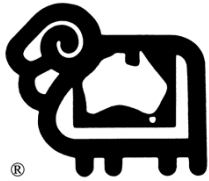


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Submission to the Review of Proposed Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11)

The Australian Council of Wool Exporters and Processors (ACWEP) thank you for the opportunity to make a Submission. ACWEP represents companies involved in the wool export and processing (in Australia) industries.

A Snapshot of the Australian Wool Industry and its Key Export Destinations

Wool is a major Australian export industry, with over 90% of Australia's production going to 25 to 30 different countries each year. Wool prices are currently at record levels (in unadjusted terms); and are expected to earn between \$3.5 and \$4.0 billion in export income in 2017/18. Exports to the end of February 2018 totalled \$2.4 billion, 24.4% more than in the same period last year.

While 78-80% of Australia's wool exports go to China (which is not a TPP Member) and around 5% goes to India (also not a TPP Member), other countries in the Asia Pacific Region are important and hopefully, growing trade partners (see Table 1 below).

Should China and India become part of the TPP, an additional 85% of Australia's wool exports would go to TPP countries (based on current export data).

Value of Wool Exports to Current TPP 11 Members

ACWEP notes that TPP-11 includes the following countries, of which eight imported Australian wool between 2014/15 and 2016/17, although the quantities are small at the moment.

Table 1
Value of Australian Wool Exports to TPP 11 Countries 2014/15 to 2016/17
and their Proportion of Total Wool Exports

Country	Wool Imports from Australia 2014/15 to 2016/17 (\$'000)	Proportion of Australian Wool Exports 2014/15 to 2016/17
Australia		
Brunei Darussalam		
Canada	521	<0.1%
Chile		
Japan	35,142	0.4%
Malaysia	118,767	1.4%
Mexico	4,223	<0.1%
Peru	49	<0.1%
New Zealand	4,114	<0.1%
Singapore	1,293	<0.1%
Vietnam	72	<0.1%
Total	164,181	1.9%

Wool is a low tariff product, that attracts a zero tariff in most destination countries. The principal reasons for this are:

- * Australia is the dominant producer and exporter of Merino wool for apparel; and
- * Most destination countries have little, or no domestic Merino wool growing industry.

However, it is somewhat ironic that the highest tariffs charged for greasy wool are by China (2%) and India (5.1%) which are Australia two largest export destinations.

Looking Ahead

1. Historically, wool processing was dominated by the United Kingdom and Western Europe, after which Japan, China and Eastern Europe also became major players, particularly after the Second World War.

China has become increasingly dominant since the late 1990's and particularly since the Global Financial Crisis, when exports to Western Europe were curtailed by a lack of access to Credit Risk Insurance. China has maintained the level of dominance attained in that period.

2. Looking ahead, wool processing has an established pattern of progressively moving to lower cost countries, e.g. there are now processing plants in Egypt and Bulgaria. Although processing plants are becoming increasingly automated, it is not expected that this trend will change.

For example, Vietnam and Bangladesh have important textile industries (but currently use very little or no wool). Note, Australian Wool Innovation has put significant effort into getting wool into Vietnam/

It is also not unreasonable to expect that China could transfer some of its investment in wool processing to these, and other, countries.

This would increase the importance of the TPP, particularly if it expands its Membership.

3. Will Membership of the TPP expand?

This seems likely as this trend has been observed in other trading blocks. China is the major player for the Australian wool industry. Although the Australian wool industry has access to a zero tariff for part of its production as part of the China / Australia FTA, it only adds up to around 19% of Australia's current wool exports to China. It is increasing slowly (5% per annum). Would it increase more rapidly as part of the TPP?

With regard to India, there would be advantages to both Australian wool growers and wool processors if the 5.1% could be reduced either via the TPP or an FTA.

Peter Morgan
Executive Director

cc Matt Hand - President Australian Council of Wool Exporters and Processors