



Australian Government

Department of Agriculture, Fisheries and Forestry

Dr Margot Kerley
Secretary
Joint Standing Committee on Foreign Affairs, Defence and Trade
Parliament House
CANBERRA ACT 2600

Dear Dr Kerley

Thank you for your letter of 25 June 2008 requesting input from the Department of Agriculture, Fisheries and Forestry (DAFF) to the Joint Standing Committee on Foreign Affairs, Defence and Trade's Inquiry into Australia's relations with the Association of Southeast Asian Nations (ASEAN). DAFF's submission is enclosed herewith.

The contact in DAFF for the inquiry is Mr Paul Ross, General Manager of Bilateral Trade (Americas, Southeast Asia, New Zealand Subcontinent and Pacific) in the Trade and Market Access Division. Mr Ross can be contacted on (02) 6272 2306 or paul.ross@daff.gov.au and I understand he will be attending the hearing of the Committee in Melbourne on 2 October 2008.

I trust the enclosed information is of assistance.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Hunter'.

Stephen Hunter
Deputy Secretary

16 September 2008

Enc: DAFF submission to the JSCFADT inquiry into Australia's relations with ASEAN.



Australian Government

Department of Agriculture, Fisheries and Forestry

**Department of Agriculture, Fisheries and Forestry
submission to the Joint Standing Committee on
Foreign Affairs, Defence and Trade Inquiry into
Australia's Relations with the Association of
Southeast Asian Nations (ASEAN).**

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DAFF relationship with ASEAN

The Department of Agriculture, Fisheries and Forestry (DAFF) has a major interest in the Australia – Association of Southeast Asian Nations (ASEAN) relationship as the ten member countries of ASEAN are collectively our largest export destination for agricultural products and our second largest supplier of agricultural imports.

While DAFF's interaction with ASEAN as an organisation is relatively limited, we have extensive relations with individual member countries through the facilitation of Australia's export interests as well as the maintenance of Australia's favourable animal and plant health status through the application of Australia's quarantine and biosecurity protocols.

DAFF actively pursues the interests of Australian exporters of portfolio products through implementation of existing Free Trade Agreements (FTAs), participation in the negotiation of FTAs with individual ASEAN members and the recent FTA negotiations with the ten ASEAN member countries in conjunction with New Zealand.

DAFF has been involved in capacity building projects with individual ASEAN member countries as well as ASEAN as a whole. This cooperative work has been focused on developing ASEAN capacity to manage animal and plant pests and diseases, and develop effective emergency response mechanisms. DAFF has also been involved with initiatives to improve animal welfare in individual ASEAN countries.

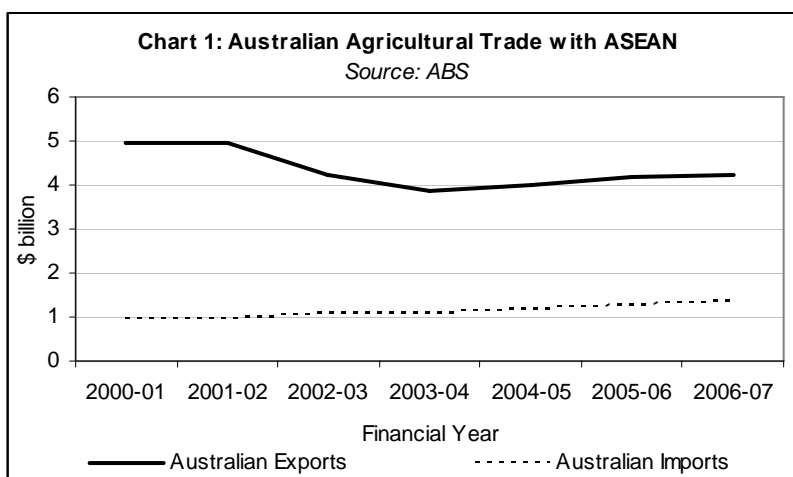
DAFF is involved with a range of cooperative activities across the agriculture, fisheries and forestry sectors, including activities to combat illegal fishing and logging. DAFF also manages a small budget for International Agricultural Cooperation, some of which goes towards projects in the ASEAN region. DAFF emphasises the need for cooperative activities with ASEAN members to be mutually beneficial and in line with Australia's national interest, including increasing Australia's exports and maintaining Australia's animal and plant health status.

In addition to the Department of Foreign Affairs and Trade's missions, DAFF's overseas Counsellors are a key element to the maintenance of good relations with trading partners and facilitation of market access. Within the ASEAN region, DAFF has officers posted in Bangkok and in Jakarta who work on a range of issues including market access, raising awareness of issues associated with illegal fishing and improving the management of foot and mouth disease in Southeast Asia.

Overview of portfolio trade with ASEAN

ASEAN is Australia's largest agricultural export destination and the second largest source of agricultural imports. Australia's agricultural trade with ASEAN is primarily export focused with the total value of exports outweighing imports by almost five to one. Total two-way trade in agricultural products with ASEAN was valued at A\$5.6 billion in 2006-07. It is anticipated that this trade will expand due to income growth in ASEAN and through implementation of the ASEAN – Australia – New Zealand FTA.

As Chart 1 illustrates, agricultural imports from ASEAN have increased steadily over the past seven years while exports show some recovery after drought affected the value of exports between 2002 and 2004.



Exports

Grain is Australia's most significant agricultural export to ASEAN member countries, accounting

for approximately 20 per cent of total exports to the region over the past seven years. Other significant exports to the region include cotton, dairy products, processed meat and live animals as shown in Table 1.

Table 1: Major agricultural exports to ASEAN member countries

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Live animals	285	335	413	258	280	268	363
Grains*	1 076	905	691	932	983	1 003	927
Dairy	1 014	1 064	780	719	783	908	793
Processed meat	349	400	378	302	263	296	377
Cotton	901	691	567	451	378	427	350

Source: ABS, *International Trade, Australia*, cat. no. 5465.0, Canberra.

* Includes ABARE estimates where ABS confidentiality restrictions apply.

Imports

Seafood accounts for approximately 37 per cent of total imports from ASEAN for the period 2000-01 to 2006-07. Other major imports from the region include fruit and vegetables and other food as shown in Table 2.

Table 2: Major agricultural imports from ASEAN member countries

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Seafood	373	372	399	380	434	476	523
Fruit and Vegetables	123	118	142	133	150	164	164
Oil and fat	103	112	125	135	135	158	173
Other food	172	205	244	219	228	218	242

Source: ABS, *International Trade, Australia*, cat. no. 5465.0, Canberra.

Opportunities to improve Australia's involvement in ASEAN

The conclusion of the ASEAN - Australia – New Zealand Free Trade Agreement will provide further opportunity to improve relations with ASEAN as a whole and its individual members on matters relating to the agriculture, fisheries and forestry portfolio. Consultative mechanisms may assist information exchange between the parties on sanitary and phytosanitary measures and facilitate trade in portfolio products.

The FTA will also contain an economic cooperation component which will include a work program to be carried out over five years to facilitate trade and investment. While this work program is yet to be finalised, activities may be complementary to DAFF's already significant involvement in international cooperation activities in the ASEAN region. The following are examples of key areas in which DAFF is involved throughout the ASEAN region to develop capacity in partner countries.

Sanitary and Phytosanitary Capacity Building Program

The Product Integrity, Animal and Plant Health Division of DAFF implements the Sanitary and Phytosanitary Capacity Building Program (SPSCBP), which focuses on the ASEAN region. This Program is one of the main interactions that DAFF has with ASEAN as a grouping and as an organisation. Improvements in regional SPS capacity is an essential foundation for efforts throughout the region to reduce the spread or incidence of key pests and diseases; promote regional trade; enhance economic growth; and facilitate a reduction in poverty.

The SPSCBP aims to assist countries to describe and manage their animal and plant health status and implement SPS measures consistent with international standards and the expectations of trading partners. The ASEAN countries involved in the SPSCBP are Thailand, Indonesia, Myanmar, Cambodia, Laos, Vietnam and the Philippines.

The program looks to enhance the capacity of selected developing ASEAN countries to meet international SPS standards consistent with the World Trade Organization (WTO) Agreement on the Application of Sanitary and Phytosanitary Measures. The program focuses on building human SPS-related capacity in animal and plant health areas. This is based on the needs identified in the selected developing countries.

Activities conducted under the SPSCBP include increasing awareness of the importance of the SPS Agreement and the linkages between plant and animal trade; technical training to enhance key animal and plant health skills; and projects to strengthen regional capacity to control and manage animal health diseases.

Asia-Pacific Forestry Skills and Capacity Building Program

DAFF is the agency responsible for implementing the Asia-Pacific Forestry Skills and Capacity Building Program, which is a four-year \$15.8 million program that is providing practical support for sustainable forest management and improving forest governance, law enforcement and regulatory frameworks in the Asia-Pacific.

Under the Program, funding is being provided to research, conservation, intergovernmental, industry and non-government groups to support sustainable forest management and improve forest law enforcement and governance. While the primary geographical focus is on Indonesia and Papua New Guinea, the Program may also

support some priority needs in the broader Asia-Pacific region, including ASEAN countries.

This program is an element of the International Forest Carbon Initiative, which is a key part of Australia's efforts to help shape a global solution on climate change by showing international leadership on reducing emissions from deforestation and forest degradation, which is of vital importance to the ASEAN region.

Fisheries Cooperation

To address the broader regional drivers of illegal foreign fishing in our northern waters, Australia and Indonesia jointly initiated a regional approach to promoting responsible fishing through the *Regional Plan of Action (RPOA) To Promote Responsible Fishing Practices including Combating Illegal Unreported and Unregulated (IUU) Fishing in the Region*. The RPOA is concerned with both ASEAN members and other countries within the region. DAFF has been instrumental in gaining endorsement from other countries in the region, and has been working with trading partners on its implementation.

The objective of this RPOA is to enhance and strengthen the overall level of fisheries management in the region, in order to sustain fisheries resources and the marine environment, and to optimise the benefit of adopting responsible fishing practices. The actions cover conservation of fisheries resources and their environment, managing fishing capacity, and combating illegal, unreported and unregulated (IUU) fishing in the areas of the South China Sea, Sulu-Sulawesi Seas (Celebes Sea) and the Arafura-Timor Seas.

There are five key priority areas under the RPOA: assessing the current resource and management situation in the region, developing stronger coastal state responsibilities, strengthening monitoring control and surveillance, undertaking port state monitoring, and developing regional capacity building mechanisms.

The RPOA was endorsed by the responsible fisheries Ministers from eleven countries – Australia; Brunei Darussalam; Cambodia; Indonesia; Malaysia; Papua New Guinea; the Philippines; Singapore; Thailand; Timor-Leste and Vietnam.

Other cooperative projects

In addition to the projects detailed above, DAFF has been involved in funding initiatives to improve animal welfare in ASEAN member countries which include the purchase and installation of slaughter boxes in Indonesian and Malaysian abattoirs to ensure the welfare of livestock slaughtered overseas. DAFF has also been involved with organising regional workshops to share experiences on the management of highly-pathogenic avian influenza which has involved ASEAN member countries. All of these activities have been beneficial for sharing Australian expertise on animal health and welfare issues with ASEAN members and the development of professional relationships between senior officials.

Opportunities to enhance regional security through Australian involvement

DAFF works with a range of Australian Government organisations including the Department of Foreign Affairs and Trade and AusAID to pursue the objective of enhancing ASEAN countries' capacity to respond to major animal diseases, and enhancing ASEAN member countries' capacity to develop a safe and stable food supply.

DAFF is engaged in a range of activities which improve food safety and security within ASEAN. Involvement in quarantine strengthening of neighbouring countries is assisting improved ASEAN management of emerging disease threats such as highly pathogenic avian influenza and foot and mouth disease, which in turn adds a layer of protection for Australia's agricultural industries against the devastating effects of these diseases.

Indonesian Quarantine Strengthening Project

The Indonesian Quarantine Strengthening Project (IQSP) is a two-year project which is funded by AusAID and implemented by the Northern Australian Quarantine Strategy, which is a part of the Australian Quarantine and Inspection Service (AQIS). The main goal of the IQSP is to strengthen the Indonesian Agricultural Quarantine Agency's ability to mitigate local quarantine risks associated with major diseases of quarantine concern, including highly pathogenic avian influenza. Strengthening the quarantine capacity of neighbouring countries can effectively move Australia's quarantine border outwards, enabling early warning and improved response to emerging quarantine threats. AQIS implements similar projects in Papua New Guinea and Timor-Leste. Activities conducted under the IQSP include basic training on epidemiology, risk assessment, and public awareness of quarantine issues.

Australian Fumigation Accreditation Scheme

The Australian Fumigation Accreditation Scheme (AFAS) is a program developed by the Australian Quarantine and Inspection Service (AQIS) that aims to address the high quarantine risk posed by ineffective fumigation treatments performed offshore. Improperly performed methyl bromide fumigations on plant and horticultural products may not be effective in killing serious quarantine pests (such as the Khapra beetle or Giant African Snail) prior to reaching Australia's quarantine border. AFAS is an important program in controlling the spread of serious quarantine pests within and from the ASEAN region.

The scheme includes a training and accreditation system for fumigators and regulatory officers and a registration system for fumigation companies. Additionally, the scheme involves a management system run by the overseas agency to ensure continued training, accreditation and compliance of fumigators.

The scheme facilitates trade by assisting overseas fumigators to comply with Australian quarantine requirements, builds capacity for overseas quarantine agencies and enhances the technical expertise of overseas fumigation providers. Participating countries within ASEAN are Indonesia, Malaysia and Thailand and it is expected the scheme will expand into other ASEAN countries.

Free trade agreements with individual ASEAN countries

DAFF supports Free Trade Agreements (FTAs) which underpin our preferred outcomes for agriculture in multilateral processes. FTAs can offer opportunities to secure liberalisation faster than might be achieved through multilateral processes, but DAFF recognises that the multilateral process will yield wider benefits to portfolio exporters through the reduction of trade distorting measures such as export subsidies and domestic support arrangements.

Australia has existing Free Trade Agreements with Singapore and Thailand; and along with New Zealand, has recently concluded negotiations with all ten ASEAN member countries on the ASEAN – Australia – New Zealand FTA. Bilateral FTA negotiations with Malaysia were put on hold pending the outcomes of the ASEAN – Australia – New Zealand FTA negotiations, and are expected to be reinvigorated in the future. A feasibility study for an FTA with Indonesia is currently underway.

FTAs have proven to be a helpful mechanism to improve cooperative relationships between Australia and FTA partners in technical agricultural areas. DAFF has been involved with a range of cooperative activities which have been developed through FTA dialogues relating to the DAFF portfolio.

Singapore – Australia Free Trade Agreement (SAFTA)

SAFTA came into force in July 2003 and while Singapore already had a very low level of tariff protection, SAFTA removed the few remaining tariffs. Singapore is a major destination for portfolio exports and from DAFF's perspective, our relationship with Singapore is excellent. The sectoral annexes to the SAFTA chapter on Technical Regulations and Sanitary and Phytosanitary measures have been beneficial for streamlining the import and export of food and horticultural products, including the acceptance of phytosanitary certificates and reduction of duplication between the parties on pre-export quarantine and post-arrival quarantine measures.

Thailand – Australia Free Trade Agreement (TAFTA)

TAFTA has produced noticeable improvements in trade volumes and lower tariffs since implementation. DAFF is seeking further tariff concessions to match or exceed outcomes Thailand has negotiated with China and New Zealand in conjunction with other government agencies. DAFF is looking to the inbuilt agenda within TAFTA to seek improved market access for horticulture and sugar. Through this process, DAFF is also seeking improvement of the conditions under which a range of commodities are traded including milk powder, cheese, beef and horticultural products.

TAFTA has also instituted a dialogue, the Expert Group on Sanitary and Phytosanitary Measures and Food Standards, which allows Australia and Thailand to pursue technical market access issues which affect trade in portfolio products.

ASEAN – Australia – New Zealand Free Trade Agreement

DAFF has participated in the negotiation of the ASEAN – Australia – New Zealand Free Trade Agreement and was a co-chair of the Expert Group which negotiated the text of the chapter on sanitary and phytosanitary measures.

While a plurilateral agreement with all ten ASEAN members yields specific benefits for Australian exporters such as the development of regional rules of origin (which

liberalise the conditions under which products may receive tariff preferences within the ASEAN – Australia and New Zealand region), due to the differing levels of development between ASEAN members, far-reaching tariff liberalisation is more difficult.

During negotiations, DAFF has sought to ensure that there are no additional obligations on sanitary and phytosanitary measures to those of the WTO or any mechanism which would impair Australia's capacity to develop and implement measures necessary for the protection of human, animal or plant life or health. DAFF has also sought rules of origin for portfolio products which are consistent with other FTAs which Australia is a party to which ensure that products receiving preferential tariff treatment either originate within the region or have undergone substantial transformation within the region.

The geographic proximity of ASEAN members to Australia and the increasing levels of development within ASEAN mean that the ASEAN – Australia – New Zealand Free Trade Agreement forms an important foundation for the future prosperity of Australian agricultural exporters.

After the agreement is signed, which is expected later this year, DAFF is optimistic that there will be a range of positive outcomes for portfolio exporters in addition to the development of a dialogue with ASEAN partners on matters of interest to the DAFF portfolio.

Other bilateral FTAs

The opportunities to complete bilateral FTAs with ASEAN members is welcomed by DAFF, as the ASEAN region comprises several major export destinations for Australia (including Indonesia and Malaysia). Bilateral agreements with individual ASEAN members are likely to increase Australian access to sectors excluded from the internal ASEAN FTA and capture tariff reductions not achieved through the ASEAN – Australia – New Zealand FTA. Bilateral agreements with ASEAN partners will also offer an opportunity to further liberalise trade in areas other than goods such as services, government procurement and competition policy.

Non-tariff measures

There is a range of non-tariff measures which affect the trade in portfolio products to ASEAN countries. These include the development of new plant quarantine regulations by some ASEAN countries, religious slaughter requirements for export to Islamic countries, food labelling requirements and import licensing. While FTAs may provide a mechanism for dialogue on non-tariff measures, many of these issues are ongoing matters for DAFF and for Australian exporters.

DAFF uses a range of bilateral trade fora and agricultural dialogues to pursue liberalisation of other non-tariff measures such as import licensing and food labelling. The Australian Quarantine and Inspection Service works closely with Australian Islamic organisations in addition to representatives of foreign religious authorities to ensure that the requirements of religious slaughter are met.

DAFF also invests a significant amount of resources into technical market access (which includes activities such as the development of animal health protocols for the export of live animals and the preparation of scientific material to support market access requests for exports of plant products) which can enable continued access to

overseas markets. A network of overseas officers has been established to assist DAFF's efforts, including officers based in Bangkok and Jakarta. DAFF works closely with domestic industry groups to ensure that technical market access work is undertaken in accordance with industry priorities.