

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2015

Agriculture

Question: 110

Division/Agency: Trade and Market Access Division

Topic: Free Trade Agreement (FTA) – Domestic subsidies

Proof Hansard page: 70 (23.02.2015)

Senator CAMERON asked:

Senator CAMERON: Yes. I want more details on the issues that are raised, which are the domestic subsidies that are in place in these countries where we will get so-called free-trade agreements—but those bilaterals. What are the domestic subsidies? What are the support measures that are in place—support measures for agricultural industry in that country that we are trying to compete with? What are the import licensing arrangements that are a barrier to our exports? What are the domestic regulations and taxes that make it difficult for us to compete? What are the food safety and biosecurity measures, including inspection certification and audit issues, that are a problem? Also, what are the requirements for labelling registration, microbiological testing and quality that are a problem for us?

CHAIR: Would it assist the committee in the need to get to compliance, if you were to kindly ask to put those on notice, because they are complex questions.

Senator CAMERON: I am happy to put them on notice, but I do not want another research project when I get the answer back.

Senator Colbeck: We will take that on notice. But that does sound like a research project. The information is publicly available. We have directed you to where you can find that information. As I said before, I am not going to have the agency be a research—

Senator CAMERON: I will tell you what the Senate will not allow, Minister. The Senate will not allow you to cut across the estimates process. What we will do is make sure that we get questions answered.

Senator Colbeck: And we will take that on notice.

Answer:

It would be a substantial diversion of resources to provide analysis of the technical barriers to trade across the span of countries and commodities requested. Technical barriers to trade (TBT) are spread across a wide range of markets and while many TBTs impact on exports to markets where we have FTAs, many more also apply to markets where we don't have FTAs. Amongst FTA partners some of the most significant TBTs are found in the areas of meat, dairy, grains and wine.

Question: 110 (continued)

The World Trade Organization (WTO) member countries are required to report comprehensively on their overall trade policies including domestic support measures and other technical requirements for agricultural commodities. The WTO provides access to databases of this information, and they summarise it regularly on a country by country basis, in their country trade policy reviews (TPRs) – see www.wto.org.

Australia is a party to nine FTAs which cover 16 countries with hundreds of agricultural commodity groups exported. In many cases, importing countries have multiple policies or technical requirements affecting the trade for the commodity/market combination.

Both government and industry seek to remove – or at least reduce the effect of – these domestic support and regulatory measures through bilateral, plurilateral and multilateral avenues. The work is continuous as requirements evolve and change.

We offer the attached high level example of the domestic support measures and regulatory constraints on dairy trade to the Japanese market. This is one “commodity/market” combination out of the extremely large number implied by this request.

Japan: Non-Tariff Measures Impacting Australian Dairy Exports

Japan is one of the world's largest dairy importers, and the second largest export market for Australian dairy products, accounting for \$425 million (13 per cent) of Australia's entire dairy exports in 2013-14. Australia is traditionally Japan's largest dairy supplier, with almost 30 per cent of import market share.

Japan has some of the highest dairy production costs in the world, and the Japanese Government's dairy industry policies focus on controlling supply to maintain high domestic prices and . This is achieved through:

- Limiting domestic production via regionally administered production quotas, and
- Restricting import volumes through a combination of state trading, mark-ups, tariff rate quotas (TRQs), high tariffs and safeguard mechanisms.

The Japan-Australia Economic Partnership Agreement provides a range of improvements for Australian dairy exports to Japan (including elimination of tariffs on milk albumin, lactose and casein on entry into force, and tariff reductions and expanded quota volumes for grated cheese). However, Japan retains a range of non-tariff barriers that restrict market access that apply to all exporting countries, not just Australia.

These include (this is not a comprehensive list):

- Exporters of dairy products such as butter and skim milk powder cannot deal directly with their clients, but must sell their product to Japan's state trading enterprise, which sets its own unique product specifications and timings for tenders.
- Most of Japan's dairy TRQs have onerous end-use or domestic content restrictions, which limit many of the commercial benefits of reduced tariffs. For example, most of the cheese Australia exports to Japan must be blended with local cheese at a fixed ratio and manufactured into processed cheese.
- Imports of long-life milk confront a special safeguard (SSG) mechanism, which Japan often activates in the first few weeks of trading each year. A SSG can impose extra import duties if the price or quantity of imports breaches a specified trigger level. SSGs differ from TRQs as a TRQ has a fixed duty applied for out-of-quota, whereas SSGs can be calculated on the price and volume differences.
- Stringent labelling and other requirements for dairy imports include: compositional standards for dairy products such as yoghurt and ice cream; regulating the level of non-fat solid content and lactic acid bacteria and coliform bacillus groups; and the display on product labels requires the name, ingredients, content quality, and manufacturer, date and preservation method used.
- Imports of cheeses and dairy spreads are also subject to a number of analytical tests by Japan Customs to determine their tariff classification and corresponding tariff rate. These tests are often non-transparent and yield inconsistent results, therefore disrupting trade. The cost is charged to the importer/exporter rather than being met by government.

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Question: 111

Division/Agency: Trade and Market Access Division

Topic: Public statement

Proof Hansard page: 71 (23.02.2015)

Senator CAMERON asked:

Senator CAMERON: It is your understanding of the clause that there will be a renegotiation of the agreement?

Senator Colbeck: I am pretty certain that there are public statements to that effect on the public record, Senator Cameron, from the trade minister.

Senator CAMERON: That would be handy. I would be pleased to see those statements from the trade minister, if they are is available, to back up what you have just described. It would be handy.

Mr Murnane: Certainly.

Answer:

The Japan-Australia Economic Partnership Agreement (JAEPA) includes a series of strong review/renegotiation mechanisms that protect Australian interests and offer pathways for further liberalisation.

These provisions schedule a review of market access outcomes, including for agriculture, should Japan conclude preferential deals with Australia's competitors. JAEPA also includes a general five year review provision to facilitate future liberalisation of market access outcomes for key products. The wording of these provisions was provided in response to question 227 from November 2014 Estimates.

These mechanisms are reflected in Trade and Investment Minister Robb's media release of 8 July 2014, which states: *"The Australian Government will continue to push for additional outcomes through scheduled renegotiations for agricultural products under JAEPA, and in other negotiating fora, including in the Trans-Pacific Partnership negotiations."*

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Agriculture

Question: 112

Division/Agency: Trade and Market Access Division

Topic: Technical barriers to trade

Proof Hansard page: 72 (23.02.2015)

Senator Cameron asked:

Senator CAMERON: Has either the export division or trade and market access done any analysis on this or are you depending on the meat industry?

Mr Murnane: We have not done our own analysis on those broad technical barriers to trade.

Senator CAMERON: Why not?

Mr Read: If the question is: are we aware of all the technical barriers to trade—

Senator CAMERON: No, that is not the question.

Mr Read: Then we have that work. We understand what all the barriers to trade are—

Senator CAMERON: You understand what the barriers are?

Mr Read: From an export certification perspective.

Senator CAMERON: Can you, Mr Murnane, save me some work and provide details? If you understand the export barriers, can you provide a response to that question, in terms of: what are all the aspects and the value of these barriers across the various nations that we trade with?

Answer:

The red meat industry, through the Australian Meat Processor Corporation (AMPC), has undertaken research into non-tariff measures which raise exporters' costs and/or restrict access to selected markets. The report identified more than 261 measures and estimated the cost of these measures to be in the order of \$1.25 billion across all markets.

The report was funded by industry research and development levies. The Commonwealth matches research and development levies dollar for dollar up to an industry specific cap.

The AMPC consulted the department in the initial scoping of the study and, when completed, on how it proposed to act on its conclusions. We have not separately analysed the value of these barriers as our view is AMPC is better placed to conduct this work.

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Agriculture

Question: 113

Division/Agency: Trade and Market Access Division

Topic: FTA China – Labour mobility clause

Proof Hansard page: 73 (23.02.2015)

Senator CAMERON asked:

Senator CAMERON: Mr Murnane, I have got a couple of quick questions. When you negotiated the agreement with China, what are the implications for agricultural workers in Australia of the labour mobility clause?

Mr Murnane: I think I might need to take that on notice. In the discussion, in the part of the negotiations that I was involved in, as I think we have spoken about here before, we were talking about the tariff quotas for the export of Australian product into China. That was the part of the negotiation that I was involved in.

Senator CAMERON: So the agriculture department has not raised the issue in terms of the China free trade agreement of the implications for agricultural workers' employment and job security within Australia? Has no-one done that? Has that not been an issue for the agriculture department?

Ms Evans: We are not saying we are not involved in that. Simon Murnane is simply stating that the part of the negotiations that he was involved in related to the trade and market access issues. The question of the labour mobility is one that you might better take up with the Agriculture Policy Division, which is on later on.

CHAIR: So, in those discussions, did you reflect upon the culture of facilitation in the playing field of trade? Last year the World Bank tells me there was about—

Senator CAMERON: Chair, please, can I just finish this point, and then you can go for your life, as you will. I am really interested in employment in Australia arising from this China free trade agreement. You have said—I cannot remember the exact words—that the department would have been dealing with these issues.

Ms Evans: That is right. We would have been consulted on those aspects of the free trade agreement as well.

Senator CAMERON: I am simply asking: what was the department's analysis of the implications of a labour mobility agreement as part of the China free trade agreement? I think it is a reasonable issue. Agricultural workers are not the most well paid in the country. They suffer lots of problems with seasonality and the like, and if we get further issues of labour mobility from China making their jobs more insecure, I am asking: have you looked at that and what are the issues?

Question: 113 (continued)

Ms Evans: I think you are asking questions that go to what advice we may have provided government at the time.

Senator CAMERON: No, I am not. It is not about advice to government. I am asking you: what are the implications? The Senate is entitled to understand what the implications are of a labour mobility clause on agricultural workers. It has got nothing to do with advice; it is a practical, real issue.

Dr Grimes: On whether we have done any work on that question, specifically?

Senator CAMERON: I suppose, if you had not done any work, I would be appalled. Secondly, if you have done work, I would like to know what the issues are.

Dr Grimes: It sounds like this might be a question that we have to take on notice and check to see what work has been undertaken and then provide you with advice.

Answer:

The Department of Foreign Affairs and Trade advises that commitments under the Movement of Natural Persons (MNP) Chapter in the China-Australia Free Trade Agreement (ChAFTA) will guarantee access for a range of Australian and Chinese skilled service providers, investors and business visitors, which will support investment and provide businesses with greater certainty.

The ChAFTA MNP chapter provides for temporary entry arrangements into Australia for major investment projects – including in the agriculture sector – consistent with existing Australian Government policy settings (ie. 457 visa arrangements).

The provisions will not permit Chinese companies to undermine or circumvent Australian labour conditions or avoid paying Australian wages by employing foreign workers. The Department considers this will not undercut agricultural wages and labour conditions of Australian workers currently in agriculture.

The Department of Immigration and Border Protection assessed successive proposals for the MNP provisions as they developed to ensure consistency with government policy.

The Department of Agriculture considers that given the ChAFTA will improve opportunities for and the competitiveness of Australian agricultural exports, there should be a corresponding potential for growth in rural employment and in agricultural communities as a result.

The Minister for Trade and Investment, the Hon. Andrew Robb AO MP, has publicly stated that “If there are no skilled workers available for a particular project, they [China] will be able to apply to get an investment facilitation agreement. And this is consistent with legislation that is already in place. There's nothing new in this. All we've done is take the existing framework for these sort of one-off cases and put it into the free trade agreement with all of the safeguards, all of the protections, all of the obligations that currently exist if there is 457s or the skill visas are applied or if there's a special case with an enterprise. This has existed in other free trade agreements, including those brought down by the Labor Party” (Australian Broadcasting Corporation, 7.30 Program, 14 November 2014).

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Agriculture

Question: 114

Division/Agency: Trade and Market Access Division

Topic: Sub-contracting arrangements China has with Bangladesh

Proof Hansard page: 74 (23.02.2015)

CHAIR asked:

CHAIR: Are you aware of the sub-contracting arrangements that China has with Bangladesh?

Mr Murnane: No, I am not.

CHAIR: It is about time you got yourself up-to-date with the game. As you would be aware, 80 per cent of the population of Bangladesh—160 million of them—earn about \$34 a month. China is coming to labour-hire arrangements with portions of Bangladesh to try to reduce further their cost of labour.

Senator CAMERON: South Africa—all over Africa—is doing the same thing.

CHAIR: If you do not know that, you had better bloody well find out!

Mr Murnane: I was about to go on to say, and I am happy to take this on notice and check—

CHAIR: Good.

Mr Murnane: I do have a recollection that Minister Rob has said the provisions of the agreement will not undercut Australian provisions, but I am happy to take that on notice.

Answer:

Refer to response to Question on Notice 113 from Additional Estimates February 2015.

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ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2015

Agriculture

Question: 115

Division/Agency: Trade and Market Access Division

Topic: Wage and conditions

Proof Hansard page: 74 (23.02.2015)

Senator CAMERON asked:

Senator CAMERON: When you said that Minister Rob had indicated they will not undercut Australian wages and conditions, is that what you were saying?

Mr Murnane: That is my understanding but, as I said, I will check that.

Senator CAMERON: Could you check what that means? Does that mean the award rate? Does that mean the going rate or the market rate? Does that mean that Chinese workers can come in if they are paid the minimum rate? That is the issue.

Dr Grimes: We will see how much we can help. We do want to help. We are going well beyond agricultural estimates with those questions, but we would be happy to take that on notice and see what we can provide.

Answer:

Refer to response to Question on Notice 113 from Additional Estimates February 2015.

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ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2015

Agriculture

Question: 116

Division/Agency: Trade and Market Access Division

Topic: South East Asian Trading Partners

Proof Hansard page: 76 (21.02.2015)

Senator RUSTON asked:

Senator RUSTON: Do we have much, in terms of these protocols, waiting in the wings for approval in the opposite direction, in terms of trade?

Dr V Findlay: Yes, we do. We have a number of import requests across our Southeast Asian trading partners and we are working through those as we speak to make sure that we have a proper relationship, a balanced relationship, with those key trading partners.

Senator RUSTON: Is the information in relation to those a matter of public record? Can we get that, or is that something that is confidential?

Dr V Findlay: I would be happy to provide that. We have provided a written summary to industry and we also undertook two teleconferences where we provided that information openly and publicly.

Answer:

The following tables outline the formal import proposals from Australia's South East Asian trading partners.

- **Import proposal request list for plant products from Australia's South East Asian Trading Partners**

Country	Plant products being assessed
Indonesia	Mangoes Mangosteens Salacca (Snake fruit)
Malaysia	Pineapples Mangosteens Papayas Semi-processed fruit (Jackfruit and Durian)
Philippines	Mangoes Papayas
Thailand	Mangoes

Vietnam	Dragon fruit Mangoes Lychees
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- **Import proposal request list for animal products from Australia’s South East Asian Trading Partners**

Country	Animal/animal products being assessed
Cambodia	Asian Elephants
Indonesia	Asian Elephants
Malaysia	Duck Meat Farmed whole and head-on finfish Asian Elephants Horses
Philippines	Salmon exported from New Zealand and processed in the Philippines
Singapore	Asian Elephants Giraffes Hippopotamuses (pygmy and common) Zoo bovids, zoo bovid semen and embryos
Thailand	Asian Elephants Duck Meat
Vietnam	Asian Elephants

Source: Department of Agriculture website.

When considering an import proposal from one of Australia’s trading partners, the Department of Agriculture consults with stakeholders including relevant industry organisations.

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Question: 117

Division/Agency: Trade and Market Access Division

Topic: Importing of Kangaroo products

Proof Hansard page: 77 (23.02.2015)

Senator RHIANNON asked:

Senator RHIANNON : Which countries currently import kangaroo products?

Dr V Findlay: There are 68 countries. Just let me find my list, but I am not sure you want me to read out all 68.

Senator RHIANNON: No, I do not want you to read them out. Could you take it on notice, and could it include what kangaroo product is imported, the weight of the imports for each of those products and the financial value of each product, and could that be since June 2013?

Dr V Findlay: Yes, we have that information available.

Answer:

In 2014, Australia had market access for the export of edible kangaroo meat and meat products to Barbados, Bermuda, Canada, EU (28 member states as well as countries which adopt EU legislation French Guiana, French Southern Territories, Gibraltar, Guadeloupe, Iceland, Martinique, Mayotte, Reunion, Saint Pierre and Miquelon, Switzerland), Fiji, French Polynesia, Grenada, Hong Kong, Japan, Korea, Mauritius, Mexico, New Caledonia, New Zealand, Papua New Guinea, Peru, Singapore, Solomon Islands, South Africa, Taiwan, Timor-Leste, Trinidad and Tobago, Turkey, United States (including US territories Virgin Islands, Puerto Rico, Guam, American Samoa), Vietnam.

Of these only 18 countries imported kangaroo edible meat and meat products from July 2013 to December 2014.

Australian exports of meat and edible meat offal of kangaroo, fresh, chilled or frozen (exported under HS code 02089011)				
	2013-14		2014-15*	
	Value (\$)	Volume (KG)	Value (\$)	Volume (KG)
Belgium	4,669,890	705,186	4,349,062	764,505
Canada	311,208	48,980	167,574	56,931
Timor Leste	2,497	200		
France	979,534	142,635	807,521	127,388.00

Germany	5,538,161	1,067,399	2,489,086	498,343
Hong Kong	133,356	39,709	6,743	393
Japan	112,692	24,337	33,603	5,026
Korea, Republic of	163,716	56,599	48,694	15,708
Netherlands	2,267,502	347,588	1,125,564	163,821
New Caledonia	4,098	301		
New Zealand	55,684	18,718	99,565	45,967
Papua New Guinea	2,056,343	648,404	1,234,033	442,743
Russian Federation**	4,431,008	1,280,550		
Solomon Islands	3,380	1,000		
South Africa	242,336	161,558	139,357.00	90,496
United Kingdom	85,903	13,094	77,623.00	12,231
United States of America	425,118	48,639	116,636.00	21,061
Vietnam	66,868	13,972		
Grand Total	21,549,294	4,618,869.00	10,695,061	2,244,613

Source: ABS/ABARES

* Data until December 2014

** The only establishment listed was suspended in May 2014 by Russia

The export codes for inedible kangaroo product (for example hides and skins) also include inedible products from other species. Therefore, the volumes and values of these exports are not able to be accurately determined from ABS/ABARES data as the information included in the export (HS) codes are reported along with other non-kangaroo products.

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Question: 118

Division/Agency: Trade and Market Access Division

Topic: Californian imports of kangaroo products

Proof Hansard page: Written

Senator RHIANNON asked:

Please provide specific details about Australian resources, personnel and government representations to the Californian legislature to renew the lifting of its ban on the import of kangaroo products.

Answer:

The Department of Agriculture works closely with the Department of Foreign Affairs and Trade on a day to day basis on a range of market access issues, including improving access to existing overseas markets for kangaroo products. The department is also working with the Department of Environment and with Australian Consulate in Los Angeles, which has been making and facilitating representations to the Californian legislature to permanently lift its ban on the importation and sale of kangaroo products.

The Australian Government, through the Department of Agriculture, has allocated A\$143 000 to the Kangaroo Industry Association of Australia, towards funding the Californian legal firm Manatt, Phelps and Phillips to provide resources, expertise and contacts in support of government action in California to lift this ban.

Recent government representations include those made by the previous Parliamentary Secretary for the Environment, Senator the Hon. Simon Birmingham who visited California in December 2014 and the Minister for Communications, the Hon. Malcolm Turnbull MP, who visited California in January 2015.