

The voice of Australian farmers since 1979



9 June, 2005

Ms Kathleen Dermody
Committee Secretary
Senate Foreign Affairs, Defence and Trade Committee
Department of the Senate
Parliament House
CANBERRA ACT 2600

Dear Ms Dermody

Please find enclosed the National Farmers' Federation's (NFF) submission to the Senate Foreign Affairs, Defence and Trade Committee's Inquiry into Australia's Relations with China.

NFF, as the peak body representing the interests of Australian farmers, welcomes the opportunity to provide comment on this important matter and we thank you for allowing NFF to submit a late submission.

The submission largely focuses on the Australia - China Free Trade Agreement (FTA) and in this regard NFF does not seek to articulate individual Australian agricultural commodity issues, positions or priorities apropos the China FTA. The relevant industry representative bodies may, or may not, make separate submissions on commodity specific issues.

NFF is happy to appear before the Committee to elaborate on any view expressed in this submission.

The contact at NFF in regard to this matter is Scott Mitchell, Policy Manager - Trade. Scott can be contacted on (02) 6273 3855.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ben Fargher', is written over a light grey background.

BEN FARGHER
Chief Executive Officer

National Farmers' Federation Limited
ABN 77 097 140 166

NFF House, 14 - 16 Brisbane Avenue, Barton ACT 2600 ■ PO Box E10, Kingston ACT 2604
Tel +61 2 6273 3855 ■ Fax +61 2 6273 2331 ■ Email nff@nff.org.au ■ Web www.nff.org.au

National Farmers' Federation (NFF)

Submission to the Senate Foreign Affairs, Defence and Trade
Committee's Inquiry into Australia's Relations with China

June 2005

1. Overview

1. Agriculture is a very important sector of the Australian economy. Over the six years up to and including 2003-04 the farm sector, on average, contributed to 12.1 per cent of GDP or \$72 billion¹. Agriculture also provided 23.9 per cent (\$26 billion) of our goods and services exports in 2003-04².
2. China is a very important market for Australian farmers with agricultural exports to China in 2003/04 worth over A\$2.4 billion.
3. With a population of around 1.3 billion, China has huge growth potential and will become a more important market for Australian farmers in the future.
4. Australian agricultural industries face several barriers when exporting to China.
 - As a result of these points outlined above, the National Farmers' Federation supports the launch of negotiations for a Free Trade Agreement (FTA) between Australia and China.
 - NFF believes any FTA with China must include agriculture at the heart of both the negotiation and final agreement.
 - NFF calls for any FTA negotiation to be on the basis of a single undertaking.
 - Specifically, NFF seeks entirely free access for all Australian agricultural exports to China over the shortest timeframe possible.
 - Simple tariff barriers are not the only restrictions to trade with China. Other non-tariff barriers, such as non-science based quarantine restrictions, regulations, customs procedures, import protocols, standards, adherence to contracts, rules or origin procedures, licenses and quota administration also serve to impede the efficient flow of Australian products into the Chinese market. These issues should be carefully addressed in any negotiation.

1. Source: Australian Farm Institute, *Australia's Farm Dependant Economy Report*, 2005

2. Source: ABARE, *Australian Commodities*, tables 4 and 5.

2. Introduction

China's accession to the World Trade Organisation (WTO) in 2001 formalised its rapid emergence into the international arena as a key global force. The signing of the Australia - China Trade and Economic Framework in 2003 signalled a clear commitment between the two countries to further enhance economic and trade relations. Since joining the WTO in 2001, China has also demonstrated a broader shift in trade policy and is now negotiating FTA's with several major trading partners including ASEAN, Chile, New Zealand and South Africa.

This submission focuses on the opportunities that the Chinese market offers for Australian agriculture, while exploring the challenges and impediments that prevent export growth to the Chinese market. Please note that this submission does not seek to address agricultural commodity specific issues – it is intended to be generic in nature for agriculture. NFF's commodity member organisations may, or may not, make separate submissions on their specific industry issues and priorities.

Australian agricultural industries believe that a high quality comprehensive FTA with China has the potential to provide significant benefits in the form of improved market access. Having said this, the benefits Australian farmers need to see from this agreement will not only be in the form of increased volume of Australian agricultural exports to China due to reduced tariff barriers and the elimination of quotas. It is important that this agreement also results in a more transparent and predictable Chinese import system. These issues must be dealt with to ensure that legal and financial frameworks are in place to ensure this is a trade creating commercial agreement.

NFF believes that technical issues relating to import procedures must be at the forefront of negotiations so that they do not continue as non-tariff barriers to trade. It is vitally important that any agreement streamlines customs procedures, import licensing, rules of origin procedures, improves protection for intellectual property and importantly ensures that SPS arrangements are science-based and transparent.

The impressive growth of the Chinese economy, strong population growth, combined with the rapid urbanisation of the population and westernisation of the Chinese diet, mean that imports of high quality food and agricultural products have the potential to increase strongly in the future.

China is an important supplier of inputs used in Australian agricultural production, such as pesticides, herbicides and fertilizers. It is important that Australian farmers continue to have access to these competitively priced products to ensure that we are not placed at a disadvantage compared to producers in other countries with which we compete on the global market.

3. Australia-China FTA - all barriers to trade must be eliminated

An FTA with China must eliminate tariffs on all products over the shortest timeframe possible and promote clearer and more transparent administration of all facets of Australia's trade relationship with China.

3.1 Tariffs must be eliminated

NFF believes a Free Trade Agreement should mean just that: free trade. In this regard, import tariffs must be eliminated upon the ratification of an FTA treaty with China, or phased out over short timeframes, with no exclusions.

3.2 Special, transitional and permanent safeguard provisions must be avoided

Safeguard provisions additional to the current time limited WTO mechanism should be avoided. These include "unusual", "novel" or "additional" safeguards such as special, transitional and permanent safeguards, which all have the potential to become another form of border protection, which can be used to restrict or stop imports and should be avoided in the negotiation of any future China FTA. Safeguards result in significant uncertainty and commercial volatility in trade between countries.

Having stated this, NFF recognises that WTO members currently have access to a safeguard measure that can be invoked following thorough investigation which finds that increased imports have been the substantial cause of serious injury, or threat of serious injury to an industry. This investigation must be WTO consistent and based on facts not allegation. Before such action is taken bilateral consultation by both parties should be entered into in an attempt to avoid the imposition of a safeguard.

So called Special safeguards provisions should also be avoided in regard to the Chinese FTA.

4.3 Tariff Rate Quota (TRQ) barriers must be streamlined

While Australian agricultural exports have, on the whole, benefited from quota increases resulting from China's accession to the WTO, there remain a number of issues that hinder Australian agricultural exports taking full advantage of these benefits:

- A lack of transparency in the TRQ administration of farm commodities;
- Delays in announcing how the allocation of various commodities will be divided up; and
- The small size of some quotas, which makes them commercially unviable.

5. Non Tariff Barriers are extremely important

5.1 Quarantine - Sanitary and Phytosanitary (SPS) Barriers

An obligation of China's WTO accession was standardisation of all SPS and quarantine regulations in accordance with WTO standards. NFF believes it is important work continues in this area.

NFF would also like to see China recognise Australian SPS and quarantine regulations. This would mean gaining certification for Australian exports (including live animals, plant and animal products) as free from certain diseases and pests, the acceptance of inspection and accreditation standards for Australian export facilities, and the recognition of Australian quality standards.

NFF believes any future FTA agreement with China must also improve the transparency of China's SPS standards.

5.2 Bureaucratic and Governmental Barriers

NFF believes the FTA negotiation with China must lead to further improvements in Chinese Government procedures.

NFF believes any future FTA agreement with China should also include the establishment of a mechanism that aims to produce uniform, predictable and transparent customs valuations and procedures..

5.3 Investment and financial markets

Many Australian agricultural industries are, or are planning to, invest in the Chinese market. Specifically, many seek to establish joint ventures that utilise local and imported products to supply both the domestic Chinese market and export markets.

NFF believes any future FTA agreement with China should ensure any unjustified barriers to the establishment and operation of wholly owned or joint venture operations in China are removed. Legal reforms that result in contractual security are important, as are protection of intellectual property rights such as protection of plant breeder's rights which grant exclusive commercial rights to a registered plant variety.

5.4 Contractual obligation

Many agricultural exporters sight instances of non-adherence to contractual obligations when doing business with China.

NFF believes this negotiation should set out to improve legal and financial frameworks to ensure Australian business benefit from any concluded agreement.

