

NON-CONFIDENTIAL SUBMISSION

Review of Bilateral and Regional Trade Agreements
Productivity Commission
tradeagreements@pc.gov.au

3rd March 2010

Attention: Patricia Scott and Andrew Stoler

On behalf of LyondellBasell Australia (LBA) I would like to outline the key points made in relation to our experience with recent Free Trade Agreements (FTA's). These reinforce the issues we raised during your meeting with the PACIA Trade and Commercial Affairs group in the LBA offices on February 23rd.

Polypropylene (PP) (HS code 3902) is a widely produced and traded plastic used in a wide variety of goods including packaging, automotive and consumer goods. LBA is Australia's only producer of PP selling into both Australian and export markets. Key export markets are New Zealand and Asia. LBA is a significant exporter of its Australian made PP, with exports by value of well over AUD100 mill/yr depending on world commodity prices.

Based on our experience with the existing FTA's there are 3 key points we would like to make in relation to improvements that could be made for the future.

1. Reciprocity and Fair Market Access.
2. Industry Consultation
3. Non Tariff Barriers

1. Reciprocity and Fair Market Access.

Some existing FTA's (eg NZ, US, Singapore) have delivered equal duty free status for PP but other agreements with Thailand and now ASEAN have delivered very unequal market access arrangements. In the case of Thailand inbound duty free access was granted in 2008 whilst Australia has only just (from 1/1/2010) been granted duty free access outbound to Thailand. In the case of the most recent ASEAN FTA, the reciprocity of market access agreed is even less equitable for LBA. Whilst all ASEAN producers have been given duty free access into Australia from 1/1/2010, once ratified, Australia's improved access to ASEAN markets varies widely country to country both in terms of duty level and timing. The best illustration of this point is for our access to the Philippines and Malaysia, both key target export markets for LBA. Malaysian tariffs will not reduce to zero until 2016 and for the Philippines will reach a minimum of 12% by 2020. ASEAN producers have duty free access to these markets which makes it virtually impossible for LBA to compete. More details on the specific commercial aspects are included in our associated "in confidence" submission.

Consequently the unfortunate reality is that the current FTA regimes in place mean that we have even more disadvantaged access to especially ASEAN markets than before. When looking at national benefits for



future FTA we would like the negotiators to look at the potential for trade rather than at the actual trade especially to countries that have traditionally high tariff barriers.

In future FTA's we would like to see a commitment for equal access.

2. Industry Consultation

During the negotiations of the recent FTA's, consultation with the our industry (via PACIA) has often been unstructured and last minute. They have mostly concentrated on macro issues such as Rules of Origin and there has been very little opportunity for input from industry at the enterprise or even tariff code line item level. Negotiating teams have been very reluctant to discuss detailed progress or take company input during the course of their discussions until after a deal is struck and then its of course too late. Its not clear to us how the national benefit is judged especially in regards to potential benefits.

In future FTA's we would like to see a commitment for structured, early and open industry consultation down to the enterprise level if required.

3. Non Tariff Barriers

In some cases we already see some non tariff barriers for our products. In some countries with high tariff barriers our access to these markets for specialty products not produced in that country are limited by what we believe are non tariff barriers. For example in some cases we see duty exemptions lists managed by the local producer rather than an independent agency. In these cases, fair market access is limited by non-tariff barriers.

In future FTA's we would like to see some commitment to remove non-tariff barriers as part of the agreement.

In summary, the existing FTA's have given our global competitors duty free access to Australia to which we have had to respond to maintain our supplier of choice status in Australia. However in return we continue to be disadvantaged versus some of these same competitors for access to their home markets. We don't believe that such outcomes are in LBA's, the chemical industry or the national benefit. We would like to see any future FTA's deliver fair market access for our products.

Yours faithfully

Steve Mewing

VP – Sales, Marketing and Logistics