

AUSTRALIAN PORK LIMITED

Joint Standing Committee on Foreign Affairs, Defence and Trade: Inquiry into Australia's relationship with the Association of South East Asian Nations (ASEAN) (2008)



September 2008



1. Executive Summary	3
2. Introduction: Australian Pork Limited	5
3. APL Exports and Imports	6
a) Australia’s export profile	6
4. ASEAN Analysis	10
a) ASEAN pork consumption and production	10
a) Singapore	12
b) Thailand.....	13
c) Indonesia.....	16
d) Philippines.....	20
e) Malaysia	23
f) Vietnam.....	24
g) Cambodia	25
5. Multilateral and Bilateral Agreements	26
a) Multilateral Trade: World Trade Organisation (WTO) Doha Round.....	26
b) Bilateral Trade FTAs	26
c) Australia’s Carbon Pollution Reduction Scheme (CPRS).....	28
6. Other issues	29
7. Conclusion	30

1. Executive Summary

Australian Pork Limited (APL) welcomes the opportunity to contribute to the Joint Standing Committee Inquiry of Foreign Affairs, Defence and Trade into Australia's Relationship with Association of South East Asian Nations (ASEAN).

Strong economic growth in many ASEAN countries for more than a decade has largely contributed to an increase in local meat consumption, especially pork. The gains from trade promote economic growth, and Australia's strong economic and trade relationship with the ASEAN is a key platform to improve Australia's involvement in the ASEAN.

This trade activity can improve capacity building in the ASEAN's developing countries and provide new market opportunities for Australia's agricultural exports. APL believes that Australia's trade relationship with the ASEAN underpins macroeconomic, social and regional security. Australia's regional economic integration with ASEAN is enhanced because of the recent Australia-ASEAN-New Zealand Free Trade Agreement (AANZFTA).

The recent FTA with ASEAN will improve substantial market access for Australian pork exports when the Australia-ASEAN-New Zealand Free Trade Agreement (AANZFTA) comes into force. Over several years, APL has taken part in the government's industry consultations to negotiate FTA's with our major trade partners to reduce tariff and non-tariff barriers and importantly to protect Australia's national interest by maintaining a robust, science-based quarantine system in its FTA's to protect Australia's competitive advantage in animal health and the clean green image associated with this.

The Australian pig herd has a key competitive advantage in its herd health status and remains disease free. With this herd health status, APL believes it can build the Australian pork industry's unique position to capitalise on opportunities for greater pork consumption demand in the ASEAN region, which is an immediate focus. Pork is the most widely consumed protein in the ASEAN and with changing demographics, and socio economic drivers regionally; there are opportunities to expand the Australian pork export market share in the region. Australia's geographic position in the ASEAN is advantageous for transport and shipping costs. Given environmental issues including life cycle assessment (LCA) and environmental foot printing, the ASEAN region also represents niche market opportunities to Australia much like has been capitalised on in Singapore. It is imperative then that FTA's with individual ASEAN nations be pursued which seek to build on the AANZFTA and reinforce efforts to conclude the World Trade Organisation (WTO) Doha Round.

Building on the AANZFTA via bilateral FTA's with Malaysia should now be a priority for Australia. APL welcomes the government's conclusion of the Australia-ASEAN-New Zealand FTA, and further FTA opportunities with Malaysia. The scope and choice of FTA partners and strategies should not be regionally limited and should first and foremost focus on areas where Australia can gain and maintain a competitive advantage. This is the case with all ASEAN partners. APL welcomes any opportunity to contribute to Australia's new Ministerial Council on International Trade as a mechanism for Australian industry consultation.

However to achieve improved trade in pork exports further cooperation with and engagement of international institutions and treaties is required. This includes the conclusion of the WTO Doha round, the linkage of Australia's proposed Carbon Pollution Reduction Scheme (CPRS) with other international emissions trading schemes, continued efforts for regional economic integration from free trade agreements (FTAs), and labour migration.

These international developments pose significant risks and present opportunities to a high volume, low margin, trade exposed industry, such as the Australian pork industry.

Food and fuel security as well as climate change are new opportunities to develop new industries and create new opportunities to enhance the regional economy. APL supports the government in using existing international political treaties or "regional architecture" such as the Asia-Pacific Economic Cooperation (APEC), the ASEAN group in liberalising agricultural trade.

Climate change and the Carbon Pollution Reduction Scheme are also potential trade risks to the Australian pork industry. Future agricultural competitiveness will depend on the nature of regulatory intervention to address climate change to bring net benefits to the industry.

There are also emerging equity issues with ASEAN: a distinct lack of a level playing field not just in relation to the level of financial support provided to commodities and producers by some countries (both directly and indirectly) but the impact of growing domestic regulatory and compliance requirements that impact Australian producers' cost of production. This in turn affects our competitiveness in export markets and also in those sectors of the domestic market where the industry competes with imports. This should be recognised in Australia's trade policies to 'equalise' trading conditions to fully realise Australia's competitive advantages.

In the face of trade liberalisation, there has been an ever increasing use by countries to apply technical non-tariff barriers to restrict or stop trade. Many times these are unjustified and non-science based and should be addressed as part of this review. This is due in part to the level of agricultural development and reliance on subsistence farming by some developing members of the ASEAN.

APL's proposed approach to trade is practical. Australia's agricultural trade agenda should be to support not only our largest food export industries, but also the industries with the potential to take advantage of growing world food consumption and niche markets. There is huge potential to exploit growing demand for pork meat in the ASEAN. This requires strategic investment and coordination between the private sector, agribusiness and the Australian government that can sustain the pork industry and provide greater export opportunities. It also requires the successful coordination of bilateral and multilateral efforts.

2. Introduction: Australian Pork Limited

Australian Pork Limited (APL) is the national representative body for Australian pork producers. It is a producer-owned, not-for-profit company combining marketing, export development, research and innovation and policy development to assist in securing a profitable and sustainable future for the Australian pork industry. APL works in close association with key industry and government stakeholders.

APL is a unique rural industry service body for the Australian pork industry. The framework for APL was established under the Pig Industry Act 2001¹.

The following objectives for the 2005-2010 Strategic Plan focus on a central strategy to drive up domestic demand for Australian pork, while building the industry's capacity to expand exports and compete successfully against pork imports:

1. increasing fresh pork demand;
2. increasing carcase value;
3. reducing supply chain costs;
4. contracts and measurements systems;
5. ensuring industry capability; and
6. managing risks for sustainability.

APL's new strategic plan for 2010 – 2015 is currently under development.

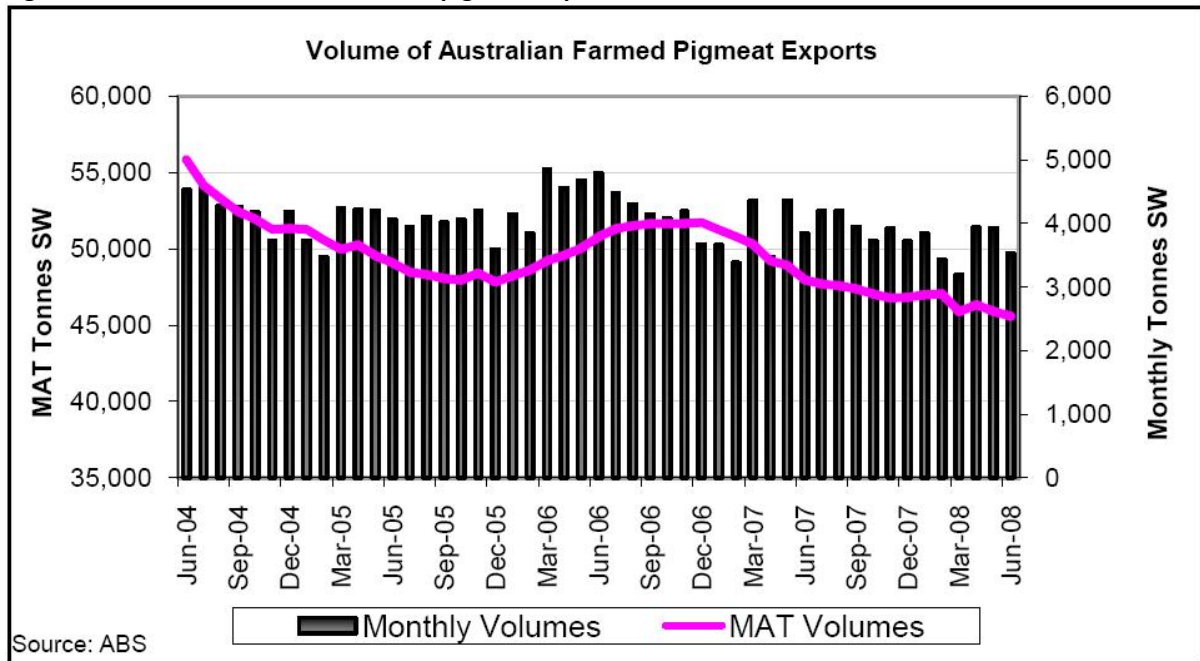
¹[http://www.comlaw.gov.au/ComLaw/Legislation/ActCompilation1.nsf/0/935C1FDED0B51DF1CA256F71005501E2/\\$file/PigIndustry2001.pdf](http://www.comlaw.gov.au/ComLaw/Legislation/ActCompilation1.nsf/0/935C1FDED0B51DF1CA256F71005501E2/$file/PigIndustry2001.pdf)

3. APL Exports and Imports

a) Australia's export profile

Major export destinations for farmed Australian pork & offal are Singapore, Japan, New Zealand and Hong Kong. During the 2006-2007 financial year the volume of pork exports fell by 5 per cent on last year to 48,174 tonnes, higher prices and better market mix mitigated the volume loss to hold value steady at \$157m.²

Figure 1 - Volume of Australian farmed pigmeat exports



Source: ABS

² APL Annual Report (2006-2007), p. 33

Figure 2- Pork exports to Japan, Singapore, New Zealand & Hong Kong

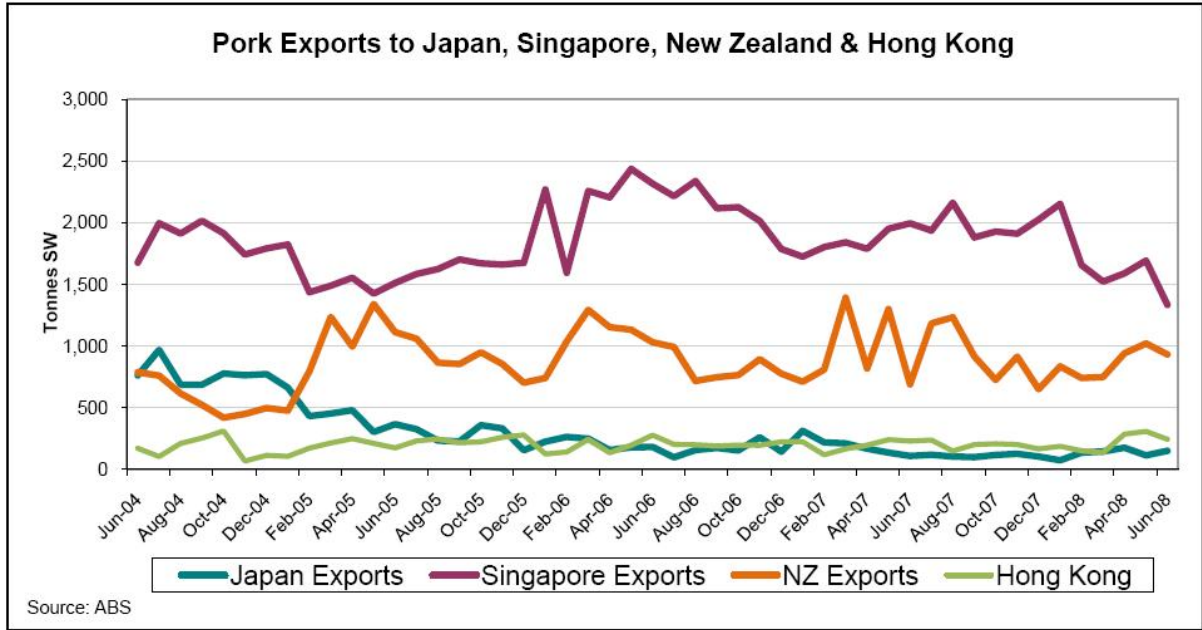
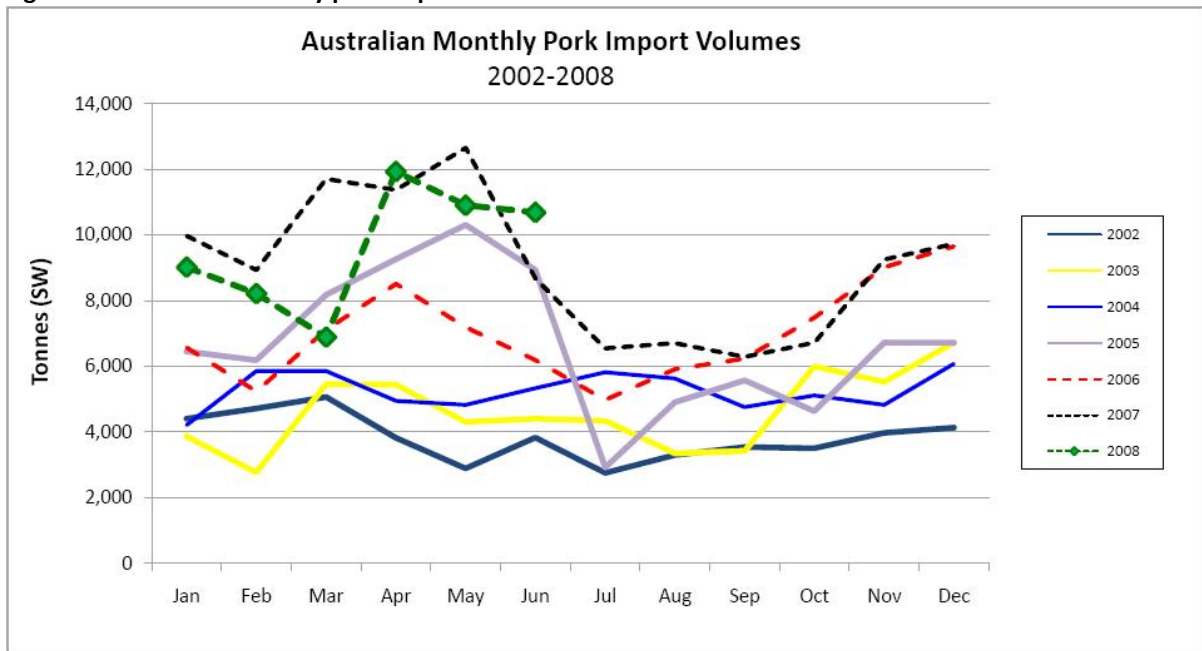


Figure 3 - Australian monthly pork import volumes



Pork is the most widely consumed protein worldwide^{3,4} and with changing demographics, and socio economic drivers regionally, there are opportunities to expand the Australian pork export market share in the region. Africa and Asia alone comprised 73 per cent of the world's per capita meat consumption in 2005 with meat consumption trends highly

³ <http://www.smithfieldfoods.com/Investor/Pdf/Statistics/PorkConsumption.pdf>

⁴ <http://www.thepigsite.com/articles/7/markets-and-economics/1592/global-pork-production-meeting-the-challenge-in-a-changing-world>

correlated with GDP growth.⁵ Further, Asia, Africa and Latin America are expected to account for 86 per cent of world's population increase by 2030.

APL is seeking to increase the number of markets into which Australia sells pork. Yet to successfully achieve this, we need to focus on those markets which can be sustained over the cycle of exchange rate fluctuations; and that can support a high quality/high price chilled pork positioning is the key priority. This means primarily focusing on developing and strengthening trade with ASEAN countries who are experiencing sustained economic development.

The Australian Farm Institute⁶ predicted in a study of twelve Asian nations⁷ that by 2020 pork consumption would increase by 17.7 million metric tonnes, of which 1.2 million metric tonnes will be imported and 16.5 million metric tonnes will be produced domestically. The forecasted additional import requirements of these nations would be equivalent to 260 per cent of Australia's current total pork production.

APL's primary areas of focus are on markets that are easily adaptable to the "Singapore model" i.e. fresh chilled pork, in a niche affluent market, and which is cost efficient to ship (eg. "one-flight"). Australia's proximity to ASEAN is a major factor in improving our trade relationship. In the ASEAN, these include countries such as, the Philippines, Vietnam, Thailand and Malaysia.

⁵ <http://www.thepigsite.com/articles/7/markets-and-economics/1592/global-pork-production-meeting-the-challenge-in-a-changing-world>

⁶ Australian Farm Institute (2008) Changing Demand for Animal Protein in Asia: Farm

⁷ The nations include in the research were China, India, Indonesia, Pakistan, Bangladesh, Japan, the Philippines, Vietnam, Thailand, South Korea, Malaysia and Sri Lanka.

Figure 4 - Projected pork import demand characteristics (2020)

Country	Pork (,000 tonnes)	Population (millions)	GDP per capita (\$)	GDP Growth (6 year average) %
China	814	1,314	7,198	9.6
India	3	1,095	3,320	6.7
Indonesia		246	4,459	4.8
Pakistan		166	2,653	5.3
Bangladesh		147	2,011	5.7
Japan	66	128	32,647	1.7
Philippines	250	90	4,923	4.6
Vietnam		84	3,025	7.6
Thailand		65	8,368	5.0
South Korea	111	49	20,590	4.6
Malaysia	68	24	11,201	4.7
Sri Lanka		20	4,384	4.8
TOTAL	1180	3,428		Average - 5.425

Note: Australian annual pig production (2007) – 400,000 tonnes; ASEAN nations in the study (Indonesia, Philippines, Vietnam, Thailand and Malaysia are highlighted above).

4. ASEAN Analysis

Most nations in the ASEAN are developing economies and demand for quality pork meat from Australia is likely to increase in the long term; and locking in that potential is necessary. This has been realised with the announcement that the Australian-ASEAN-New Zealand Free Trade Agreement (AANZFTA) negotiations have concluded. APL welcomes the announcement that Australia has a commitment in the AANZFTA to build on these outcomes into the future.⁸ ASEAN⁹ remains a major market for Australian pork exports, in particular Singapore. The AANZFTA is the framework from which the Joint Standing Committee on Foreign Affairs, Defence and Trade should focus its final determinations in this review.

The members in the ASEAN trade bloc enjoy preferential tariff treatment and economic encouragement and engagement between ASEAN nations. Any agreement to reduce tariffs, tariff rate quotas in the ASEAN trade bloc will be beneficial to Australian pork exporters. APL also regards as a priority improved approval processes for export establishments and certification requirements.

Australia should continue negotiations on Australia-Malaysia FTA tariff and non-tariff barriers that are “ASEAN-plus” i.e. build on any concessions in the AANZFTA. APL believes that ASEAN nations whose tariff liberalisation schedules are out of step with other ASEAN nations should be reviewed in individual bilateral agreements.

a) ASEAN pork consumption and production¹⁰

Meat production in the region is dominated by pigmeat and chicken meat. In 2004, pigmeat production totalled around 5 million tonnes (or 45 per cent of ASEAN meat). The main pigmeat producers in ASEAN are Vietnam (2 million tonnes or 40 per cent of total ASEAN pigmeat production in 2004) and the Philippines (1.4 million tonnes or 27 per cent). Pigmeat production in Vietnam and the Philippines grew at an average rate of 7 per cent a year between 1990 and 2004.¹¹

Strong economic growth in many ASEAN countries has contributed to an increase in local meat consumption. For example, consumption of pigmeat is relatively small in Indonesia and Malaysia, where the majority of the population is Muslim, while beef consumption is very low in Myanmar where the population is predominantly Buddhist. In Cambodia, the Philippines and Vietnam, pigmeat is the main meat consumed, while in Laos both beef and pigmeat are important. In the Philippines, pigmeat is preferred. Differences in consumer preferences within the ASEAN region and between these countries and the rest of the world may be an important source of gains from international trade.

⁸ http://trademinister.gov.au/releases/2008/sc_070.html

⁹ ASEAN include – Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Vietnam.

¹⁰ ABARE Barriers to ASEAN meat exports

¹¹ ABARE Barriers to ASEAN meat exports 2007, p.35

Meat consumption is higher in urban than rural areas. A rapid increase in demand for meat in Vietnam has been driven by rising incomes, particularly in urban areas. Trade liberalisation with the ASEAN is important to the Australian pork industry to meet an expected rise in import demand from these ASEAN countries.

a) Singapore

Singapore now accounts for over half of Australia’s pork exports (16 per cent of Australia’s total pigmeat production) and attracts no tariffs. However, any activity to improve our competitive position in Singapore and other ASEAN nations are welcomed by APL. In particular, the Australian pork industry is still impeded by current food regulations regarding thawed imported product in Singapore (such as from Brazil).

- **“Frozen thawed category”** – While regulations exist, it is difficult for government regulators to enforce stipulated thawing conditions; visual identification is difficult where there is lack of labelling; and there is poor enforcement of such labelling across bulk/lose pork and pre-packaged pork. This gives frozen pork an unfair advantage because when it is thawed, it is easily substituted by traders and butchers. Substituting frozen thawed pork for fresh pork is a threat to the pork category: there are as food safety related issues as well as the attribution of “poor quality” to Australian pork by consumers as a result of substituted product. This is particularly so in wet markets where fifty per cent of Australian pork is sold. APL suggests that Country of Origin Labelling (CoOL) may be an alternative that the Singaporean government could pursue to combat this problem.
- **Country of origin labelling** - regulations exist that pre-packaged pork must be labelled with country of origin labelling. APL suggests for Singapore, country of origin labelling for all pork regardless of its form. The regulations do not cover bulk/loose pork. More than 60 per cent of our pork is sold in bulk/lose format. Consumers are likely to have already acquired a taste and preference for Australian pork in that 60 per cent. However, because there is no mandatory country of origin labelling, consumers think they have been eating Indonesian pork for the last seven years, which was not necessarily the case.
- **Clear references for terminology for fresh, frozen and chilled** - We would like to see clear guidelines for the use of the words fresh, frozen, chilled and frozen thawed.

Figure 5 - Pork exports to ASEAN (not including Brunei, Burma, and Laos)

Country	Total Export Volume, Moving Annual Total (MAT) to August 2007	Value (\$AUD)
Cambodia	4205	43,225
Indonesia	252,844.67	1,283,363.00
Malaysia	631,306.85	979,372
Philippines	1,310,689	1,414,762
Singapore	23,258,658.78	84,187,683
Thailand	2,435,810.76	2,451,852
Vietnam	78,983.56	99,484
TOTAL	27972498.62	90,459,741

Source: ABS Statistics

b) Thailand

Thailand must significantly reduce its tariffs on Australian products, as it is one of Australia's major export destinations in ASEAN. It is an important market for Australian pork as the Thai economy is South-East Asia's second largest.¹²

Furthermore, Thailand perceives Australia as a reputable and safe source of agricultural products. Again, APL reiterates its concern about the long, 20-year lead-time for tariff liberalisation in the Thailand-Australia Free Trade Agreement (TAFTA). It is trade prohibitive and the current 33 per cent tariff for pork will not be phased out to zero until 2020; it is hoped that this may have been addressed as part of the AANZFTA. Failing such an outcome, continued negotiations should continue to that reduce the long lead-time for liberalisation for pork imports.

APL seeks that under the ASEAN FTA Australia should as a minimum achieve the same tariff phase down arrangements for Australian pork products in Thailand as that applicable to Australian lamb and sheep meat under the Australia-Thailand FTA (TAFTA) - zero by 2010.¹³

APL also has concerns with the import permit duties/Most Favoured Nation (MFN) specific duties applied to imported pork and offal products (1601.00), (1602.10), (1602.39) (1602.41), (1602.42). This discourages pork imports. The system for issuing import permits needs to become more transparent. Inspection fees and onerous licensing procedures also need reform. Australia would also benefit if Thailand would formally recognise Australia's meat inspection system, to allow more Australian facilities to export pork. Any improvement to market access, particularly in the area of the opaque regulatory environment in Thailand¹⁴ would be welcome.

Figure 6 – Pork Exports to Thailand

Cut to Thailand	Volume (Moving Annual Total, MAT to August 2007) kg	Value (AUD\$)
Dried swine meat	189	439
Frozen hams, shoulders, cuts, bone in	66,000	58,323
Frozen offal	278,148.15	283,749
Frozen swine livers	1,197,767.8	1,113,115
Frozen swine meat	891,675.22	962,882
Preserved hams and cuts	863	12,477
Preserved meat	1,167.59	20,867

¹² http://www.dfat.gov.au/geo/thailand/thailand_brief.html

¹³ <http://www.australianpork.com.au/index.cfm?id=B7B27FBD-9027-E533-1F6CC28E6A01AAC5>

¹⁴ http://www.dfat.gov.au/geo/thailand/thailand_brief.html

and offal		
Total¹⁵	2,435,810.76	2,451,852

Special safeguard

The ASEAN should pursue liberalisation of volume-specific special safeguards (SSG) on pigmeat products. In TAFTA, if Thailand enters into any agreement where there is no SSG measures applied on goods covered by the provisions, Thailand is committed to remove the SSG provisions.

There is agreement under the Thai-Australia FTA (TAFTA) that if Thailand enters into an agreement or arrangement with a non-party (i.e. the US) following entry into force of the TAFTA, whereby Thailand does not provide for special safeguard measures on a good or goods covered by SSG provisions applied in the TAFTA, then Thailand and Australia will enter into consultations about removing the SSG provisions in question.¹⁶

Under the TAFTA, Thailand negotiated volume-specific Special Safeguards on a range of products including pigmeat products. Special duty rates apply above the volumes listed in the Figure below:

Figure 7 - Trigger points for Special Safeguard Measures under the TAFTA

Group A of products

- 0203.11 - Meat of swine, carcasses and half-carcasses, fresh or chilled;
- 0203.12 – Hams, shoulders, and cuts thereof of swine, with bone in, fresh or chilled;
- 0203.19 – Meat of swine, excluding subheading 0203.11 and 0203.12, fresh or chilled;
- 0203.21 – Meat of swine, carcasses and half-carcasses, frozen,; Mans, shoulders, and cuts there of swine, with bone in, frozen;
- 0203.29 – Meat of swine, excluding subheading 0203.21 and 0203.22, frozen;

Group B of products

- 0206.30 – Edible offal of swine, fresh or chilled
- 0206.41 – Livers of swine, frozen
- 0206.49 – Edible offal of swine, excluding subheading 0206.41, frozen.

Metric tons

	2005	2006	2007	2008	2009	2010	2011	2012
Group A	60.00	63.00	66.15	69.46	72.93	76.58	80.41	84.43

¹⁵ Source: ABS Statistics, 2007.

¹⁶ ITS Global for APL – International Trade Review, pg. 29.

Group B	310.00	325.50	341.78	358.86	376.81	395.65	415.43	436.20
	2013	2014	2015	2016	2017	2018	2019	2020
Group A	88.65	93.08	97.73	102.62	107.75	113.14	118.80	124.74
Group B	458.01	480.91	504.96	530.21	556.72	584.55	613.78	644.47
Source: Thailand FTA Annex 5								

c) Indonesia

With its geographic proximity, Australia can play an important role in meeting Indonesia's food demand. Liberalisation of both tariff and non-tariff protection, especially import regulations, would facilitate further growth. Australia's agricultural resources and production systems will provide mutual benefits to both Indonesia and Australia from advancing bilateral agricultural trade.¹⁷

Agriculture represented 12.9 per cent of Indonesia's GDP and 44.5 per cent of the labour force in 2006, is home to the largest segment of the Indonesian population and the poor, and has a primary role in achieving the objective of poverty alleviation, rural development and employment creation. Agricultural trade accounts for 16.7 per cent of exports and 11.5 per cent of imports. It is important then that trade agreements seek the opportunity for capacity building in Indonesia and in ASEAN.

Negotiations

Indonesia has bound some 93.2 per cent of its tariffs in the WTO. The average bound tariff, at 37.5 per cent, is much higher than the average applied rate. There is no legal impediment to Indonesia were it to wish to appreciably raise its tariffs to the level of the binding. The ASEAN FTA and other free trade agreements that Indonesia is either party of or negotiating with, also mean that Australian exports could face increased competition in sectors where tariffs are, or are being reduced to, levels below the Most Favoured Nation (MFN) rate.¹⁸ APL is concerned and any agreement with Indonesia should address this so as not to disadvantage pork exports.

Australia and Indonesia are both involved in region-level negotiations towards an ASEAN-Australia-New Zealand FTA (AANZFTA). An important issue for the feasibility study on the merits of a bilateral FTA with Indonesia will be to identify the way in which any such bilateral FTA could build upon any of the commitments made under an AANZFTA (when concluded).¹⁹

Meat regulations

Indonesia has relatively poor regulatory infrastructure. APL, in its submission would push for commitment to greater transparency in regulatory decisions. It is considered as a significant non-tariff barrier. To aid Australian pork exports, any attempt to streamline the application process for license to export pork through Indonesia's Directorate General of Husbandry Protection would be welcome. The Department of Foreign Affairs and Trade noted in its

¹⁷ Bond, R., Rodriguez, G., and Penm, J. (2007). Agriculture in Indonesia: A review of consumption, production, imports and import regulations. Australian Bureau of Agricultural and Resource Economics (ABARE) ABARE Conference Paper 07.6. 13th meeting of the Australia-Indonesia Working Group on Agriculture, Food and Forestry Cooperation (WGAFFC)., Gold Coast, Queensland, 28-31 August 2007.

¹⁸ IAFTAFS Industry Consultations Paper, Department of Foreign Affairs and Trade, 2007, p.14

¹⁹Indonesia-Australia Free Trade Agreement Feasibility Study (IAFTAFS) Industry Consultations Paper, Department of Foreign Affairs and Trade, 2007, p.20. [Online]. Last Accessed January 17, 2008: http://www.dfat.gov.au/geo/indonesia/ia-fta_background_paper.html

Industry Consultation Paper, distributed on November 28, 2007, that Australian companies experience uncertainty with inconsistent rules and regulations in exporting goods to Indonesia.²⁰

Indonesia should streamline:

- Food and import regulations in general – registration and movement of products, cargo and shipping; and
- Improve or recognise Ausmeat²¹ accredited enterprises for export purposes.

The Victorian Department of Primary Industries in 2006 reported that in 2003, the Indonesian Government approved imports of meat products from approved Victorian domestic meatworks.²² The new arrangements meant that Australian domestic abattoirs with an adequate quality assurance system could export to markets without first acquiring a license to export from the Australian Quarantine Inspection Service (AQIS) and being audited by AQIS inspectors. The system is known as the Tier 1 Export Program, allowing abattoirs to register as a Tier 1 Export facility. The facilities are subject to regulatory management by PrimeSafe Victoria. A coordinated approach that recognises efficiency in export accreditation by Australian authorities and acceptance by Indonesian officials in encouraging pork exports to Indonesia should be pursued in any ASEAN negotiation.

Pork in Indonesia

The Indonesian swine industry is currently facing severe challenges due to religious pressure. Because of this pressure, all swine enterprises are prohibited from being located near cities or towns. As a consequence of this, producers are being forced to relocate to isolated rural areas. This results in a number of problems such as financial difficulties due to the actual movement of livestock and the building of new facilities, the transportation of market animals to shipping points, and the movement of feed from existing feed mills that may not be located near newly established farms. A shortage of skilled labour is also a major problem. A large number of swine producers are converting to other enterprises such as poultry production to avoid moving.²³

About 90 per cent of Indonesia's 210 million people are Muslims who follow Islamic dietary laws that prohibit the consumption of pork.²⁴ However, there is an underserved market in Indonesia for Australian pork exports. Bali is a significant market for pork, given the area's mainly Hindu native population and tourists.²⁵ The Chinese population and the large increase in the number of foreign visitors and expatriates living in Indonesia are responsible for the increased demand for pork.²⁶ Chinese are consumers of pork, and both ethnic

²⁰ IAFTA/AFS Industry Consultations Paper, Department of Foreign Affairs and Trade, 2007, p.1

²¹ <http://www.ausmeat.com.au/>

²²

[http://www.dpi.vic.gov.au/DPI/nrenti.nsf/93a98744f6ec41bd4a256c8e00013aa9/6e7ef28d5642682cca2573b600079ccf/\\$FILE/FSIndo.pdf](http://www.dpi.vic.gov.au/DPI/nrenti.nsf/93a98744f6ec41bd4a256c8e00013aa9/6e7ef28d5642682cca2573b600079ccf/$FILE/FSIndo.pdf)

²³ http://www.engormix.com/swine_production_a_global_e_articles_336_POR.htm

²⁴ <http://www.american.edu/TED/pork-enzyme.htm>

²⁵ <http://ageconsearch.umn.edu/bitstream/123456789/3584/1/22010059.pdf>

²⁶ <http://www.fao.org/docrep/004/AC473E/AC473E03.htm>

Chinese-Indonesians and overseas Chinese are the target market for pork consumption growth within Indonesia.

Indonesia also has the largest population of overseas Chinese worldwide than any other country, at approximately 7.5 million. Thailand, Malaysia, Vietnam, Philippines, Burma, Cambodia, Singapore and Laos – countries within the ASEAN economic trade bloc also have large populations of overseas Chinese.²⁷ The Chinese, who tend to be more affluent than other Indonesians and make up about 3 per cent of Indonesia’s 222 million population (approximately 6.7 million), consume large quantities.²⁸

Figure 8 - Population of Overseas Chinese (Chinese Diaspora) - Comparative

Country	2005 Population
Indonesia	7,566,200
Thailand	7,053,240
Malaysia	6,187,400
United States	3,376,031
Singapore	2,684,900
Canada	1,612,173
Peru	1,300,000
Vietnam	1,263,570
Philippines	1,146,250
Burma	1,101,314
Russian Federation	998,000
Australia	614,694
Japan	519,561
Laos	343,855
Brazil	151,649
Netherlands	144,928

Figure 9 – Pork Exports to Indonesia

Cut to Indonesia	Volume (Moving Annual Total, MAT to August 2007) kg	Value (AUD\$)
Chilled carcasses	107,120	288,174.00
Chilled hams, shoulder, cuts bone- in	2,704.08	24,505.00
Chilled offal	52,985.70	117,284.00
Chilled swine meat	8,583.59	90,939.00
Dried hams, shoulders, cuts, bone in	171.66	2,090.00
Dried swine meat	17,421.28	173,397.00

²⁷ <http://www.ocac.gov.tw/english/public/public.asp?selno=1163&no=1163&level=B>

²⁸ <http://www.fao.org/docrep/004/AC473E/AC473E03.htm>

Frozen hams, shoulders, cuts, bone in	2,847.95	23,038.00
Frozen swine meat	50,455.69	433,283.00
Preserved hams and cuts	1,510.66	30,368.00
Preserved meat and offal	9,044.06	100,285.00
Total²⁹	252,844.67	1,283,363.00

²⁹ Source: ABS Statistics, 2007.

d) Philippines

The Philippines is an important market because the population is growing at 2.3 per cent per annum. By 2027, the population would have grown from 80 million to 152 million. Though Filipinos prefer freshly slaughtered animals, and purchase largely at wet markets, fresh pork to the Philippines may be a welcome option. The Philippines still has regular outbreaks of swine related diseases.

The Philippines is one of three major export markets for Australian pork offal and action to reduce tariffs would be welcome. The Australian industry considers a reduction of tariffs on lines a very high priority on products (0203.21.00A and B), (0206.29.00), (0206.41.00), (0206.49.00), and (0209.00.00). Tariff rate quotas (TRQs) from 30 (in quota) to 40 (out quota) per cent discourage Australian exports and any agreement should seek to reduce these levels. Australia would be at an advantage if liberalisation was in advance of other economies that currently export to the Philippines.

We require a reduction in the tariffs and tariff rate quotas on pork imports to the Philippines, in relation to fresh, chilled and frozen pork products, which currently have an in-quota and an out-quota of 40 per cent. As a nation that consumes a lot of pork, the high tariffs discourage Australian exports to the Philippines.

The United States exports significant volumes of pork to the Philippines. US imports of pork also face tariff-rate quotas. However, under World Trade Organisation (WTO) accords, the Philippines agreed in 1995 to annually allow access for 32,000 tonnes of pork at a 30 per cent tariff. The quota would gradually increase to 54,000 tonnes by 2004. The United States Department of Agriculture (USDA) reported in 2003 that the Philippines have been slow to implement this commitment and actual volume growth remains stagnant.³⁰ The USDA also reports that there is high Filipino acceptance of imported meat and meat products, and per capita demand is expected to improve, domestic producer pressure to stem import levels, legal and smuggled complicates import channels.³¹

The Philippines is the only nation making use of tariff rate quotas (TRQs) for pork-derived products. Most importer countries have in place legislation regarding general safeguards in circumstances where a steep rise in imports causes or threatens to cause serious injury to domestic industry. These measures have not been used against pork products. The Philippines reserves its right to use special safeguard (SSG) provisions - in circumstances of a significant change in import levels or product price, but without the need to prove injury to domestic industry – against certain pork products.

The Philippines must be encouraged to also reduce tariffs on both in-quota and out-quota imported pig products, to meet growing pork meat demands in the coming decades and to encourage Australian exports. These very high priority products (in and out quotas) are (0203.11A and B) and (0203.12A and B).

³⁰ <http://www.fas.usda.gov/info/agexporter/1997/MayJune%201997/philippi.html>

³¹ <http://www.fas.usda.gov/gainfiles/200302/145884791.pdf>, p.4

Disease protocols

An administrative order announced by the Filipino government in 2005 allows broad discretionary power to reject imports when there is perceived to be a risk of disease. The Australian government could examine the order in view of commitments under the SPS Agreement, with a view to challenging the order and limiting or codifying relevant discretionary powers.

Figure 10 – Pork Exports to the Philippines

Cut to the Philippines	Volume (Moving Annual Total, MAT to August 2007) kg	Value (AUD\$)
Chilled swine meat	2,321	5,752
Dried swine meat	65,800.16	113,826
Frozen hams, shoulders, cuts, bone in	14,625	11,670
Frozen offal	381,778	403,924
Frozen swine livers	272,762	198,990
Frozen swine meat	572,403.66	670,780
Preserved meat and offal	1,000	9,820
Total³²	1,310,689	1,414,762

Figure 11 - Philippine applicable tariffs on pork

Philippine Applicable Tariffs		
Tariff Heading: 0203		
Description: Meat of swine, fresh, chilled or frozen		
HSNUMBER	DESCRIPTION	Year
	- Fresh or chilled:	
0203.11.00	- - Carcasses and half-carcasses	
0203.11.00A	A. In-Quota	30
0203.11.00B	B. Out-Quota	40
0203.12.00	- - Hams, shoulders and cuts thereof, with bone in	
0203.12.00A	A. In-Quota	30
0203.12.00B	B. Out-Quota	40
0203.19.00	- - Other:	
	A. Pork bellies	
0203.19.00Aa	a. In-Quota	30
0203.19.00Ab	b. Out-Quota	40
	B. Fore-ends and cuts thereof	
0203.19.00Ba	a. In-Quota	30
0203.19.00Bb	b. Out-Quota	40

³² Source: ABS Statistics, 2007.

	C. Other	
0203.19.00Ca	a. In-Quota	30
0203.19.00Cb	b. Out-Quota	40
	- Frozen:	
0203.21.00	- - Carcasses and half-carcasses	
0203.21.00A	A. In-Quota	30
0203.21.00B	B. Out-Quota	40
0203.22.00	- - Hams, shoulders and cuts thereof, with bone in	
0203.22.00A	A. In-Quota	30
0203.22.00B	B. Out-Quota	40
0203.29.00	- - Other	
	A. Pork bellies	
0203.29.00Aa	a. In-Quota	30
0203.29.00Ab	b. Out-Quota	40
	B. Fore-ends and cuts thereof	
0203.29.00Ba	a. In-Quota	30
0203.29.00Bb	b. Out-Quota	40
	C. Other	
0203.29.00Ca	a. In-Quota	30
0203.29.00Cb	b. Out-Quota	40

Source: APEC Tariff Database

e) Malaysia

Malaysia is likely to become import dependent as, like Indonesia, there are also internal pressures on the swine industry, resulting in closure and relocation of swine enterprises to rural Malaysia. Reduced tariffs will encourage Malaysian buyers of Australian pork, which has a high health status, particularly in the aftermath of the Nipah virus outbreak less than ten years ago. Chinese Malaysians and tourists are the main target markets in the predominantly Muslim nation.

Malaysia has reserved the right to apply special safeguards to imports of:

- Swine carcasses and half-carcasses (fresh, chilled and frozen);
- Hams (fresh, chilled and frozen);
- Shoulders and cuts thereof, with bone in (fresh, chilled and frozen);
- Bellies (streaky) and cuts thereof;
- Bacon;
- Salted pork; and
- Any other processed pork products.

Malaysia has so far not chosen to employ such provisions. An ASEAN FTA should address the use of these safeguard provisions and seek to have them minimised.

Figure 12 – Pork Exports to Malaysia

Cut to Malaysia	Volume (Moving Annual Total, MAT to August 2007) kg	Value (AUD\$)
Frozen hams, shoulders, cuts, bone in	21,000	30,000
Frozen offal	60,374.4	119,622
Frozen swine livers	7,150	11,800
Frozen swine meat	541,829.5	803,889
Preserved hams and cuts	372.95	8,906
Preserved meat and offal	580	5,155
Total³³	631,306.85	979,372

³³ Source: ABS Statistics, 2007.

f) Vietnam

Pork accounts for 80 per cent of Vietnamese meat consumption. The Vietnam Animal Feed Association says that Vietnam will have to import pork at the end of this year if the livestock breeding and feed industries fail to solve their current problems. Many pork farmers, especially in southern Vietnam, have left the industry due to rising feed prices.³⁴

There is prevalence of Foot and Mouth Disease in the country. Pork cuts unpopular in Western diets remain important for Australian pork exports. The industry seeks reductions of tariffs to products categories (0203.19.00), (0203.29.00), (0206.41.00), (0206.49.00), and (1601.00.11).

APL seeks for the Vietnamese import duty of 30 per cent on ‘fresh, chilled or frozen carcasses and cuts’ and 15 per cent on offal and livers to be phased down to zero over the next five years.

Figure 13 - Exports to Vietnam

Cut to Vietnam	Volume (Moving Annual Total, MAT to August 2007) kg	Value (AUD\$)
Chilled carcasses	1,020	856
Chilled hams, shoulder, cuts bone- in	63.29	1,500
Chilled swine meat	117.76	1,500
Dried hams, shoulders, cuts, bone in	45.55	1,000
Frozen offal	27,435	31,804
Frozen swine meat	49,225.6	48,404
Preserved meat and offal	1,076.36	14,420
Total ³⁵	78,983.56	99,484

³⁴ Pig International eNews (2008) [piginternationalenews@watt-email.com], “Pork imports for Vietnam?”

³⁵ Source: ABS Statistics, 2007.

g) Cambodia

There is increasing demand for Australian products, including meat, particularly as the tourism sector experiences growth. Tariffs should be reduced over time to encourage exports to the economy which grew at an average rate of 6.4 per cent from 2001 to 2004. Cambodians eat pork and as Australia produces a high quality product, an increased ability to export to Cambodia is welcomed.

As a very high priority, Australian industry wants the discouraging 35 per cent tariff on goods reduced on (0203.11.00), (1601.00.11), and (1602.49.90).

Figure 14 – Pork Exports to Cambodia

Cut to Cambodia	Volume (Moving Annual Total, MAT to August 2007) kg	Value (AUD\$) (MAT to August 2007)
Chilled swine meat	2,915	30,495
Dried swine meat	1,290	12,730
Total³⁶	4205	43,225

³⁶ Source: ABS Statistics, 2007.

5. Multilateral and Bilateral Agreements

To improve trade in pork exports further cooperation with and engagement of international institutions and treaties is required. This includes the conclusion of the WTO Doha round, the linkage of Australia's proposed Carbon Pollution Reduction Scheme (CPRS) with other international emissions trading schemes, continued efforts for regional economic integration from free trade agreements (FTAs), and labour migration.

These international developments pose significant risks and present opportunities to a high volume, low margin, trade exposed industry, such as the Australian pork industry.

a) Multilateral Trade: World Trade Organisation (WTO) Doha Round

An improved trade relationship with the ASEAN will not be effective without a successful and substantial completion to the WTO Doha round. An agreement to substantially reduce agricultural subsidies in our competitor export nations were unable to be finalised.

The Productivity Commission has estimated that complete liberalisation of the protectionist measures in North America, Japan and Europe would yield trade gains in excess of \$US 1 billion due to higher prices on world markets (improved terms of trade).³⁷ These are the key countries whose producer support mechanisms are distorting agricultural trade in pig production and trade and are significant competitors in the ASEAN region.

Denmark, the United States and Canada support domestic pig production with subsidies at the national and/or sub-national level. They have higher producer support levels (measured in Producer Support Estimates PSE's) via subsidies for their respective pork industries compared to Australia. These high PSE levels of Canada, the United States and Denmark place Australia at a competitive disadvantage when trying to access export markets. Subsidisation reduces the exposure to risk of production from international pigmeat price movements, underpins the profitability of these producers and hence sustains supplies of pork onto world markets (including into Australia). This distorts the international and domestic market; pork prices are a ceiling on the Australian market and contribute to loss of competitive advantage to lower priced imports.

b) Bilateral Trade FTAs

FTA's negotiated by Australia should counteract our competitive disadvantages, improve productivity and market access gains. Australia must continue to pursue FTA's as many countries recognise the benefits of trade gains.

Developing ASEAN members rely heavily on agriculture as a source of national income and employment. ASEAN members fear that agricultural trade liberalisation will result in a 'flood of imported Australian product' into the domestic market. However, the Australian pork industry poses no risk in this area since we are a relatively small and niche pork

³⁷ http://www.pc.gov.au/__data/assets/pdf_file/0004/7798/cs20030605.pdf

exporter: Australia would be unable to ‘flood’ any export market. It would instead promote choice and provide competition in niche markets.

It is important that tariff rate quotas and high tariffs are progressively liberalised in any FTA with ASEAN members. But in no way should an FTA seek to downgrade Australia’s science-based quarantine protocols. Nor should there be a mechanism in an FTA to possibly circumvent an Import Risk Assessment (IRA) process. For example, quarantine matters in the AUSFTA are addressed in the first instance by two quarantine related discussion bodies:

- The Australia-US Committee on Sanitary and Phytosanitary Matters (SPS committee); and
- The Australia-US Standing Technical Working Group on Animal and Plant Health Measures (SPS Working Group)

A Senate Inquiry into the AUSFTA noted its concern stating:

“There is a considerable amount of concern about the need to establish an SPS Committee and a Technical Working Group, and what their role and influence will actually be [...]. In the Australian context, particularly as we are an island nation, the integrity of our scientifically-based import risk assessment is of paramount importance to the well-being of our environmental, agricultural and aqua-cultural sectors.”³⁸

The Senate Inquiry report questioned the need to establish these committees to circumvent the WTO dispute settling procedure in the WTO Appellate Body (AB), stating that it is not in Australia’s national interest to reduce quarantine standards and have the US influence Australian quarantine policy via these defacto dispute resolution committees. APL recommends that future ASEAN FTA’s do not provide a mechanism to undermine Australian quarantine standards.

While such a model was touted as facilitating “technical co-operation” such cooperation should be able to be achieved without such a mechanism in an FTA, particularly one which lacks transparency and excludes other key stakeholders.³⁹ Any efforts to undermine Australia’s Sanitary and Phyto-Sanitary (SPS) measures should be disallowed and any future ASEAN FTA’s should not be modelled on the US FTA.

³⁸ Weiss, L., Thurbon, E. And Mathews, J., (2004). *How to kill a country: Australia’s Devastating Trade Deal With the United States*. Allen & Unwin, Crows Nest, NSW, p.36

³⁹ APL (2004) Submission to the Senate Select Committee on the Free Trade Agreement between Australia and the United States of America: Australia-United States Free Trade Agreement Inquiry. [Online]. Last Accessed April 11: http://www.aph.gov.au/senate_freetrade/submissions/sub291.pdf

c) Australia's Carbon Pollution Reduction Scheme (CPRS)

With ratification of the Kyoto protocol in 2007, Australia committed to significant reduction of greenhouse gas emissions via mitigation and/or abatement measures. Australia's proposed Carbon Pollution Reduction Scheme (CPRS) will commence in 2010. Aiming at maximum coverage to reduce compliance cost for the Australian economy, greenhouse gas emissions from the agricultural sector are proposed to be covered from 2015, with the final decision on inclusion or exclusion of the sector scheduled for 2013.

There is no doubt that Australian pork producers will be affected by direct and flow on effects of the CPRS.

The introduction of the CPRS in 2010 will disadvantage the Australian pork industry because of higher input costs, affecting the long-term competitiveness of the industry.

Key contributors to rising input costs for pork producers are feed and bedding, electricity and fuel for transport and heating. It is estimated that at least 62 per cent of cost of production for a pig is energy dependent and consequently these cost positions will increase markedly when the fuel and energy sector is covered under the CPRS from 2010. This adverse cost situation will be further exacerbated by costs for buying 'carbon pollution permits' with coverage of agriculture under the CPRS from 2015.

This loss of competitiveness has even more severe long-term implications, because Australia's major competitors, Canada and the United States have no stated intentions of introducing an emission trading scheme (ETS) that would similarly increase the cost of production for their respective pork industries. Denmark is covered under the multi-national EU ETS which commenced in January 2005; however, greenhouse gas emissions from agriculture are not covered under this scheme, resulting in lower flow-on effects on the Danish pork industry than what is anticipated for Australian pork producers.

The expected increase of production costs for Australian pork producers due to the CPRS would also further reduce the industry's competitiveness against comparatively lower cost of pig production countries throughout the ASEAN region. There are currently no emission targets for developing countries, especially some members in the ASEAN.⁴⁰ Most developing nations in the ASEAN have not complied with their obligations under the Kyoto protocol and most understandably would not have the resources to achieve this.⁴¹ Meat producers in the ASEAN would become more cost competitive if they would not have to comply with greenhouse gas emission mitigation from pig production activities.

ASEAN members have a strong interest in the outcome of Australia's CPRS.⁴² The government should look toward the introduction of the CPRS as an opportunity to engage other ASEAN members into greenhouse gas emissions reduction and carbon trading. To ignore the impact of the CPRS on the competitiveness of the Australian industry without

⁴⁰ <http://www.mallesons.com/publications/2007/May/8946391w.htm>

⁴¹ http://easianaffairs.suite101.com/article.cfm/asean_accepts_climate_change

⁴² <http://eastasiaforum.org/2008/07/19/asean-and-australia%E2%80%99s-emissions-trading-scheme/>

assessing the opportunity to engage the ASEAN would not be in Australian agriculture's long-term economic interests.

The Government should assess possible climate change policies that directly affect food production and trade that can work as part of existing bilateral and multilateral agreements in the ASEAN. Should regulatory interventions to address climate change not produce net benefits for the agricultural sector future agriculture competitiveness will be compromised. This is critical to the agricultural sector as a whole as this will affect how competitive Australia will be in export markets and domestically with imports.

6. Other issues

Australian skills shortage and 457 Visas

The 457 Visa is the most commonly used program for employers to sponsor overseas staff to work in Australia on a temporary basis. The 457 Visa can allow producers to employ overseas workers between three months to four years. The validity period of a sponsorship is two years and a nomination period is 12 months.

Some of our major producers have sought employees from the Philippines. Efforts to further improve labour access and mobility from ASEAN countries such as the Philippines will help fill the skills shortage for farmhands and at pig production sites in rural and regional Australia.

7. Conclusion

Australia's agricultural trade agenda should be to support not only our largest food export industries, but also the industries with the potential to take advantage of growing world food consumption. There is huge potential to exploit growing demand for pork meat in the ASEAN.

APL recognises the opportunity of operating in a global trading environment and endorses trade efforts, which maintain and build on our competitive advantages. The main competitive advantages of the Australian pork industry, like many other Australian agricultural sectors, are high quarantine and herd animal health status. Australia's 'clean green image' is a competitive advantage in terms of both market access and costs of production.

APL supports the ratification of the AANZFTA, and supports upcoming negotiations on the Indonesian and Malaysian FTA's and insists on more transparent review mechanisms for Australia's existing FTA's with Singapore and Thailand.

APL appreciates the commitment of the Government in developing a broad FTA agenda; however, a coordinated mechanism such as the new Ministerial Council on International Trade is long overdue and APL stresses the need for the body to develop a strategic plan for export policies and programs, as well as for FTA negotiations. APL awaits the outcome of the Exports Programs and Policies Review as announced by the Trade Minister in 2008.

APL welcomes the Council of Australian Governments (COAG) initiative to establish a new Ministerial Council on International Trade⁴³, as one mechanism for engaging ASEAN on trade matters as part of a package to improve Australia's involvement in ASEAN. However further planning could be undertaken via a specific subcommittee in the Ministerial Council on International Trade on agricultural trade such as a Food Export Group.

This Food Export Group would coordinate agricultural export and industry investment activities. Australia's agricultural trade agenda should be to support not only our largest food export industries, but also the industries with the potential to take advantage of growing world food consumption. There is huge potential to exploit growing demand for pork meat in the ASEAN.

Until countries with significant producer support estimates (PSE) levels are liberalised in the WTO Doha round and beyond, when we negotiate trade agreements with ASEAN this should be borne in mind and reflected where possible in the agreement. This is important especially as the United States is a major agricultural competitor in the ASEAN region.

Future ASEAN FTAs, for developing countries in particular, could commit Australia to aid economic development in exchange for improved market access. This can be in areas where

⁴³ http://www.trademinister.gov.au/releases/2008/sc_022a.html

research expertise in areas such as quarantine, biosecurity can be commercialised, pig production facilities and national infrastructure projects. This may also include efforts to improve 457 temporary worker's visa arrangements. This is a direct form of foreign aid, providing employment opportunities. The United Nations⁴⁴, the World Bank⁴⁵ and others⁴⁶ have indicated that trade relationships could focus on securing food supply worldwide, particularly during times of food shortages.

To remain competitive Australia should negotiate FTA's that are on-par or more competitive than our competitors. The longer Australia delays FTA's the longer it will take Australia to "catch up" with our competitors and realise trade gains.⁴⁷

Australia's launch of the Carbon Pollution Reduction Scheme (CPRS) in 2010 will significantly influence Australia's future engagements with ASEAN. The impact of the CPRS and associated climate change policies should be discussed as part of a subcommittee within the Ministerial Council on International Trade. The Australian Farm Institute Summit held on April 21-22 suggested that a taskforce should determine the terms and conditions for agriculture's entry into the ETS scheme in collaboration with industry, its expected trade challenges including international greenhouse accounting rules and cost imposts on profitability, sustainability and sector competitiveness.⁴⁸

Climate change and the proposed Carbon Pollution Reduction Scheme are also significant trade risks to the industry. Future agricultural competitiveness will depend on the nature of regulatory intervention to address climate change to bring net benefits to the industry.

APL supports new initiatives to engage new trading partnerships via FTA's, while at the same time pushing for greater agricultural market liberalisation with completion of the WTO Doha round. APL believes the scope and nature of FTA needs to reflect new global challenges such as economic aid and development, food supply with a coordinated strategy that may be determined in cooperation with the private sector, agricultural industry and the government's new Ministerial Council on International Trade. APL considers that a Food Export Group could provide significant impact and input to this process.

There are also international equity issues: a distinct lack of a level playing field not just in relation to the level of financial support provided to commodities and producers by some countries (both directly and indirectly) but the impact of growing domestic regulatory and compliance requirements that impact Australian producers' costs of production. This in turn affects our competitiveness in export markets and also in those sectors of the domestic market which compete with imports. This should be recognised in Australia's trade policies to 'equalise' trading conditions to fully realise Australia's competitive advantages.

⁴⁴ <http://www.abc.net.au/news/stories/2008/04/10/2212941.htm>

⁴⁵ <http://www.theage.com.au/news/national/world-in-crisis-soaring-food-prices/2008/04/14/1208025091644.html?page=fullpage#contentSwap1>

⁴⁶ <http://www.farmersguardian.com/story.asp?sectioncode=1&storycode=17596&c=1>

⁴⁸ Australian Farm Institute (2008). Agriculture and Emission Trading – Summit Communiqué. April 21-22 2008.