



HOUSE OF REPRESENTATIVES

**STANDING COMMITTEE ON PRIMARY INDUSTRIES, RESOURCES AND
RURAL AND REGIONAL AFFAIRS**

Reference: Benefits of agricultural trade reform

CANBERRA

Wednesday, 4 March 1998

OFFICIAL HANSARD REPORT

CANBERRA

HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON PRIMARY INDUSTRIES, RESOURCES
AND RURAL AND REGIONAL AFFAIRS

Members:

Mrs Bailey (Chair)

Mr Adams (Deputy Chair)

Mr Andren	Mr Katter
Mr Causley	Mr Nairn
Mr Cobb	Mr O'Connor
Mr Fitzgibbon	Mr Stephen Smith
Mrs Gash	Mrs Stone
Mr Hawker	Mr Wakelin

Terms of Reference:

The committee is to inquire into the benefits for regional Australia and Australia's primary industries of, and further issues associated with, world trade reform, including the policy implications of:

- . the growing international demand for food, especially in Asia;
- . the opportunities for primary industries arising from international trade reforms globally, regionally and bilaterally;
- . factors affecting Australia's international competitiveness and capacity to realise these opportunities;
- . the treatment of non-tariff measures, including quarantine, within the World Trade Organisation and how these impact on Australia's primary industries; and
- . how the momentum for trade reform in the primary industries sector can be maintained and encouraged on a global, regional and bilateral level.

WITNESSES

HEWETT, Mr Kym Anthony, General Manager, Major Opportunities Group, Austrade, AIDC Tower, 201 Kent Street, Sydney, New South Wales 2000	83
HINGEE, Ms Louise Ann Mary, Executive Officer, Agriculture Branch, Trade Negotiations Division, Department of Foreign Affairs and Trade, Barton, Australian Capital Territory 0221	83
JACK, Ms Lyndel, National Manager, Agribusiness, Austrade, AIDC Tower, 201 Kent Street, Sydney, New South Wales 2000	83
LLOYD, Ms Carolyn, Manager, Parliamentary Relations, Austrade, GPO Box 2386, Canberra, Australian Capital Territory 2600	83
MORGAN, Mr David Lewis Henry, Director, Processed Foods Task Force, Market Development Division, Department of Foreign Affairs and Trade, Barton, Australian Capital Territory 0221	83
THOMSON, Mr Graeme Alexander, Principal Adviser, Trade Negotiations Division, Department of Foreign Affairs and Trade, Barton, Australian Capital Territory 0221	83

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Mr Wakelin

Committee met at 10.57 a.m.

Mrs Bailey took the chair.

CHAIR—I declare open this public hearing of the inquiry by the Standing Committee on Primary Industries, Resources and Rural and Regional Affairs into the benefits of agricultural trade reform. This is the fourth hearing of our inquiry and it follows hearings at which we heard from the National Farmers Federation, the Australian Horticultural Corporation and the Grains Council of Australia.

Today we will be hearing from the Department of Foreign Affairs and Trade and Austrade. Before proceeding I advise the witnesses that committee public hearings are recognised as proceedings of the parliament and warrant the same respect as proceedings in the House of Representatives demand. Witnesses are protected by parliamentary privilege in respect of the evidence they give before the committee. Witnesses will not be asked to take an oath or to make an affirmation. However, they are reminded that false evidence given to a parliamentary committee may be regarded as a contempt of the parliament.

The committee prefers that all evidence be given in public but should witnesses at any stage wish to give evidence in private they may ask to do so and the committee will give consideration to that request. I now call the representatives of the Department of Foreign Affairs and Trade and of Austrade.

[10.58 a.m.]

HINGEE, Ms Louise Ann Mary, Executive Officer, Agriculture Branch, Trade Negotiations Division, Department of Foreign Affairs and Trade, Barton, Australian Capital Territory 0221

MORGAN, Mr David Lewis Henry, Director, Processed Foods Task Force, Market Development Division, Department of Foreign Affairs and Trade, Barton, Australian Capital Territory 0221

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LLOYD, Ms Carolyn, Manager, Parliamentary Relations, Austrade, GPO Box 2386, Canberra, Australian Capital Territory 2600

CHAIR—Welcome. It is our normal procedure to ask witnesses if they would like to make a brief opening statement. Given the constraints on our time today, and reminding you that committee members have had the opportunity to examine in detail presentations that have been sent to us, could I ask if you would like to make a brief opening statement, and then I would like to get into the questions.

Mr Thomson—If it would be of assistance, both Austrade and the Department of Foreign Affairs and Trade did prepare very brief opening statements and, if you wish, I think I could complete mine in about three minutes flat.

CHAIR—I think that sounds fine.

Mr Thomson—Mr Fischer, our portfolio minister, is obviously very interested in the committee's work. He has made officers available to assist the committee, and clearly we are pleased to do that. The Department of Foreign Affairs and Trade—and Austrade obviously—are putting a great deal of their corporate effort into the opportunities to expand business opportunities for regional Australia, and of course agricultural trade liberalisation and processed food trade liberalisation are very important to rural Australia. Perhaps 70 per cent of Australia's agricultural production is exported. We export five times what we import in the agricultural sector, and I think access and growth for agriculture is seen by the government very clearly as a major objective. We are making progress, and I am happy in the course of this morning to talk about the nature and the measurement of that progress.

Today, Mr Fischer is unveiling what we call the trade outcomes and objectives statement. This is a major statement by the government in respect of priorities, targets and processes to achieve outcomes in the trade field. It extends beyond agricultural and food related issues, fibre related issues; it covers the whole

agenda. This is an important document that is being released today.

On the trade liberalisation issues, which I understand are a particular focus of your committee's work, the department has recently published this document, *Trade liberalisation: opportunities for Australia*. It flows out of some work that the department has been doing in the way of round table seminars with interested parties to address the issue of the value of trade liberalisation and to get a better understanding and appreciation of trade liberalisation.

Mr Fischer, on behalf of the government—and also Senator Brownhill, who is Mr Fischer's parliamentary secretary for trade—has been very active around Australia on this issue of trade liberalisation. There have been a large number of seminars, and I think the government and the department have an increasingly good feel for attitudes in this area. Mr Fischer has already communicated his view that the benefits and costs of trade liberalisation need to be better understood in the Australian community, and there are programs clearly being pursued by the government.

Let me come to a conclusion by just making a couple of general comments. You have our submission and attachments, but it is worth emphasising that a lot has happened that is positive in the trade liberalisation field. This is a message that is not always widely appreciated in the Australian community or even, indeed, in the wider global community. For example, before the general agreement on tariffs and trade was brought into operation in 1948, the average tariff—not non-tariff measures, but the average tariff—facing trade in the world was more than 40 per cent. Today that number, on average, is down around three per cent. It is not widely known that Australia's average tariff is above that three per cent number—not much above, but somewhat above that three per cent average.

The opportunities that have grown out of trade liberalisation for some Australian industries have been very remarkable indeed. When I started my career in the Department of Foreign Affairs and Trade in the old Department of Trade in 1965, the total access available to the Japanese market for the Australian beef industry—indeed, for all beef industries around the world who could access the Japanese market—was less than 3,000 tonnes of beef per annum. In 1995, we achieved the removal of quantitative limitations on access to the Japanese beef market. In the following year, Australia alone shipped 320,000 tonnes of beef to Japan. In a 30-plus-year period, we went from an opportunity to compete for less than 3,000 tonnes of beef to an unlimited opportunity to some extent and we achieved 320,000 tonnes. Similar pictures emerge for Korea, where the access about a decade ago was less than 10,000 tonnes. In recent years, the actual shipments in one year reached something like 60,000 tonnes.

Translating that into real terms, 320,000 tonnes of beef to Japan in each year is more than one million head of cattle. There are a lot of trucks and people involved in that process. There are a lot of jobs that have come out of this process of trade liberalisation. Dairy is an industry which—

CHAIR—I do not want to cut you short, but we are aware of a lot of these figures. Could I urge you perhaps to complete your opening statement because we do have a lot of questions that we wish to ask.

Mr Thomson—Okay. I will come to an end.

CHAIR—If you feel that you have not given us enough of those examples, you could perhaps do so in answer to some of the questions.

Mr Thomson—Yes. The figures, hopefully, will speak for themselves. Basically, the outcome of the Uruguay Round of trade negotiations is that there are 50 million tonnes less of subsidised wheat on the world market as a consequence of the outcomes.

I will cease speaking in figure terms at this point other than to say that, even in markets such as Indonesia, which are, overall, in difficulties at the present time, there is some excellent news on the trade liberalisation front. Indonesia is bringing its tariffs from levels which, prior to 1 February this year, in many cases were above 30 per cent ad valorem of tariffs down to five per cent from 1 February this year. There is real progress around. The playing field, of course, is not level yet. There is still a lot of activity and effort needed to level the playing field but the opportunities are there.

CHAIR—Thanks, Mr Thomson. Mr Hewett, did you want to make a brief opening statement?

Mr Hewett—Yes, and I will try to keep it as brief as I can. What I want to do is explain how the work that Austrade does fits into agricultural trade reform. Austrade is the Australian government's export facilitation agency. Basically, we are competent to do three things and they all relate to the agribusiness sector, as to many other sectors. Firstly, we assist firms and companies within the sector to export their products and services. Secondly, we assist them with internationalising their business. In particular, that means assisting them with investment overseas. Thirdly, we also facilitate the flow of investment to Australia. There are those three things and international business is our exclusive focus. Agribusiness is, obviously, a major part of what we do, given the strong international orientation of the industry. A significant part of our resources throughout the organisation is dedicated to servicing the industry.

Trade reform liberalisation sets the context within which we operate, but what we focus on is marketing—that is, working with companies to take advantages of the opportunities that trade reform brings with it. Graeme and his people, if you like, open the door. We try to move the furniture in and that is by making companies aware of the value proposition that their products hold by educating them and attuning them to the way their markets operate and then developing market entry strategies to help them get inside.

In doing that, there are just two recurring themes that I might mention in reference to our note. One is a desire always on our part to head the sector down the value chain. So, rather than just focusing on the export of commodities, we also focus on the things that attach to either end of agricultural production. On the upstream end, that can be research and development and product development. On the downstream end, it can be things like distribution, packaging, marketing and retail systems. We try to move the industry into those higher value added sectors. It is worth while pursuing in its own right. It also has the effect of pulling the Australian product through.

The other guiding theme in the work we do is the desirability of getting companies inside markets—taking them from being arms-length commodity suppliers to people with a position inside the market. There are a variety of ways of doing that, including this focus on the value chain that I have already mentioned. They are the two major points that I wanted to make. We could probably cover most of the other ways that

we operate and give you some examples of the sorts of work that we are doing in responding to questions.

CHAIR—Thanks very much, Mr Hewett, for keeping those remarks so brief. I will open the questions with Mr Thomson. In my opening statement, I indicated to you the other groups that we have questioned in public hearings. Much of the work of this committee has actually been out at the grassroots, talking to producers and asking producers to tell us how they were experiencing the benefits of trade reform. This morning, you have presented to us some very impressive figures and you have given us the contrast of what has happened over the past decade.

However, producers tell us, and have been telling us in very strong terms, a very different story. They cannot see the benefits of trade reform. Everyone talks about the uneven playing field. Can you tell us how it is that you are getting this message out to producers about the benefits that you have identified to us here this morning of trade reform? There is a second part of my question, if you could also address this. If this message is not getting out to producers, do you see that as a force that could actually impede further trade reform?

Mr Thomson—I shall do my best. I think one particular difficulty is that producers understandably react to what their returns are, to what their income level is. If we take a particular commodity—for example, beef—at the present time, notwithstanding the opening of markets and increase in trade volumes, the main problem has been that the overall global beef market has been depressed. It has been depressed by health considerations much related to the difficulties emanating out of Europe in terms of BSE. It has also been affected by some changes in dietary patterns such that there has been a very strong supply of beef available out of the United States and, fundamentally, the returns that Australian beef producers have been getting have not been at all favourable. This kind of situation motivates them.

What I would say in answer to the question is: government and industry leadership has to think about and communicate the message about how much worse the situation would be if we did not have the access to export markets. If we had to just contract back to the Australian market, the returns would be very much worse.

CHAIR—With respect, Mr Thomson, we have already spoken to the NFF and we will speak to others. My question is to you. What is your view on this? What are you doing? You showed us a booklet.

Mr Thomson—These commodities, unfortunately, tend to be cyclical. That is the history of commodity business. Climbing up in the marketplace is important.

CHAIR—My question is about the overall benefits of trade reform. What do you, as a department, do to get this message out to the producer level? If the message does not get out, do you see that as a disincentive for producers to further embrace the benefits of trade reform?

Mr Thomson—Clearly, if the community feels or perceives that trade reform or trade liberalisation are not delivering benefits then the community will increasingly oppose that. I would be very surprised to learn from you that the NFF or the Grains Council of Australia or even the Australian Horticulture Corporation were saying that the right path for Australia is to reverse Australian support and effort in respect

of liberalisation.

CHAIR—No. They are not saying that.

Mr Thomson—But some of their members may be.

CHAIR—I jotted down one statement that you made to us this morning. You said, ‘A lot has happened that is positive.’ How are you getting that message out to the producers? Who will take responsibility for getting this message out to the producers?

Mr Thomson—I think it is a shared responsibility. This is what happens at the present time.

CHAIR—But what do you do to get that message out?

Mr Thomson—Over the last week I have been very active in a public dimension. I spoke at a platform in Melbourne put together by the Victorian government. There were producers present at that. Last Friday I was with the New South Wales Premier in his food forum communicating this same message. Tomorrow I am appearing and delivering a speech at a major international oilseeds convention in Sydney.

For many of us in Foreign Affairs and Trade, this is a regular occurrence. The minister obviously is very much engaged in meeting with people. Any positive news is almost invariably put in a press release. Ministers put news in speeches. There is a major enhanced effort going on. Today the minister is appearing at the National Press Club with the sole objective, as I understand it, of reaching out to producers and the public generally about the importance of trade and the progress that is being made.

CHAIR—Let me ask you another question. Do you believe that, to use your words, ‘a lot that has happened that is positive is getting out to the producers’?

Mr Thomson—I frankly feel that it is. I am not saying that everybody shares that view. For example, the opening the year before last of the Taiwan market for the first time of 1,000 tonnes of stone fruit, peaches and plums was widely welcomed in the peach and plum producing industry. The access to Taiwan started from a low level of 250 tonnes of apples, which was of particular interest initially to Tasmania. The general view in industry at the time was that 250 tonnes was not a lot and we needed a lot more. But that has been progressively lifted over a few years. This last year when we had 2,400 tonnes of access to the Taiwan market we did not supply that full amount. These kinds of outcomes are increasingly understood.

CHAIR—Other than you as a representative of the department appearing at the sorts of forums that you have indicated, and the publication that you have with you today, what other means do you use of getting the information out to the producers that what has happened is positive?

Mr Thomson—Working with industry organisations is another major process. This has various levels. The Minister for Trade has an agricultural advisory group made up of the peak industry organisations. We work very closely with them, be they the Grains Council, the National Farmers Federation or the actual corporations that are established in the meat and dairy areas. A substantial program is undertaken through

members of parliament with information being provided for forwarding on to your own activities in your own electorates. Whenever we are about to engage in trade negotiations, we go through a very substantial process of consultation.

CHAIR—Who do you consult with?

Mr Thomson—With growers, through their organisations. It is obviously not practical to meet with every individual grower but from time to time I and my colleagues travel to rural Australia and meet with growers. I have been to see the citrus people. I am going again, even though they threw things at me the last time I was there.

CHAIR—Perhaps they did not have all the information. Before you are engaged in the negotiation process, do you tap into any of the expertise that is in the state departments?

Mr Thomson—Yes, very much so.

CHAIR—Is that a formal process or is that just an ad hoc process?

Mr Thomson—No. There is a formal process where the Commonwealth meets with the states in the trade field about twice a year. Underneath that there is a substantial degree of informal contact. An organisation has recently been established called the agri-food alliance which, again, is an effort to bring an even bigger Commonwealth-state community together—the research community, as well as the trade export related community—so that there is better coherence and integration of research effort leading through to production and product related improvements to make it more coherent with what Austrade is doing, for example.

Austrade was at the agri-food alliance meeting. It aimed for better coherence, all ultimately aimed at capturing better the opportunities that exist to look for value-added outcomes in export and climbing up the scale, not being so dependent as we historically have been, and to a large extent still are, on bulk commodity related trade outcomes. We are looking to specialise in particular segments of the market which will return a higher per unit return and get the return to the producer.

CHAIR—I will ask you one more question on negotiation and then I will ask some of my colleagues to join in. On the point of negotiating contracts, it has been put to us on a number of occasions that there is a need for a negotiation unit that has a very strong commercial emphasis and which deals with negotiation only and for the person heading that unit to be a very high profile commercial negotiator. Do you see a role for a unit of that sort?

Mr Thomson—Yes, in short terms; but I think we are already moving in that direction. The government has already moved to establish some market access negotiators, facilitators. For example, I am the facilitator in the processed food and beverage area. Appointments will shortly be announced of an automotive person, an information technology person and a textiles, clothing and footwear person.

In the auto area, there is also a more senior level person with a kind of direct commercial background.

I do not have a commercial background, but if we are talking about market access, these are issues that relate to government policy. I think the experience worldwide, not just in Australia, has been that people versed in government are more effective in that area of operation.

In the field of commercial related activity, in market development, sales and marketing, for many years, Austrade—and my colleague Kym should really talk to this—has largely followed the practice of bringing in people to be trade commissioners who have direct hands-on commercial experience.

Mr Hewett—That is certainly the case.

CHAIR—I will now open up the committee for further questioning.

Mr ADAMS—You were talking about negotiating from the last round, et cetera. There were losers. The citrus industry lost; the pork producers lost. In the World Trade Organisation, salmon growers are fighting a campaign to allow Canadian salmon. Do you accept that there were winners and losers out of the last round? The dairy industry has now got deregulation to deal with, which comes directly from meeting world trade obligations. Can you just comment on the fact that there were winners and losers in the last round?

Mr Thomson—In the short run, it is accepted conventional wisdom that certain parts of industry gained and certain parts of industry did not. In simple terms, I suppose, that is what you say—winners and losers. That said, the perception of what is a loser and what is a winner can be quite different over time.

For example, if we go back to the outcome of the Closer Economic Relations Trade Agreement—CER—with New Zealand in 1988, when dairy products were brought to free trade across the Tasman, it was widely argued in the dairy industry that this was a bad move; that the dairy industry in Australia was a loser from CER. The wide view in the dairy industry of Australia at the present time is that this, in fact, turned out to be good for the dairy industry. The Australian dairy industry is one of the few dairy industries in the world that has increased its production significantly. It has almost doubled its exports in that time.

If you look at the area which we have been doing a bit of research on—the Shepparton, Tatura, Ovens Valley, King Valley region of Victoria—they have been big winners out of what has happened with dairy trade liberalisation and deregulation. It is not the sole reason, but the average unemployment rate a few years ago in that region, Tatura, whatever—

CHAIR—It is very low.

Mr Thomson—It has gone from 13 per cent down to seven per cent and the growth in the dairy industry, and particularly dairy exports, is considered to be the most significant factor in that turnaround. For example, in relation to citrus, we hear a lot about the difficulties. I am not here to deny that there are not real difficulties in the citrus area, largely related to the issue of juicing fruit—

CHAIR—Valencias.

Mr Thomson—But the industry is going through a remarkable change, nonetheless. More than half of its income is now coming from exports. The trade balance within the citrus area is three times—

Ms Hingee—They have exported three times more—

CHAIR—That actually is a classic example, though, isn't it, Mr Thomson, of where a lot of good things are, in fact, happening but the perception out there is a very poor perception of the citrus industry?

Mr Morgan—One of the reasons for that is that it is a common experience that the department finds not just in the agricultural area but in a number of other areas. The losers from trade liberalisation complain very loudly and the people who benefit from it do not have nearly as loud a voice. Typically, the benefits are spread across a large number of people. Those who are adversely affected are much smaller in number and they have a much greater incentive to complain, and so the public debate becomes very skewed as a result.

Mr ADAMS—Do you think we have enough policies in place to allow for restructuring of those industries? The citrus industry is going through restructuring, certainly, as you said. Maybe the industry is using trade as a bit of a blame for all its ills. But is there enough being done to assist some of those industries to restructure, to look at other avenues, redirect, go down a different avenue and give themselves some opportunity to get into other viable alternatives?

Mr Thomson—I think it is perhaps a question better directed to officers of the Department of Primary Industries and Energy who are more directly responsible. Within my own experience, successive governments have made adjustment assistance or particular programs available. It is interesting to examine the citrus program where, to adjust to one of the outcomes of the World Trade Organisation's Uruguay Round result, the industry was given about \$10 million to help adjust to a much more export oriented position and to adjust to the changes in the sales tax treatment of orange juice.

I think it is fair to say, in general terms, that the Sunraysia and the Riverland areas of the industry grasped the opportunities of that program much more quickly than the MIA area has, and that is the most vocal part of the industry now. I am not saying there are not concerns in those other regions.

Mr ADAMS—That reinforced what this committee saw.

Mr Thomson—Industry leadership is very important working with the government, and the states have programs, too. So there is often quite a lot of assistance available. It is not necessarily all taken up in the same order or way.

Mr ADAMS—Mr Hewett, you were talking about getting inside. Do you have any figures on how much we would have assisted in the increase of exports of other companies in the last 10 years? You were using the term 'inside the market', to get them into the exporting area. We all know that, to keep the same standard of living in this country, we have got to get into exports—with the joint venturing and everything else, I guess. You were talking about processing or getting the downstream processing increasing along those lines, getting away from commodities. Are we insisting in getting into joint venturing and those sorts of things? Is this what you are on about?

Mr Hewett—Yes, it is. Just on the question of numbers, I guess one measure of that is the extent to which our export composition has changed over time, and it has changed substantially. I do not have the exact numbers but certainly the contribution from the component that we call elaborately transformed manufactures, high value added product, has increased rapidly right through the late 1980s and through the 1990s.

Mr ADAMS—As opposed to commodity?

Mr Hewett—It has increased its share at the expense of the commodity sector. The ETM component would be in the order of 15 per cent. Total manufacture is probably close to 25 per cent to 30 per cent. That has happened and certainly that has affected the agricultural sector as well.

Mr ADAMS—We have had some evidence that new products are being stymied by other people, et cetera. I have not seen too many new products in the meat industry in recent years go into the Asian market or the Japanese market. We are still sending big bulk frozen boxes or chilled beef. How are we breaking that down into stuff that is being sold out of supermarkets in packets? Where are we on that?

Mr Hewett—I think there are a couple of elements to that. For example, from my recent experience in Korea, that is traditionally a frozen quarter beef market for us. We have done a lot of work in recent years with the AMLC in trying to introduce cuts into the market. Indeed, most of our market access negotiations have been directed to opening up that sector of the market for Australian producers. We have had some success by focusing, for example, on the fine food and beverage sector—promotions with five-star hotels and things of that type. That is one approach.

The other approach, and I guess one that relates to changes in currency values, et cetera, that are taking place at the moment is, for example, encouraging Australian processors or retailers into the business. We are working on an initiative in the Philippines at the moment. Traditionally, the Philippines is a market for livestock and basic beef product. We are working at basically a total value chain system there—setting up a cool store and pulling product through. It is not the sort of thing where we have numbers but we have lots of examples of that type of work.

Mr ADAMS—When we try to do that, does the tariff problem become more critical? Is the country we are trying to import to lifting their non-tariff barriers as well as everything else? South Koreans have quite a record of that.

Mr CAUSLEY—Not just South Korea.

Mr Hewett—That can be an issue worldwide where the higher you go up the ladder the more severe and the more devious perhaps the impediment that you confront. I guess our approach to that is to focus on the markets where the opportunity exists and the barrier is not insurmountable.

CHAIR—In overcoming some of those barriers, are you dependent on DFAT being proactive and aggressive on behalf of producers, and are they aggressive enough?

Mr Hewett—They are certainly aggressive. That is an area where we basically work together through the various mechanisms that Graeme has discussed. The agenda is one that we work out together with industry. You identify the markets where there is the opportunity and if there is an impediment that is preventing progress we would work together to get on top of it.

Another recent example that I am familiar with is the liquid milk market in Malaysia. We identified that there was an opportunity there. The Malaysians had a barrier that effectively prevented the flow of milk. That has been liberalised substantially. Last year I think we exported close to one million litres of liquid milk to Malaysia.

CHAIR—In promoting the products of the various regions, are you taking the stand—for example, we have had a number of examples of over 100 different apple producers in one area—of promoting the concept that many of these producers come together and export under, for example, one label for a region? Are you actively getting into that area?

Mr Hewett—Yes, we are, and we work closely with the Australian Horticultural Corporation on that type of activity. Part of that issue is what you might call generic promotion of Australian brands, and again we are very active in working with the Australian Horticultural Corporation. In Malaysia, Indonesia and Singapore, we execute their market development programs for them. In addition to that, there are economic incentives for producers to pull together and to tackle markets in that way. Certainly, yes, we have operated with them.

Mr Thomson—Development of the American market for citrus, essentially oranges, in the off-season is a good example. When I was minister in the embassy, I undertook the market opening measure, which was to get US approval for the importation of oranges on quarantine grounds. That opened up in 1992, and the industry, through the Australian Horticultural Corporation, has channelled that trade through very particular channels.

It is interesting now that some tension is showing up at the Australian industry end about whether all the trade should go through one importer in Florida and whether it is a good basis totally to sell, as I understand is the case at the present time, that it is all on direct consignment—in other words, it is not firmly priced. There are Australian interests now coming in who, under the legislation and regulatory processes that the AHC operate, are not permitted at the present time to access that part of the market, even on terms which would be not direct consignment terms—in other words, they would be fixed price terms.

With this ongoing approach to marketing, I think from time to time it is appropriate to review whether precisely the way that we have tended to do business is the best way in the longer run. Getting into the market in the first place when there is quality assurance ensuring that there is a good outturn of the fruit—that there aren't quarantine problems that arise through some lapse in disinfestation or whatever—is very important, but there is also some opportunity as we succeed to perhaps climb up further in the market. These kinds of things need to be kept under review.

Mr WAKELIN—At the bottom of the page headed 'Summary and Conclusions' you state:

World agricultural trade is growing more rapidly than production and growth is particularly strong in Asia.

That obviously raises the question of how strong in Asia. What is your prognosis?

Mr Thomson—The government continues to put a great deal of effort into seeking to follow in the closest possible way the consequences of the Asian financial crisis. It is a very varied picture. Some countries seem to be unaffected. One would put Japan in that case at the present time. Korea obviously has been affected in certain sectors but not in all sectors. Indonesia has been quite seriously affected and some particular sectors have been virtually brought to a halt.

Mr WAKELIN—Would you agree with me that we are modest exporters into Indonesia?

Mr Thomson—I think it has been increasingly an important target market, particularly, for example, for live cattle.

Mr WAKELIN—But as a national component of the total effort, what would it be?

Mr Thomson—It is still relatively modest.

Mr WAKELIN—I accept your point about the cattle—from the Northern Territory particularly.

Mr Thomson—Yes, but in some areas, in certain horticultural products, it is a difficulty of real proportion.

Mr WAKELIN—I suppose Asia is on our minds a little bit at the moment. I was as much interested in the fact that trade is growing more rapidly than production. If you survive long enough, it does suggest some positive outcomes. This is really the answer to our inquiry where we are trying to find positive things in trade reform.

Mr Thomson—Caloric intake is increasing in Asia. There are various estimates around going out to 2005 and 2010. Those estimates in broad terms seem to indicate a doubling or a trebling of imported food into the big Asian region and we are talking about around \$140 billion at the moment. That is probably going to be static or maybe take a downturn for the next year or two. But, in the longer haul, I think all of us are pretty optimistic about Asia's growth returning.

Mr WAKELIN—Fine. I need to move quickly because there is a heap of questions stacking up. The WTO committee on agriculture scrutinises the way commitments have been implemented. You have touched on some of it and I will perhaps come to that a little later. You mentioned domestic economic management will need to further support export competitiveness. Would you care to give a couple of examples?

Mr Thomson—The overall effort on business competitiveness is fundamental. All of the area of transportation connections, efficiencies and work practices, together with sound macro-economic management, are fundamental to success in the short run and the long run in export.

Mr WAKELIN—Looking at the Supermarket to Asia, are we able to quantify in dollar terms or production terms the increase or even projected increase over the next little while?

Mr Thomson—The Supermarket to Asia has established targets for essentially a doubling of our food exports. It is essentially a major effort to climb up in the commodity marketplace into more value added. They have a targeted program in areas which are through chain issues—

Mr WAKELIN—Basically, the question is, Mr Thomson, are we meeting targets?

Mr Thomson—We were. I think we may have to rejig some of the targets in the short run.

Mr WAKELIN—That is all I needed, thank you. Just on page 4, point 17, you say, ‘The Agreement on Agriculture outcome on domestic support, although modest’—this is obviously one of the more difficult areas—and you say it is ‘minimally trade distorting’ referring to research and disaster relief. What progress there? It is modest, as you suggest.

Mr Thomson—The progress continues. What was agreed in the Uruguay Round will run through to the year 2000 and the challenge ahead of us is to continue the three prongs of our agricultural trade policy approach. They are: bearing down on domestic supports; bearing down on export subsidies; and opening markets such that the pressure of an inability to export subsidise out of a problem and the discipline of having to face additional competition, in the domestic markets of Europe, Japan and America essentially, means that they have got to lower their domestic supports.

Mr WAKELIN—One of the tougher areas but modest progress?

Mr Thomson—It is modest progress but we are very geared up. We are hosting in Sydney, early in April, a ministerial meeting of the Cairns Group. This is the first time the Cairns Group has returned to Australia since its foundation in 1986 in Cairns. This is going to be a very important meeting to telegraph both to the world and importantly back to Australian producers that something real is under way here and that a major effort is being made in this area.

Mr WAKELIN—I have got three more questions.

CHAIR—I will have to interrupt you for a moment. Peter has got to speak in the chamber very soon.

Mr ANDREN—Thank you. I would like to address this question to Ms Jack and Mr Hewett. What is your view of the likely growth and success of the Avalon airport and Linfox airfreight export initiative, and do you see room for further such ventures?

Mr Hewett—I might try my hand first. In terms of further such ventures, I guess it is the first of its kind and we will see how it goes. I think it is a classic example of the sort of thing that I was talking about earlier, a move along the value added chain through entry into distribution, and will provide a connection with the assets that Linfox already has in key markets in South-East Asia.

Mr ANDREN—Do you see room for freight specific industry developing around our export initiative, rather than the line that there is sufficient space in the underbelly of passenger planes?

Mr Hewett—I do. It is an issue that industry raises frequently with us, particularly from certain regional centres such as South Australia and Western Australia. I also think it is an area where Australian companies have expertise to contribute. To give an example, Woolworths is an international leader in packaging and delivery of its product fresh to market. There is a real commercial advantage there and a thing that we can take advantage of, and initiatives such as the Linfox one relate directly to that.

Mr ANDREN—My other question is regarding current quarantine standards. Do you, or anyone here on the panel, regard our current quarantine standards as likely to constitute a non-tariff barrier. I refer specifically, of course, to the pressure on Australia to import New Zealand apples, with the fireblight thing. There seems to be a feeling that the SPS is more about dismantling, rather than supporting, quarantine barriers. What is your comment?

Mr Thomson—I think that is still to be determined. The flow of benefits and costs of the SPS agreement are not all one way for Australia. For example, when we as a country are exporting five times what we import there is a very obvious equation. But, for example, the SPS agreement has been used against Korea. We have nearly licked all of the problems in Korea on shelf life provisions, because the shelf life provisions in Korea were an outright non-tariff barrier unjustified by any science. What there is, however, is an increasing focus on the soundness of the science and the processes by which that science outcome is delivered.

There are some very important test cases before the WTO at the present time. One in particular is the hormone growth promotant case which the United States brought against the Europeans. We are parties to that dispute. If, as we expect, the Community loses that case on the basis of not having sound science, some substantial benefits could flow to Australia.

We access, in modest terms, the European market for beef at the present time by running a fairly costly, industry based scheme to assure the Europeans that our product does not include artificial growth promotants. There are naturally incurring hormones; it is a difficult area. If it is determined, and the Europeans comply ultimately, which I think they will—it will be a painful process, but they will comply—we can possibly reduce our overall cost on industry as a consequence of that.

The salmon case is before adjudication at the present time, as I think you all know. I do not know what the outcome will be. The panel report will, I am sure, make very interesting reading. It is all about the degree of risk, I suppose. The quarantine community worldwide—this is not a trade driven thing; this is driven by the quarantine and science people—has moved from the situation 10 or 15 years ago when the approach was no risk. That has kept us out of a lot of markets to date, that simple application that if there is any risk then it is not permitted.

The Community in the quarantine area has moved away from that to area restrictions. If particular areas are free, then the argument—and I think the science—is that product is able to move from those disease-free areas. Because of our island continent, we have been very cautious in moving our own arrangements into conformity with this process. In the view of some of our trading partners, it is very clear that we have been too slow in some areas. We assert, nonetheless, our right to do what we have done and that right is now being put under some kind of test. I do not know what the outcome will be.

One of the outcomes of the panel finding in the growth promotants issue has been, in our view, to strengthen the Australian argument about being able to set the highest level of standard, but there are some aspects about the process by which that is done. I think that is going to be an area of particular attention for regulators, governments and industry in bringing the system into conformity with the balance of reasonableness.

Mr ADAMS—There are some areas of the world where we will not want to take things and some parts of the world—

Mr Thomson—Yes. I personally have no doubt that the system will sustain our right to keep that product out.

CHAIR—You mentioned the process of achieving this. Do you think that the New Zealanders are on the right track with their Bio-Security Council?

Mr Thomson—It is not an area where I think I can offer even a personal view. I am essentially a trade negotiator. I am overseas a lot. I have not followed that.

CHAIR—You did start talking about the process.

Mr ADAMS—And this has become an issue. They now have a minister.

CHAIR—This is the key issue for trade.

Mr Thomson—I would say that quality assurance, in all its dimensions, is fundamental. While all of us are climbing up in this area, there is still a way to go. If we look at our own record, breakdowns of food have largely been domestic related breakdowns that are not related to imports or not so much related to exports. This is good, but the whole chain has to be absolutely watertight.

Mr CAUSLEY—I go back to the ability first to improve our access to markets and our trade. Obviously, I recognise that we are beggars in the marketplace and the crumbs off the table in some of these big markets are of benefits to us. But the real value-added or real value markets are in the US, the European Union and Japan. What is the report card in those areas? Are we breaking down those barriers that exclude us from those markets? How quickly are they moving?

Mr Thomson—The short answer is ‘not quickly enough’. I think the foundation of where we are and where we can move to is the Uruguay Round outcome, which was stronger on basic commodity products than it was on processed products. This was widely recognised by us at the time, although to be fair the support from industry was not there in the way that it is today. The main proponents and supporters of liberalisation were the basic bulk commodity interests. There were some exceptions, but generally speaking the processed food industry was not pressing for the same kind of liberalisation. Many of the domestic manufacturers in the course of the Uruguay Round were pressing the Australian government to retain the domestic protection and were not basically much into exports. They were not, and did not have, corporate objectives of doing business.

There has been a vast change in the last five years, substantially driven by the competitiveness of the domestic retail industry. They are all pretty much discovering that achieving bigger profits and returns on their capital is not going to come from the domestic market in terms of a fight over market share. More and more our food processors are seeing their future in export.

Mr CAUSLEY—That is difficult, isn't it, because you admitted earlier that when you value add—and I applaud the idea of value adding in Australia—the tariff in the other country tends to be higher on a value added product than it does on a bulk product?

Mr Thomson—Yes, and this is why we have a strategic objective the next time around, and through APEC, in achieving some accelerated outcomes on the food front. While this is a process that does not move as fast as industry or we, in Foreign Affairs and Trade would wish it, there are some breakthroughs. For example, out of the accession to the World Trade Organisation process, we are negotiating some good outcomes. Amongst our key priorities are particular processed food outcomes. This is happening as I speak. We have just had another piece of good news out of Taiwan where ahead of their actual entry to the World Trade Organisation they will undertake some additional liberalisation.

In India, which has largely been a closed market under a provision of the old GATT which enabled the Indians to basically maintain quotas across a whole raft of their imports, we, along with other members of the WTO, have engaged in a major effort over the last two years. The Indian market is going to open progressively—it started on 1 April last year—and there are lots of things in the processed area where we are competitive. We negotiated these kinds of outcomes. You can laugh, but they include peanut butter, uncooked pasta, stuffed pasta, other pasta, yoghurts, sugar confectionery, pastry and cakes, jams and jellies, chilli sauce, soups and broths, peaches, strawberries and kiwi fruit. These are all going to occur between now and 30 March 2000.

After 2000 there is another series of products. Interestingly, they include carcasses of swine, hams, sheep meat, oranges, cherries, processed cheese, all sorts of processed vegetables and fruits, and whole milk powders. There is some good news already agreed coming down the pike. It is now over to industry to gear up to take the benefit of these negotiated outcomes.

When Indonesia recovers, a five per cent tariff is a fantastic outcome for both access to the Indonesian market and also the strategic pressure it puts on the other ASEAN countries in this tariff escalation area. The fact that Indonesia is down to five per cent and the fact the Philippines government will be down to five per cent tariff in most areas of processed food puts additional pressure on the Thais and the Malaysians. The Malaysians are generally lower.

Regarding this idea that only Australia has liberalised and is liberalising, we have sort of reached a plateau and largely stopped. The others are now coming down and we are well positioned to get the benefits of this because we have made the adjustment. Our companies are increasingly active, keen and committed to get into this business. I have indicated that I have been in this game a long time. I do not think it has ever been more exciting from where I sit.

Mr CAUSLEY—What successes have we had in establishing our own companies or buying

companies in other countries to distribute foods in those countries?

Mr Thomson—Not much. But, interestingly—a lot of this is commercial-in-confidence—I think there may well be some interesting and important developments in the near term. The media is quite full of speculation about investment starting to pick up back into Asia and the opportunity to secure either strategic relationships or pick up assets at fairly attractive buying opportunities. I do know that a number of Australian companies are very actively pursuing that kind of objective. As a strategic approach to the market place, I think we and Austrade see it as very important.

CHAIR—Ms Jack, do you want to comment on that?

Ms Jack—If we can talk about the meat industry, for example. We talked earlier about the fact that the Philippine and the Indonesian markets traditionally have been, as far as the meat industry is concerned, an opportunity for live cattle and perhaps some boxed meat.

For a long time now, we have been trying to develop greater access for Australian industry—Kym mentioned the value chain earlier. We are looking at feedlotting, distribution, cold storage, retailing, and retail units within supermarkets, for example. We have been working in that vein with the industry in those two particular markets, but the circumstances of present difficulties in South-East Asia mean that the timing is even better to try and introduce greater Australian involvement across the value chain within the meat sector in both of those two markets.

Mr CAUSLEY—Have we tried, and have we had any success, say, in Japan, where they have these importing companies that import into the country and seem to get a bigger value at the end of the line?

Ms Jack—The Japanese situation is a lot more complex and, not being a Japan specialist, it is difficult for me to comment on that. I use the example of the work that we are doing in the organic food industry, which picks up on two points: first, as was noted in earlier comments, about how we are working and communicating with producers; and secondly, how we are trying to get greater access and involvement of Australian industry in the Japanese market.

We perceive a huge and potentially lucrative opportunity for Australian industry in the Japanese organic food industry. Projected growth is to be around \$10 billion in consumption by the year 2000. If Australia can capture just a two per cent share of that, then that represents \$200 million in export earnings per annum. That is the market opportunity. We have to be able to match that with a supply capacity. That is a challenge at the moment, because the total sales—

CHAIR—And the consistency of that supply.

Ms Jack—Exactly. We think that we do have an edge there in terms of the way in which the Australian organic standard is perceived around the world. There is a lot of rigour in the Australian system. If you look at the Japanese organic industry, there is no common standard. So there is a way in which we can work with the local industry in terms of trying to increase the penetration of opportunities in that market.

The areas that we see as being of most immediate potential are in the meat industry and the dairy industry. But when we look at current organic supply in those two sectors, it is typically fragmented supply, an ad hoc supply to the market at the moment, and also typically small to medium enterprises. So what we are trying to do is communicate the opportunity, the generic opportunity to Australian industry, and encourage the formation of supply networks in order to better access those opportunities.

Mr Hewett—I will just return to the original point of the question, which was Japan. I think it is fair to say that one of the major impediments to successful trade with Japan is the distribution system. I guess, at the commercial level, our approach is to work within the system as it stands. Basically, it is not a commercial possibility to take the Japanese on in their own market for distribution; so we use what is available.

But Australian companies have tackled the distribution system in more friendly markets. The obvious example is Davids Holdings, which has substantial warehouse and distribution operations in both Singapore and Malaysia. I guess what the company has been trying to do there is to change the distribution culture in both of those places. That is tied up with some issues that confront Davids domestically.

Mr Thomson—The World Trade Organisation is active in this area in the trade in services area. Distribution issues, not only in Japan but also in China and many other countries, are increasingly on our agendas. Unfortunately, we at this point do not have a lot of immediate demonstrable interest.

If a company such as Walmart, US, or Sainsbury's, UK, or hopefully someone like Woolworths or Coles gets into an actual position in these markets, I have no doubt that we will see the buyers for those kinds of operations much more active in sourcing material out of Australia. Some of the connections are very obvious. If you look at a company such as Simplot, which is now in Australia, you will see that some of the doors and traditional relationships that they have with particular retailers in the North American context will translate into Japan, Korea or China or wherever. The challenge for us is to pick up that, but also to step on to some of our own, hopefully.

Mr Hewett—Further to that, there is also the opportunity to develop those strategic alliances with retailers and food service operators from other countries and so, for example, we are doing a lot of work at the moment with the Makro Group, a Dutch group, which has substantial operations right through Asia. We are also working with TGIF, Thank God it's Friday, a major food service provider, again through Asia, on strategic supply to those outlets.

Mr NAIRN—I will just come back to the non-tariff barrier area and the procedures that, as a department, you have in place to deal with some of those. You presumably have a variety of formal things that happen that are ongoing, trying to break down some of those non-tariff barriers. Do you have some sort of hit squad or flying squad—if I can use that sort of terminology—that can be dragged in and can really hit the problem that comes out of left field before it develops into something that seems to have always been there and something we have to put on a formal agenda and start to work through? If I can use an example, and I hope I have the figures right, it was raised with us in Tasmania in the dairy industry with WPC, whey powder concentrate, where they were supplying Europe at a certain percentage—80 per cent or something like that. To basically protect the European suppliers, they said, 'We'll only take 85 per cent now—'

Mr ADAMS - The whey powder.

Mr Thomson—I am familiar with the issue.

Mr NAIRN—And then the Australian suppliers, who were recognised worldwide as having a good product, were able to get that up. Now that they look like being able to provide that, they are saying, 'We're going to ask for 90,' which would mean an incredible additional capital expenditure in Australia. So it is something that develops that was not necessarily there.

I think this is one of the points that was being made earlier on about the fact that there is some really tough negotiation needed in those early stages when these things come up to threaten a market that ought to be hit like you hit a bushfire. It should be knocked out before it is really there, and seemingly always there.

Mr Thomson—I think the answer is that we do. I think we have improved our effort significantly under the Howard-Fischer government. Firstly, the focus that this government has put on bilateral trade efforts and shifting certain resourcing arrangements in to support that policy has been significant.

Let me just very quickly sketch for you the situation in respect of all market access issues, either ones that are of a longstanding nature or are new. These are built now into the work programs of embassies and particular areas of the department under the direct chairmanship of the secretary of the department and a group of deputy secretaries drawn from within the department and outside the department.

Each area has to appear before the secretary, about six-monthly, and explain where they have got to in respect of any of the issues that are on their approved agendas. This is built into an increasingly new development in the Public Service, performance agreements, that individual officers hold with their superiors. So there is a whole new mechanism. Across that process, I come. I spend about 110 days away overseas a year on these kinds of issues. I am a kind of a flying squad, if you like.

CHAIR—Is it just you in the squad, though?

Mr Thomson—No. There are others who are engaged.

Mr NAIRN—Do you carry any bombs, though?

Mr Thomson—You tend to hear about the ones that do not come off. You do not hear about the ones that do come off often because they are commercial-in-confidence and there is real value in not crowing about a victory because it can be undone again.

I provide a strategic focus across the department to ensure that areas are appropriately focused. I have a full-time assistant to help me in this, David Morgan, and also, because of my background, I am able to bring some different ideas about solutions. I would not say we have got everything that we possibly could have but we are pretty well focused now within the available resources that we do have and the system is energised and focused.

Mr NAIRN—In relation to Australian exporters competing with each other offshore, you get a number of stories of basically two or three Australian competitors almost taking themselves out of the market by aggressive marketing against each other which only tends to bring the price down. Is Austrade doing something specifically in that area to try to limit that type of competition? That is great in Australia but offshore their interests would be better off marketing Australia rather than each other.

Mr Hewett—Single markets, do you mean? Single market selling?

Mr NAIRN—Not so much, but I guess in a sense.

Mr Hewett—In general, and in particular the unit that I head up, the Major Opportunities Group, we are focusing on large pieces of business that are complex, that have a long time to maturity and involve a lot of players. Our approach there is always to try to team people, but often people from different disciplines, to try to pursue the piece of business—for example, a meat deal in Korea involved 30 Australian exporters. It is just a fact of life that you are going to confront competition there and they are going to beat each other's prices down and there is very little that Austrade can do in those cases. There is very little that any agency can do. It is just a fact of commercial life.

Ms Jack—What we do, though, is communicate the greater outcome by encouraging industry to work together. A recent example is—

Mr NAIRN—That is what I am getting at.

Ms Jack—We have identified a significant opportunity in the edible oils industry in India. Imports are projected to leap by the year 2000 and we believe Australia, collectively, has the capacity to supply a part of that increased demand. When we articulated the opportunity, we communicated that to industry and encouraged the industry to work together. So that was the basis upon which we communicated the opportunity. We did it in the same presentation, if you like: this is the opportunity and this is how it can be achieved; and it can be achieved by working together.

The industry—and in talking to the key players—have decided that any efforts that they might want to take will probably be independent, so we have done the best we can in terms of encouraging that and we offered ourselves as an agency to work with them, in that group approach. All we can do is present the opportunity, extend the encouragement, but the commercial decision rests with the suppliers.

CHAIR—Do you give them any examples of where that model has been successful in other areas?

Ms Jack—Yes. The case history is probably fewer than we would like to see but where we do have experience of it it is communicated. If we are talking about path finding work, often there is no example in that particular sector and often it is the specific example in that sector that people will be drawn to.

Mr Hewett—The best general example of that at the moment would be the Concept Car initiative which has just gone to Detroit. That is a terrific example of companies working together.

CHAIR—Yes.

Mr KATTER—I have a number of questions I would like answered. My remarks are addressed to Graeme, and to Kym as well, I suppose. Graeme, you used the phrase earlier on that policies must be judged by their outcomes. That is a concept you believe in—that policies should be judged by their outcomes?

Mr Thomson—Yes.

Mr KATTER—That being the case, I will just move through the agricultural items. I will leave wool out for the moment. I do not know whether it is still our biggest export item, but I will take beef as next. I will take the top four: beef, wool, wheat, sugar. With regard to beef, all foreign producers of beef have free and open access to Australia except for quarantine restrictions—is that correct?

Mr Thomson—Generally, yes.

Mr KATTER—The two biggest markets for beef in the world are United States and the European Community?

Mr Thomson—Yes; and Japan would be up there now.

Mr KATTER—All right—those three. What access do we have to the United States with respect to beef? They have free access to Australia.

Mr Thomson—One of the key outcomes of the Uruguay Round was that the US quota system that applied to beef imports was effectively set aside. I say ‘effectively’ in that it still exists, but it is at such a level now that the traditional problems that we had over the years from 1964 until 1995 almost with monotonous annual regularity, whereby we were restricted in the US market, passed from 1995. The quota was increased to such a level that it is not anticipated to bite. We hope—

Mr KATTER—Could I get the quota levels from you?

Mr Thomson—We could provide the quota levels but it is—

Mr KATTER—Could I help you out—300,000, 370,000.

Mr Thomson—That is the Australian share. The actual overall quota is nearer 600,000 tonnes.

Mr KATTER—Yes, but I am just talking about Australia. They have free and open access to Australia.

Mr Thomson—Because of drought and other difficulties in the beef industry, we have not come anywhere near approaching our traditional level of trade to—

Mr KATTER—I do not want to be rude or restrict you, but I have a number of questions I want to

go through here and I really cannot afford too great a length—

CHAIR—Just a few, Bob, because there are others who have a lot of questions as well.

Mr KATTER—I know that, Fran. That is why I am asking Graeme to keep his answers down. I think I will just move on. It is 300,000 and it has been raised 70,000 to 370,000, so the outcome still leaves us on a quota into the United States.

Mr Thomson—There is a theoretical limitation, which I think the government hopes will be—

Mr KATTER—There is a limitation.

Mr Thomson—brought to an end—

Mr KATTER—There is a quota on our beef going into the United States, and anything above that quota is hit with a punitive tariff of 30 per cent.

Mr Thomson—Not at the moment; there is no country allocation that applies. The AMLC, or its future successor, is not operating a restriction on exports to the United States at the moment and has not since, I think, 1994.

Mr KATTER—Graeme, I am sorry; that is not the question I am asking you. The question I am asking you is: is there a quota on Australian beef into the United States? The answer is yes or the answer is no.

Mr Thomson—Potentially there is, but it is not effective at this point.

Mr KATTER—I am sorry. Madam Chairman, I am not pleased with the way—

CHAIR—I think we have established that, Bob. We have to move on from there.

Mr KATTER—There is a quota—right? Into Europe, there is a quota on Australian beef or there is no quota?

Mr Thomson—Absolutely.

Mr KATTER—What is the quota.

Mr Thomson—The quota is quite small for high quality beef—

Mr KATTER—I will help you out—7,000 tonnes. So 400 million people will allow 7,000 tonnes of our product into their countries.

Mr Thomson—Yes.

Mr KATTER—So beef has free access to Australia. In return for that we have a quota into the United States and we have a quota of only 7,000 tonnes into Europe. Let me move on to wheat. There is a subsidy, I am informed, of around 80 per cent tariff equivalent by the United States on wheat.

Mr Thomson—There is high domestic support for US wheat, depending on the level of the world price.

Mr KATTER—The Graingrowers Council claims 80 per cent and the library says 80 per cent.

Mr Thomson—I do not want to dispute that.

Mr KATTER—All right. Is Europe about 100 per cent?

Mr Thomson—About the same or more.

Mr KATTER—Do both Europe and the United States have free unfettered access to the Australian market?

Mr Thomson—Not quite. There are some quarantine requirements to be met.

Mr KATTER—Forget about quarantine. We are not talking about quarantine.

Mr ADAMS—We are talking about tariffs.

Mr KATTER—So they have free access to Australia. Let us move on to sugar. Are you familiar with the situation with sugar?

Mr Thomson—In general terms, yes.

Mr KATTER—What access do we have to the United States market? What is their tariff subsidy equivalent in the United States?

Mr Thomson—They have quota access and their domestic price is twice the world price.

Mr KATTER—No, three times.

Mr Thomson—Nearly three times then.

Mr KATTER—Are you familiar with our access to the European market?

Mr Thomson—Yes, very familiar with the European market.

Mr KATTER—What is the access to the European market for sugar?

Mr Thomson—It is zero.

Mr KATTER—That is correct—26c. World market price is 9c. I put to you, Graham, that a brief is going continuously to the minister saying that we should stay on these policies. The great giants of Australian agriculture have free access to Australia, Europe and the United States in beef. We have negligible access to Europe and limited access to the United States. We are on a quota. With wheat, they have free and unfettered access to Australia. In return for that we get an 80 per cent subsidy tariff equivalent into the United States and a 100 per cent subsidy tariff equivalent into Europe. With sugar, we have 200 per cent virtually in Europe and a little bit lower than that into the United States. It is just under 200 per cent.

We are getting briefs saying this is a good policy. How can you possibly hand to the minister a brief saying, 'This is a good policy,' when I have just reeled off to you what the situation is with the three major dominant commodities in agriculture in Australia? I just add one other thing. I am not mentioning smaller commodities like tobacco where we opened the door. We had a free trade policy where we allowed tobacco into Australia. We now have no tobacco industry in Australia.

CHAIR—Let us give Mr Thomson an opportunity to answer the question.

Mr Thomson—I hope I did not indicate to the committee that I agreed that everything was rosy. It certainly is not. What Mr Katter has said has been about a situation that I think the government is not very enamoured of. It is a fact, however, that the conditions of access do not necessarily mean that those countries—the United States or those of Europe—in the case of beef enjoy significant shares of the Australian market. They do not. There is not a great deal of trade. How often has it been that we have imported wheat into Australia? At the peak of the drought there were perhaps some imports.

Dairy products are imported. But, again, it is a relatively small portion of the Australian market. Those countries, notwithstanding their access and subsidies, often are not competitive. Trade policy solutions have contributed to this. The active process of availability of dumping and countervailing inhibits the capacity of those countries with their subsidy programs to access the Australian market.

It is an issue that the government—and I think successive Australian governments over the last decade or more at least—have worked internationally and domestically to try to redress. The outcome to some extent has been positive. The Uruguay Round agriculture agreement was a sea change in what was happening prior to that. It was getting progressively worse in terms of export subsidisation, domestic support increases and market closures. Through the Uruguay Round that situation was reversed, but there is still a long way to go.

Mr KATTER—I would like to put to the panel that the minister is constantly getting briefs saying that we should have and maintain a policy of free market access. You yourself have said we must be judged by the outcomes. I leave on this table what is the reality with respect to beef, wheat and sugar. Quite frankly, I do not want to go into the details—we have not got time here today—but wool is considerably worse as a result of free trade policies.

So, as to the four major, dominant products in Australia—on the briefs that you are giving to the minister, if you are right on those briefs—I would hate to tell you what would happen to a person like me who represents 40 per cent of the sugar industry and about one-third of Australia's beef industry if I were to

go out and put to them the proposal that we have got a good thing going here. Clearly, we have not.

Mr ADAMS—All those policies are supported by the National Farmers Federation.

CHAIR—We are not here to deal with the National Farmers Federation. Michael, you have not yet asked a question.

Mr COBB—Firstly, Lyndel, if I heard you correctly, you were talking about opportunities that may arise in Asia—if we can go back to that point—with the economic downturn. Mainly, we have been hearing about the bad news from the economic downturn. Can you just outline some of those opportunities that may arise that we can capitalise on from the downturn, and give an example or two?

Ms Jack—One of the ways in which we see greater access for Australian industry in the market is by working from within the market, so it is to increase a position within the market. That may take the shape of strategic alliances or joint ventures with individual organisations. It may mean increasing the current stakeholding in existing investments.

So, with the current devaluing of some assets, it enables purchase across the value chain, it makes the entry price perhaps cheaper and it enables positioning for when the market picks up. We have been approached by a number of organisations in terms of trying to identify partners in the short term. They are some of the opportunities that are presenting at present.

Mr COBB—Has any of that happened yet?

Ms Jack—We are certainly working in terms of identifying partners.

Mr COBB—I have a more general question to anyone. The next round on the world stage is to concentrate on lower agricultural protection barriers which obviously are critical for Australia. I am looking for a general comment on what the agricultural industry in Australia can reasonably expect; how best can we maximise this next critical opportunity, and are we doing enough preparation to make sure that we do? Is there any shortfall in resources or whatever that is going to mean that we do not get the best outcome that we could reasonably hope for?

Mr Thomson—That is probably in my area. I think, in terms of preparations for the next multilateral round, we start with one major step that is positive—that is, we managed to negotiate into the outcome of the current arrangements on agriculture what is called the continuation clause, that is, that the agriculture negotiation will be resumed in 1999. That is the formality of it. So we do not have to go through the process of obtaining international agreement to continuation.

That said, however, the prospects for a very major further outcome are disadvantaged by there not being a wide agenda agreed internationally. The two things that are agreed are continued negotiations on trade in services and agriculture. What is not agreed is whether industrial product tariffs would be part of a new round. There is growing support internationally for the inclusion of industrial products from both Europe

and the United States but, unfortunately, at this point, we do not have United States leadership in this area for a new round of trade negotiations.

Mr ADAMS—Could you define ‘industrial product’?

Mr Thomson—Anything beyond chapters 1 to 24 in the harmonised tariff system. That is a bit of a technical answer but, basically, foodstuffs are chapters 1 to 24, and anything of a merchandise good is between chapters 25 and 99. So it is that whole area of everything from textiles, clothing, footwear, automobiles, machinery—you name it—which is in that other category.

The American President, President Clinton, tried this year to get through the United States Congress renewed negotiating authorities—the so-called fast-track negotiating authority. Basically, the United States’s trading partners insist that we are not confronted with a negotiation with the United States where, having struck a number of deals with the administration, at the end of the day they are then able to be overturned and picked to pieces by the Congress saying, ‘Oh yes, we like these bits and we’ll have those, but we don’t want these other bits.’ The fast-track negotiating authority means essentially that the Congress votes up or down as a single entity. So the package that is presented to the Congress is very important for getting a result.

It is anticipated that President Clinton may make another effort this year, although I think the balance of probability is that it is still some distance away. This is a key strategic objective, not just of Australia, but of the European Union, interestingly. That is a fundamental change from the Uruguay Round and all previous negotiating rounds when the Europeans had to be dragged in kicking and screaming to the process. Why? Because substantial parts of the European leadership recognise at the present time that Europe’s future is not in agriculture; it is in services, and unless you get that balance between services, industrial goods and agriculture, Europe’s perceived—and, I believe, real—interests will not be advanced. This view is widely held by thinkers in the United States, too. The Japanese are generally receptive: they are not out in front. But the one problem at the moment is the United States.

In terms of resources and preparations, the Cairns Group ministerial meeting in Sydney, commencing on 1 April, is obviously a very important milestone. This is to do two things, fundamentally. One is to telegraph to the world that this core group of agricultural trading countries is deeply committed to the continuation of agricultural trade liberalisation, and they will, I am sure, intone on the principles of the next round. I do not think there is any secret about the principles. The principles are essentially that three-pronged approach that we have embarked upon: more market access, less domestic support, and I think we will come out with a call for the elimination of export subsidies—in other words, outlawing export subsidies. So the objective is to telegraph that to the world in terms of the objective of the next phase of the negotiations. I do not think there is any real concern that the government will not provide the appropriate resources.

Having worked in this area, the team that brought you the Uruguay Round result for Australia was still a very small team in terms of the overall resourcing of the Department of Foreign Affairs and Trade. It was a group of about 35 people. We have more than that on staff at the moment. We are, I think, in reasonable shape.

CHAIR—We are just about out of time. I would like to perhaps ask a couple of quick questions. One is to Austrade. What measures do you have in place to actually test the effectiveness of what you are doing?

Mr Hewitt—We go into that area fairly intensively. We have a range of what we call key performance indicators and key activity indicators, the former group being of an order of priority higher than the latter. Amongst the key performance indicators we have is an indicator of export impact. That is a system by which we measure the export results that we have been associated with and the extent to which the company—

CHAIR—Do you have any performance based contracts? I listened to the department refer to this earlier. Are your people judged on the results they achieve?

Mr Hewitt—Sorry, I thought you meant our clients. The short answer is yes, and we also have arrangements of that type with clients. We charge in certain circumstances for the services we provide and on occasions those arrangements are success based. So there is that indicator. We also have a client satisfaction index where we employ a company to poll our clients to get them to assess our services against a range of factors. In addition to that, the government has established a particular performance indicator for us and that is the number of new exporters attracted into export and also the number of exporters attracted into new markets. They are the key performance indicators. We also have activity indicators such as the revenue earned, the number of clients processed, et cetera. So, we do indeed spend a lot of time—

CHAIR—How do you handle the complaints made against Austrade?

Mr Hewitt—It depends on the nature of the complaints. They would, in general, be referred to the area concerned. For example, if there was a complaint against one of my staff it would be directed to me to review. We are very keen about increasing our client satisfaction. We are also working at the moment on a client services charter which will develop in a more systematic way the procedures to be adopted.

CHAIR—It is a money back guarantee, is it?

Mr Hewitt—Possibly. We hope to develop in a more systematic way procedures for handling client complaints.

Ms Lloyd—There is a section in our annual report each year where we report on all those indicators and what the results were for the previous year. If you would like us to provide that to the committee, I will be happy to organise that.

CHAIR—Thank you. Mr Thomson, in your annual report you place quite a bit of emphasis on this Team Australia concept? Could you tell us exactly what that is?

Mr Thomson—It is the idea of working together in a clever kind of a way throughout the chain, not everyone doing their own thing without being conscious of how others can assist.

CHAIR—So it would very much depend on your ability to communicate right through the chain?

Mr Thomson—To give a more specific response, if the issue was market access to a particular market, we would work to ensure that if this was successfully solved there was real commitment by industry to follow through. There would be a process of assessing that commitment, that real interest. Also the concept of Team Australia would mean that we just do not have a junior officer somewhere in the department pursuing the issue; it goes as appropriate all the way to the top, which might include the Prime Minister in some visit to that country.

Certainly we would be using all of the resources of our two ministers, the Minister for Foreign Affairs and the Minister for Trade, and it may include bringing industry together. For example, in many of our ongoing dialogues with other countries we now have a very substantial corporate component when the Minister for Trade visits. When the Prime Minister went to China recently, he took a business group with him. This is the sort of on the ground evidence that Team Australia—

CHAIR—Just on the success of that, and the opportunities that arise out of such very high level visits, what do you do to get that message out to the producer? Using that as a specific example, how do you communicate that to the producer level? Can you give us any examples?

Mr Thomson—To just think of one thing, there was the recent renewal—probably in the last 12 months—of the Australia-Malaysia trade agreement which resolved some longstanding problems in a number of commodity areas. First of all, there was a ministerial media release, which I know in a number of industry magazines—

CHAIR—I have to tell you that I do not think too many producers get ministerial press releases.

Mr Thomson—No, they do not. How can you communicate with a producer who does not listen to *Country Hour* and who does not read any newspapers or subscribe to anything? But it is in that media.

CHAIR—I cannot answer that question. What I am asking you is how you communicate. You are the Department of Foreign Affairs and Trade.

Mr Thomson—After I gave my speech in Melbourne I appeared on *Country Hour*. That message went out, and I know people heard it and received it because they speak to me; they would talk to me. So you look for those opportunities. I think country people generally are pretty well informed in areas where they are interested.

CHAIR—Can I ask you virtually the same question, perhaps in another way? When you have some really good news about opportunities that exist for producers, does it flow through your department that there has to be an emphasis to get that information out to the producers?

Mr Thomson—Very much so, and it is increasingly so with performance related agreements.

CHAIR—Can you tell me how you do it in the department?

Mr Thomson—I send a facsimile. I telephone the commodity groups, the exporters. In many cases,

some of the smarter exporters are seeking me in the hotel in Taipei because they are in touch.

CHAIR—That is only a very small percentage.

Mr Thomson—They are very keen to know what the outcome is. There is the ministerial release. There are appearances on things like *Country Hour*. I am accessible, and other colleagues are accessible to the media. There is the *Land* newspaper, the Queensland *Country life*—you name it; they are all on our agendas. Sometimes you are disappointed. I know on many occasions the journalist has said, ‘The editor cut it out,’ or has cut the article in half. There is a problem.

CHAIR—But there is no means of actually getting that message direct to the producers. You are relying on other means. That is what I am getting at.

Mr Thomson—Yes. The Supermarket to Asia Council, through their executive director, has been doing a lot of work taking the Supermarket to Asia Council out to the producers. He has run something like 40-plus seminars across Australia, usually in association with the local federal member, and David Brownhill has been doing a lot in that regard too. Officers of the department are engaged in this process.

Mr WAKELIN—Is trade too boring for those who are not practitioners?

Mr Thomson—Maybe we could present our message better. Clearly there is a problem there.

Mr WAKELIN—I have one question, Madam Chair, if I can get it in.

CHAIR—Very quickly.

Mr WAKELIN—You have, in your annual report to us, the Hungary example. I am interested in eastern Europe, the environment issue, and maybe bringing in Austrade, and the way that intelligence, which is using the world network, links to you people. So it is eastern Europe—and I presume there may be an odd environment issue there. I see eastern Europe as a bit of a pad-out, potentially; it has everything there. Could you make a comment about that?

Mr Thomson—I think my colleague Kym can add to this, but eastern Europe is an area of increasing business actuality and prospectivity. It is driven in part by the painful process of reform and release from the yoke of the Soviets. There is a two-level policy approach to it which we are engaged in. One is that most of those countries are in the process of joining, would you believe, the World Trade Organisation. So there is a negotiation going on about them catching up on where the rest of us have got to over the last 50 years.

There are some quite good things coming out of it. For example, this has not been announced yet because we have not nailed down all the details, but we are going to get access for sugar into Latvia. We got access for sugar into Bulgaria. These are important in themselves, but they are more strategically important in the long run because, when those countries join the European Union as they expect to do, we will get access into the European Union.

Mr WAKELIN—It seemed to me, though, they are quite aggressive. You have a dispute running with them at the moment. I am just interested in the dispute process.

Mr Thomson—The dispute is resolved. The Hungarians undertook to vastly reduce their claim to subsidise their exports. It is quite detailed as to what—

Mr WAKELIN—That is fine. I just wanted to know about the eastern European—

Mr Thomson—We were happy with the outcome.

Mr WAKELIN—Fine. I think Ms Jack wanted to say something.

Ms Jack—Yes. At the broader opportunity level, we perceive significant opportunity in eastern and central Europe, and we are currently developing a strategy internally which we are in the throes of taking to industry to seek their feedback and input. We particularly see potential for the meat industry and the dairy industry and, to a lesser extent, the sugar industry as well. With production stagnant in some markets in the region and with imports projected to increase, we see a significant potential and, with our BSE-free status, that gives us a competitive advantage. So we are currently trying to determine how we might best communicate that to industry, and we are starting with the obvious ones of the AMLC and the ADC, and then we will take it out further.

Mr WAKELIN—Thank you very much.

CHAIR—I am sorry, I will have to close off there. I thank everyone for coming along here, and I apologise again for the hold-up at the start of the meeting. That was certainly beyond our control.

Resolved (on motion by **Mr Nairn**):

That, pursuant to the power conferred by paragraph (o) of standing order 28B, this committee authorises publication of the evidence given before it at public hearing this day.

Committee adjourned at 12.53 p.m.