CHAPTER 4: TRANS-TASMAN TRADE ISSUES

4.1 Since the Closer Economic Relations (CER) agreement between Australia and New Zealand was signed in 1983 the volume of trans-Tasman trade has grown to roughly $9.4 billion in 1996. This trade is significant to the economy in both countries. Australia is New Zealand's largest trading partner taking about 20 per cent of its exports and providing a similar proportion of New Zealand's imports. New Zealand is the third largest market for Australian exports and the sixth largest source of imports.

4.2 The trans-Tasman trade is dominated by manufactured goods but agricultural products and food comprised about ten per cent of the total value. Export of agricultural products and food from Australia to New Zealand was worth $560 million in 1996.

4.3 New Zealand, like Australia, has to balance the need for strong quarantine measures to protect domestic industries from pest and diseases with the promotion of freer trade for agricultural products. Under CER, as under new World Trade Organisations (WTO) provisions, both countries are allowed to adopt measures to protect human, animal or plant health. This is an important provision given the significance of agriculture to the economy in both countries and the need for both to maintain superior quality produce for export markets.

4.4 The two countries have different environments and have different agricultural pests and diseases. Quarantine issues therefore are an important element in the management of trans-Tasman trade as each country endeavours to maintain its current level of protection while seeking markets access for its produce. The only way to harmonise quarantine arrangements and ensure that they are not being used as non-tariff barriers to trade is to adopt a strict scientific basis for all quarantine actions.

4.5 Australia and New Zealand are both required under the WTO's Sanitary and Phytosanitary Agreement to adopt a scientific approach and to review quarantine barriers. The agreement does not require countries to surrender the right to protect their agricultural industries through import quarantine measures. WTO members are however required to base quarantine measures on international standards, guidelines and recommendations, where they exists. Higher standards can only be applied if a formal risk assessment process, based on scientific principles demonstrates that such standards are required.

New Zealand's approach to quarantine issues

4.6 The Committee members were told by New Zealand Ministry of Agriculture officials that risk analysis is the basis for all quarantine standards in New Zealand. Risk analysis is provided for under the New Zealand *Biosecurity Act 1993* which also provides for the implementation of New Zealand's international obligations arising from conventions such as the Sanitary and Phytosanitary Agreement.

4.7 Risk analysis involves either a quantitative assessment or qualitative evaluation of the risk of importing the product in question. Full quantitative analysis was adopted initially after the Sanitary and Phytosanitary Agreement was endorsed but a more qualitative approach has since been implemented for some imports where the risk is known to be small or is already well quantified. Qualitative analysis involves identifying the pathways through which an unwanted pest or disease could enter the country and the management processes that would be required to prevent this happening. This provides a basis for implementing risk reduction measures.

4.8 Quantitative analysis is somewhat more rigorous and includes the identification of probabilities of certain events happening. It is still used when it is seen that a significant risk may be involved or where New Zealand may have special obligations to firmly establish the nature of the risk associated with a particular product. Ministry officials advised that a full quantitative assessment was undertaken for the import of salmon products from Canada.

4.9 A zero risk environment is considered to be unachievable and is not an objective. New Zealand recognises that the Sanitary and Phytosanitary Agreement effectively makes a zero risk approach unacceptable.

4.10 The Ministry of Agriculture is compiling a comprehensive pest list for 500 potential import products. This data will be used to standardise procedure for risk assessments of import proposals by looking at the known incidence of the identified pests in source countries. The collection of such data is a huge task. It is estimated that there are 20000 potentially quarantinable pests, of which 5 000 are already present in New Zealand. Given the magnitude of the task the Ministry will be concentrating its efforts on the main risks pests, such as fruit fly species.

4.11 It was suggested to the Committee members that some sectors of New Zealand's agricultural industry believe that quarantine protection levels have declined since the adoption of the Sanitary and Phytosanitary Agreement. The development of this perception emphasises the need for transparency in quarantine process and for quarantine requirements to have a sound scientific base. This perception is also associated with industry allegations that New Zealand is being treated unfairly when quarantine is used as an argument to deny market access for its exports.

4.12 The Ministry of Agriculture and Fisheries Regulatory Authority combines import and export inspection services in one authority but deals separately with animal and plant issues. Consolidation of import and export services in one authority is seen as contributing to the harmonisation of the interests of the domestic industry with the need to comply with international obligations.

4.13 Ministry officials suggested that Australia and New Zealand should aim to minimise trans-Tasman quarantine with restrictions imposed only where there is a threat of disease or pest transmission as shown by risk analysis. Foot-and-mouth disease was cited as an example where it is known that a disease does not occur in either country but where quarantine certification is still required for local produce crossing the Tasman.

The Biosecurity Council

4.14 In December 1996 the New Zealand Government appointed a Minister for Biosecurity to administer the Biosecurity Act and to co-ordinate biosecurity activities. The new Minister does not administer a separate executive department but will take responsibility for the biosecurity programs of officials in existing agencies. The officials will continue to report to other Ministers but will be accountable to the Minister for Biosecurity for the delivery of biosecurity services as funded from government appropriations.

4.15 This approach is predicated on the view that biosecurity issues cannot be separated from the administration of trade and agriculture and that other agencies will continue to need a capacity to integrate biosecurity aspects into other aspects of their work.

4.16 A Biosecurity Council has been established to advise the Minister. It consists of the heads of the agencies with biosecurity responsibilities, Chief Technical Officers appointed under the Act, the Chief Scientist, and representatives of regional councils and the Environmental Risk Management Authority. In addition the Council will be have the ability to call on independent scientific expertise, such as that which could be provided by the Horticulture and Food Research Institute. The Council will develop standards and procedures for risk assessment, coordinate biosecurity related research, and facilitate cross agency cooperation.

Current quarantine issues

4.17 The Committee members discussed several quarantine and market access issues with New Zealand officials and industry representatives. Fireblight, proposals for New Zealand salmon exports, New Zealand's position on trade in chicken meat, and barriers to table grapes exports from Australia, were all matters that were examined.

Fireblight

4.18 At the start of the Committee's visit the presence in Australia of the organism that causes fireblight disease in apples was not confirmed. It had been alleged by a New Zealand scientist that samples of plant material taken from the Melbourne Royal Botanic Gardens showed possible symptoms of fireblight. This allegation had serious implications for the apple and pear industries in Australia and fuelled speculation in New Zealand that an Australian quarantine ban on apple imports form areas with fireblight had no scientific basis.

4.19 Australia was not initially told that the samples had been taken from Melbourne and tested in New Zealand. Further samples were taken from the Adelaide Botanic Gardens by New Zealand's Chief Plant Officer. The Australian Quarantine Inspection (AQIS) service then gave permission for the samples to be tested in New Zealand after being informed that the samples had already been collected.

4.20 The collection of samples and the unauthorised removal to New Zealand in the case of the material from the Melbourne Royal Botanic Gardens was carried out in a way that raised questions about the ethics and objectivity of the New Zealand scientists. New Zealand has fireblight but it is able to export apples to countries with strict quarantine on the basis that exports are sourced form certified fireblight free areas. An application from New Zealand had been received for access to the Australian apple market but it proposed export from anywhere in New Zealand. AQIS had signalled that a risk analysis had found that the application should be rejected and this meant that the New Zealand apple industry had a strong vested interest in finding evidence that would undermine Australia's risk analysis.

4.21 Although testing was still not complete it was clear to the Committee members that many in New Zealand believed that fireblight was present in Australia. The New Zealand apple industry had for many years sustained rumours of anecdotal evidence supporting this view. The Chairman of the Apple and Pear Marketing Board, dismissed concerns about the circumstances surrounding the discovery of fireblight in Australia and saw Australia's position as an attempt to restrict trade.

4.22 New Zealand officials seemed to have already assumed that further testing would show that fireblight was entrenched in Australia and tended to be dismissive of concerns about the problems this would cause the Australian apple and pear industries. It was suggested that New Zealand would require that Australia prove its fireblight free status if the

ban on the import of New Zealand apples continues. The Minister for Agriculture, Dr the Hon Lockwood Smith, made it clear in a meeting with the Committee members that New Zealand would vigorously pursue the matter through WTO arbitration procedures if the presence of fireblight was confirmed in Australia.

4.23 There was also some scepticism of Australia's capacity to effectively test for fireblight and it was pointed out that sampling would have to be done at the appropriate time of the year, that all potential hosts would have to be sampled, that testing would need to extend beyond commercial orchards and that sensitive techniques would be required to isolate and characterise the disease organism. If these standards are not applied then New Zealand would consider Australia's disease free claim as unsubstantiated.

4.24 The Chief Plant Officer told the Committee members that fireblight was in fact not much of a problem and was less wide spread or damaging than other orchard pests. It was also pointed out that New Zealand has coped with fireblight by introducing local quarantine measures that complied with stringent area free testing for exports to the Japanese market. An annual three phase inspection process is conducted during the peak risk period in a 500m exclusion zone around export orchards.

4.25 It needs to be recognised that the area free testing procedures adopted in New Zealand were a matter of bilateral negotiation with Japan for the export of New Zealand apples to that country. A similar requirement cannot be imposed on Australia by the WTO and the confirmation of fireblight in Australia does not automatically ensure market access for New Zealand apples. Australia's quarantine decision would still be valid of the disease is found to be confined to minor outbreaks in non orchard areas and steps are taken to eradicate it where it does occur. The export of New Zealand apples to Australia would then most likely be able to proceed only if New Zealand applied bilaterally agreed protocols such as those adopted for its apple trade with Japan.

4.26 In part, the resolution of this matter will depend on further testing that is seen to be credible on both sides of the Tasman. It was proposed to New Zealand officials by the Committee Chair that scientists from both countries could work together in a neutral environment. The Chief Plant Officer responded by saying a joint effort would be acceptable for testing in New Zealand laboratories in the coming growing season and that work in a neutral country would be acceptable if the equipment and techniques are appropriate.

Salmon

4.27 New Zealand has also made an application to import uncooked salmon meat into Australia. For its part New Zealand has also had to consider applications to import uncooked salmon meat from Canada. This was resolved by a risk analysis which lead to New Zealand allowing imports under specified conditions. One consequence of this was that the domestic industry in New Zealand renewed its efforts to get market access to Australia. The problem from Australia's point of view is that it has a different disease situation to New Zealand. Both countries have some salmonid diseases present but previous assessments of the risk associated with salmon imports form New Zealand have found three diseases of quarantine concern to Australia. The New Zealand industry has proposed that their government join Canada in moves to force the issue of imports into Australia.

4.28 New Zealand's acceptance of salmon imports from Canada complicated matters for Australia when it considered an application from Canada and the United States to export to Australia. Given the difference disease status of Australia and New Zealand it doesn't

necessarily follow that the decision of one can be applied in the other country. The application to import into Australia was more difficult to assess because it involved both Canada and the United States. New Zealand officials advised the Committee that they had not initially considered access from the United States but that a generic risk assessment would be carried out for possible imports from all countries.

4.29 Australia has advised New Zealand that its application to import uncooked salmon into Australia is under consideration but that assessment of the more complex request from North America had been given priority. An issues paper has however now been released and New Zealand officials advised the Committee members that they believed that this paper was something that they could respond to. It was noted that AQIS had provided some information about the timeframe for the risk analysis but the New Zealand officials were seeking confirmation of the expected completion date.

Chicken meat

4.30 At present New Zealand allows the importation of chicken meat only from Australia and the United States, but like Australia it is considering applications to import from other countries, notably Thailand. In its risk analysis New Zealand is using the same scientific data that AQIS is using. At present New Zealand does not allow the import of uncooked chicken meat but consideration is being given to a risk analysis for importation from disease free areas.

4.31 New Zealand has made an application to import uncooked chicken meat into Australia and officials had expected that this would not pose any problems given New Zealand's favourable disease free status. However, AQIS was concerned that Infectious Bursal Disease had been introduced into New Zealand in a batch of mislabelled imported vaccine. The New Zealand officials emphasised to the Committee members that the disease had not been introduced through the import of chicken products and that it had already been virtually eradicated.

4.32 New Zealand officials are aware that their application to import into Australia is being considered in the context of the broader risk analysis being conducted by AQIS. They suggested that surveillance of the industry in New Zealand and their rigorous testing should give Australia confidence that disease would not be introduced from third country imports.

Table grapes

4.33 Concerns have been raised that New Zealand has put unreasonable requirements on Australian exports of table grapes to New Zealand following the detection of redback spiders in grape shipments. The spiders are not a threat to New Zealand agriculture but quarantine measures have been required because they are deemed to be a pest of human health concern.

4.34 The measures negotiated with New Zealand involve disinfestation by fumigation with a mixture of sulphur dioxide and carbon dioxide gases at field temperature. Industry in Australia have argued that this process imposes costs which act as a barrier to trade. Similar requirements are imposed on grape imports from the United States to destroy black widow spiders and most of the New Zealand domestic grape crop is used in wine making. It appears therefore that the measures are not directed at inhibiting imports from Australia and are consistent with WTO provisions. They have however caused income losses in Australia because of the compliance costs and diversion of produce to other markets. It is also a

concern that adoption of the fumigation measures might cause problems with chemical residue which would be unacceptable in other countries.

4.35 Alternatives to fumigation are being investigated in Australia and New Zealand officials advised Committee members that they were prepared to consider viable alternatives, such as vineyard pest control programs leading to declarations of area free status and the use of insecticide impregnated liners. At present though it is believed that fumigation is the only alternative.

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Committee Chair

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