A$18.7 million, carrots A$7.8 million, mandarins A$4.2 million, cherries A$4.1 million and mixtures of juices A$3.8 million. Together these 7 items account for A$97 million or 54% of the total value of Australia's horticultural exports to ASEAN in 2007/08.

The major Australian horticultural produce imports from ASEAN in 2007/08 are: cashew nuts A$67.8 million, canned pineapples A$18.8 million, other prepared/preserved fruits A$10.9 million, desiccated coconuts A$9.4 million, other pineapple juices $8.3 million, roots and tubers nesoi A$8.3 million, prepared/preserved sweet corn, not frozen A$5.6 million. Together these 7 items account for A$129.1 million or 79% of the total value of horticultural imports from ASEAN in 2007/08.

Attachment 2

Headline Tariff Outcomes under AANZFTA for Key Horticulture Commodities

Notes on the following tables are:

1. The following is a summary of tariff outcomes for certain horticultural commodities under the AANZFTA. This information is taken from a DFAT document entitled 'Australian Guide to AANZFTA- Overview'. The DFAT document is a summary rather than a full analysis.

2. Where tariffs outside of AANZFTA are superior to those under AANZFTA, they are advised in the notes under each commodity. The tariff rate applied to actual trade will be the lowest available rate.

Table A2.1 Oranges under AANZFTA

Indonesia	5% tariff eliminated in 2010
Malaysia	0% tariff bound at EIF
Philippines	10% tariff phased to 0% by 2012
Singapore	Tariff bound at 0% at EIF
Thailand	30% tariff phased to 0% by 2013*1
Vietnam	40% tariff phased to 0% by 2020

Note: *1 Zero under TAFTA in 2010 in any case.

Table A2.2 Mandarins under AANZFTA

Indonesia	25% tariff reduces to 18.75% in one step in 2025*1
Malaysia	5% tariff phased to 0% by 2010
Philippines	10% tariff phased to 0% by 2015
Singapore	Tariff bound at 0% at EIF
Thailand	40% tariff eliminated in 2020*2
Vietnam	40% tariff phased to 0% by 2020

Notes:
*1 The 2009 MFN rate of 20% and the 2010 MFN rate of 10% are superior.
*2 Zero under TAFTA in 2015 in any case. The Special Safeguard remains until removal in 2015.

Table A2.3 Table Grapes under AANZFTA

Indonesia	5% tariff eliminated in 2010
Malaysia	Tariff of 5% phased to 0% by 2010
Philippines	7% tariff phased to 0% by 2011
Singapore	Tariff bound at 0% at EIF
Thailand	30% tariff eliminated in 2020*1
Vietnam	25% tariff phased to 0% by 2018

Note: *1 Zero under TAFTA in 2015 in any case. The Special Safeguard remains until removal in 2015.

Table A2.4 Pomefruit under AANZFTA

Indonesia	5% tariff eliminated in 2010
Malaysia	Tariff of 5% phased to 0% by 2010
Philippines	7% tariff phased to 0% by 2011
Singapore	Tariff bound at 0% at EIF

Thailand	10% tariff will be eliminated at EIF- apples*1 30% tariff phased to 0% by 2013- pears*2
Vietnam	25% tariff phased to 0% by 2016

Notes:
*1 Zero under TAFTA in 2009 in any case.
* 2 Zero under TAFTA in 2010 in any case.

Table A2.5 Mangoes under AANZFTA

Indonesia	25% tariff reduces to 12.5% in one step in 2025*1
Malaysia	5% & RM 220.45/tonne reduces to 5% & RM 20.02/tonne in 2019, and 5% in 2020 and subsequently
Philippines	Tariff of 10% phased to 0% by 2013
Singapore	Tariff bound at 0% at EIF
Thailand	Tariff bound at 0% at EIF
Vietnam	Tariff of 40% phased to 0% by 2018

Note: *1 The 2009 rate of 20% and the 2010 MFN rate of 10% are superior.

Table A2.6 Cherries under AANZFTA

Indonesia	5% tariff eliminated in 2010
Malaysia	Tariff of 5% phased to 0% by 2010
Philippines	7% tariff phased to 0% by 2011
Singapore	Tariff bound at 0% at EIF
Thailand	40% tariff phased to zero by 2013*1
Vietnam	40% tariff phased to 0% by 2016

Note: *1 Zero under TAFTA in 2010 in any case

Table A2.7 Summerfruit under AANZFTA

Indonesia	5% tariff eliminated in 2010
Malaysia	Tariff of 5% phased to 0% by 2010
Philippines	7% tariff phased to 0% by 2011
Singapore	Tariff bound at 0% at EIF
Thailand	40% tariff will be eliminated at EIF- peaches, nectarines & apricots*1 40% tariff phase to zero by 2013- plums*2
Vietnam	40% tariff phased to 0% by 2018 or 2019

Notes:
*1 Already zero under TAFTA in 2005
*2 Zero under TAFTA in 2010 in any case

Table A2.8 Nuts under AANZFTA

Indonesia	5% tariff eliminated in 2010- all nuts
Malaysia	Existing 0% on all nuts
Philippines	3% tariff eliminated in 2010- brazil, almonds, hazelnuts, walnuts, chestnuts, pistachios, macadamias, pecans, other nuts
Singapore	Tariff bound at 0% on EIF
Thailand	10% tariff eliminated on EIF- almonds, hazelnuts, walnuts, chestnuts, pistachios, macadamias, pecans, other nuts*1
Vietnam	40% tariff phased to 0% between 2017 and 2020. For example 0% by 2016 chestnuts 0% by 2017 hazelnuts (shelled), cashew nuts (in-shell) 0% by 2018 almonds, hazelnuts (in-shell), pistachios, cashew (shelled), brazil 0% by 2019 walnuts (shelled) 0% by 2020 walnuts (in-shell), macadamias, pecans

Notes:

* 1 Under TAFTA almonds in shell, hazelnuts, walnuts, and chestnuts are already zero in 2005; shelled almonds, pistachios, macadamias, pecans and other nuts are already zero in 2009

Table A2.9 Potatoes under AANZFTA

Indonesia	25% tariff reduced in one step to 18.75% in 2025- non-seed*1 0% tariff bound on EIF- seed
Malaysia	Bound at 0% on EIF- seed and non-seed
Philippines	40% tariff reduces to 32% in one step in 2020- non-seed 1% tariff eliminated on EIF- seed
Singapore	Tariff bound at 0% at EIF
Thailand	Potatoes including seed excluded from tariff commitments*2
Vietnam	0% tariff bound at EIF- seed 20% tariff phased to 0% by 2017- non-seed

Notes:
*1 The 2009 MFN rate of 20% and the 2010 MFN rate of 10% are superior.
*2 Potatoes will retain the current TAFTA TRQ arrangements

Table A2.10 Other vegetables under AANZFTA

Indonesia	25% tariff reduced in one step to 12.5% in 2025- shallots, carrots*1 Other vegetables- 5% tariffs on 65 lines eliminated in 2010, or reduced to 4% in 2015 for 8 lines (chillies, tomatoes, cabbages, cauliflowers, some lettuce, broccoli, brussel sprouts)
Malaysia	All tariffs either bound at 0% on EIF (69 lines) or phased to 0% by 2010 or 2011 (remaining 15 lines)
Philippines	40% tariff reduced to 32% in one step in 2020- carrots 25% tariff reduced to 20% in one step in 2020- cauliflowers, broccoli, lettuce 20% tariff reduced in one step to 16% in 2020- celery 40% tariff reduced to 5% by 2018- onions & garlic Tariff on remaining 86 lines phased to 0% by 2010 or 2012 (55 lines), remainder phased to 0% by 2015 or 2020- other vegetables
Singapore	Tariffs bound at 0% on EIF
Thailand	Excluded from tariff commitments- onions, shallots, garlic*2 40% tariff phased to 0% by 2013- cabbages, brussel sprouts, other edible brassicas, lettuce, carrots, turnips, peas, beans, asparagus, celery, spinach, mushrooms*3
Vietnam	20% tariff phased to 0% by 2017- carrots 15% tariff phased to 0% by 2016- asparagus, celery, spinach Tariff phased to 0% by 2016, 2017 or 2018- other vegetables

Notes:
*1 The 2009 rate of 20% and the 2010 MFN rate of 10% on shallots and carrots are superior.
*2 Already at 0% in 2005 under TAFTA
*3 Already at 0% by 2010 under TAFTA