



Supplementary Statement — **Mr John Forrest MP**

Australia – Chile Free Trade Agreement

The Member for Mallee expresses strong reservations in regard to the recommendation to take binding action on the Australia-Chile Free Trade Agreement at this stage. However, recognising the majority position of the Committee he is at least grateful for the cooperation of the Committee in the inclusion of recommendation 3 & 4 of the report and wishes the following supplementary statement to be given due regard by the Government in the need for such recommendations.

Opposition to this Free Trade Agreement with Chile has a lot to do with its timing and its potential damage to the horticultural industries of regional Australia. This Australia-Chile agreement has been processed hastily and the interests of an important commodity sector ignored as a result.

The signing of an Australia-Chile FTA has the potential to force fast tracked negotiation for phytosanitary access for fresh Chilean horticultural produce into Australia (particularly table grapes). Australian horticulturists have to spend an enormous amount of time arguing their case against every instance where another Nation seeks to have their phytosanitary requirements relaxed.

Indeed, the submission by Horticultural Australia expresses this concern. 'It is the firm expectation of the Australian Horticulture Industry that signing of the Australia-Chile FTA will bring considerable pressure for Australia and Chile to negotiate and subsequently grant phytosanitary access for Chilean fresh horticultural produce in Australia. This view is supported by direct advice provided by the Chilean horticultural industry and traders.'

The context of this issue is covered in article 6 of the text of the agreement but there is a distinct difference in the text to other FTA's. In regard to phytosanitary consultations, all this text requests are the identification of contacts. In this context under article 6.5 (1) the SPS contacts shall be

- (a) In the case of Australia, the Department of Agriculture, Fisheries and Forestry, or its successor; and
- (b) In the case of Chile, the General Directorate of International Economic Affairs, Ministry of Foreign Affairs, or its successor.

Whereas, for example in the text of the Australia - US FTA the parties establish a Committee on Sanitary and Phytosanitary matters. The writer considers this difference to be a significant weakness in the capacity for transparency in the Australia Chile FTA because it constrains the exchange of significant information to the bureaucracy and the writer considers this a vital omission in the capacity to keep domestic horticultural players in the information loop and lessens their confidence in the transparency of the process. This omission is obviously as a result of the haste in which the agreement was prepared and the lack of consultation identified in evidence.

All our fruit industries, table grapes, apples and pears, summerfruit, cherries, strawberries, blueberries, avocados, prunes, dried grapes, citrus, kiwifruit, fresh berries and currants, would be impacted adversely by accidental introduction of pests and diseases currently not in Australia.

It is a regional development issue. These industries have 6700 growers and a gross value product of \$1.5 billion and a significant proportion is generated in the Federal Division of Mallee along the Murray Valley. They have to prosper in our regions if farming communities are to remain strong. Our horticulturists have all become tremendously efficient in very competitive world markets, but it is doubtful they could hold out against the cheap labour available in Nations such as Chile.

The Australian table grape industry has about 1200 growers, a gross value product of \$300 million, and employs 12,000 at the peak of harvest.

Last harvest, Australia produced 100,000 tonnes of table grapes. In contrast, Chile produces a million tonnes of the same varieties. We are in direct competition in international markets and that also has an impact. Chile exported 435,000 tonnes to the United States alone last year, mainly from December to April during Australia's peak production time. It is clear that Chile will try and seek a tentative placement of this fruit next harvest in the light of global financial uncertainty and the economic hardship currently being experienced in the US.

This will occur in a period of depleted Australian domestic supply reduced by severe irrigation water shortages. Chilean exporters will be flooded with requests

from Australian fresh fruit importers wanting to satisfy Australian domestic demand because of reduced supply due to the drought.

Summerfruit, comprised of peaches, plums and nectarines, are mainly grown in the Swan Hill region and in New South Wales. There are about 1500 growers. The industry has a gross value product of \$300 million and employment peak season of about 10,000 workers (6000 in the Swan Hill area alone).

Of great concern to our summerfruit growers is plum pox, which is said to be spreading through Chile and other countries, but not found in Australia. The impact of exotic diseases was epitomized when citrus canker infected parts of Queensland recently. Such a disaster must be prevented in Australia's fast growing stonefruit industry.

Chile is a powerhouse of production and the cost of labour in Chile is extremely cheap (as low as 40% cheaper than Australia) compared to Australia where 70% of our cost of production is labour. Our seasons are the same and Chile could flood our domestic fresh fruit markets with significant impacts on Australian horticulturalists already devastated by water shortages. Horticultural free trade with Chile will be very much in Chile's favour, and Chilean fruit could take up to 40 per cent of Australian domestic market share, and eventually render local production unsustainable because Chile can sell at prices well below the Australian cost of production.

If more consultation had occurred in the development stage of the Australia-Chile FTA, the horticultural industry sectors would have suggested a number of more lucrative markets for Australia to target in the National interest.

The writer supports FTA's with counter seasonal countries like China, Japan, Korea, Indonesia, India, South East Asian nations, and the Gulf nations of Bahrain, Kuwait Oman, Qatar, Saudi Arabia and the United Arab Emirates.

Australia needs to spend more, not less, on accessing these worthwhile markets for horticultural exports.

Chile is not a major trading partner for Australia, and industry is cynical about all this effort being made to secure a FTA which has minimal benefits for Australian horticulture. Finance, mining and the services sector are beneficiaries but this is occurring anyway. This agreement is very much a one way affair in the interests of Chile in regard to horticulture.

The haste at which this agreement has been prepared has shades of the late 1980's and early 1990s, when Australia drastically reduced tariffs on horticulture and the tariff on imported frozen orange juice concentrate. In particular the world's biggest producer of frozen concentrate of orange juice, Brazil, retained its own 30 per cent tariff but flooded the virtually unprotected Australian domestic market - our fresh and concentrated juice market, and our growers of Valencia oranges have never recovered and have virtually disappeared as a result.

That is not fair trade. The knock-on effect was that our citrus industry was forced into enormous restructure with few resources and insignificant Government support. In many cases, growers just walked away. It was ironic that Brazil was using FCOJ technology developed by Australia to help maximise returns to Australian citrus growers.

There are times when we have to examine reality and make decisions on how our Nation moves forward, especially in primary production.

In the light of this, it is essential that our Government agencies, as a priority, negotiate and finalise free trade agreements with our principal trading partners, China, Japan, Korea, Malaysia and increasingly, India. Horticulture is owed this much at least.

This must be done as a matter of urgency in the National interest before expending valuable resources on one-sided trade agreements with Nations where there will be a detrimental impact on so many good Australian farming families.

It appears to the writer that the government has cynically agreed to sign and make itself look better in the face of its DOHA failure and not given due regard to domestic horticulture. The timing is completely cynical when all these industries are already on their knees due to drought and poor commodity prices. This FTA with Chile could deliver a devastating blow to their already very low morale. The timing of this FTA is all wrong and it would be of little benefit to regional Australia.

Department witnesses acknowledged that there was no social impact statement, and the Government has certainly given no indication that any assistance will be given for these horticulturists if their domestic market is suddenly flooded with fresh fruit from such a large producer as Chile.

The lack of a public cost benefit assessment and the lack of industry consultation leads to the inclusion of recommendation 3 which has the writer's strong support for the consideration of any future FTA's.

In a regional development context, if the Government keeps making decisions on trade and other matters so adverse to our Australian horticulturists, there will soon be no-one in the regions capable of producing food. The preparation of social impact statements are therefore vital and recommendation 3 is strongly supported.

In addition, any attempts by Chile to fast track phytosanitary changes should be staunchly resisted. Chile has already indicated to Biosecurity Australia they would like the current protocol conditions requiring fumigation of table grapes, to be relaxed (the fumigation is for the various exotic pests and diseases in Chile that Australia does not have). Verbal advice amongst Chilean table grape growers indicates that, at the commencement of this agreement, priority consideration will

be requested by them as they will argue strongly that the special status of an FTA warrants such a consideration.

A review as recommended in recommendation 4, particularly in regard to phytosanitary issues, is vital to ensure Australia's National interests are protected.

Whilst the writer prefers that this agreement not be ratified at this stage, he does argue strongly that the advice contained in recommendations 3 and 4 be strongly supported by the Government.

John Forrest

Member for Mallee

15 October, 2008

