

Australian Sugar Industry Alliance Limited
ACN 126 688 962
Level 3, 348 Edward Street, Brisbane
GPO Box 945, Brisbane Q 4001
Telephone (07) 3231 5012

17 September 2010

Bilateral and Regional Trade Agreements
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

Sent by email: tradeagreements@pc.gov.au

Dear Sir

Australian Sugar industry Alliance to Draft Report – Bilateral and Regional Trade Agreements

The Australian Sugar industry Alliance (ASA) is pleased to provide comments on the Productivity Commission's draft report – Bilateral and Regional Trade Agreements. Comments are confined to those recommendations relevant to agricultural trade policy and the sugar industry in particular.

Draft Recommendation 1

The Australian sugar industry is a strong supporter of the Australian government's efforts to improve the international trading environment for sugar and other agricultural products. ASA agrees with the draft recommendation that the Australian government should continue to work to improve the international trading environment by pursuing bilateral and regional trade agreements wherever practical.

Australia's trading partners are pursuing similar agreements with their other suppliers, our competitors. It is important that Australia is not left behind. As the world's only developed country exporter of raw sugar, Australia faces discriminatory trade barriers in the form of developing country tariff differentials, quota restrictions and other measures that favour our competitors in many of our export markets. This discrimination increases as our competitors conclude bilateral or regional trade agreements. A recent example is agreement in the Korea-ASEAN FTA to remove the tariff on Thai raw sugar sales to Korea. ASA is working with the Australian government to ensure this competitive disadvantage is removed in the Australia-Korea FTA negotiation.

Draft Recommendation 2

The Australian sugar industry strongly disagrees with the Productivity Commission recommendation that “the Government should adopt a more flexible approach to the coverage of bilateral and regional trade agreements and consider less comprehensive, while still WTO-consistent, agreements”.

History demonstrates that trade agreements, multilateral (WTO and before it the GATT) and bilateral, are difficult to negotiate. Parties to the negotiations often work to include flexibilities as evidenced by the treatment of “Special Products” and “Sensitive Products” (to name but two) in the WTO Doha Round. The flexibilities, designed to dilute the impact of any agreement on politically sensitive agricultural products such as sugar, will reduce the comprehensiveness of the final WTO Doha Round agreement and its value for the Australian agricultural sector and the sugar industry in particular.

In the bilateral trade arena comprehensiveness is similarly important. The Australia-US FTA is the only FTA either country has concluded that does not include provision for improved market access for sugar. In addition to delivering no new access for Australian sugar to the US market, the exclusion of sugar has been noticed by other countries, some of these are parties to FTA negotiations with Australia. This has increased the difficulty Australia faces securing improved market access in those negotiations for both sugar and other sensitive agricultural products.

Agriculture is an important part of the Australian economy and a vital part of the country’s regional economy. It provides employment, contributes to regional growth and development, adds diversity, creates opportunity and, in doing so, enhances the fabric of rural Australia. In Queensland the sugar industry is a mainstay of many regional communities in the state’s coastal plains and river valleys. Like many other agricultural industries, the sugar industry faces significant competition for resources, both in terms of labour and capital, at home. This relentless competition is changing the composition of regional economies and local communities.

In this context it is important that the Australian government does all that it can to improve the international trading environment for sugar and other agricultural industries. Removing market distortions and enhancing the terms of trade by improving market access, reducing domestic supports and removing export subsidies will help broaden regional economic diversity and be a vital means of sustaining Australian rural and regional communities.

The opportunities for Australia rural industries will be significantly diluted and Australia’s reputation as founder of the Cairns Group and champion of improving agricultural trade outcomes severely diminished if, as the draft report suggests, a flexible approach is adopted that “may mean considering, for example, a services-only agreement – as the Mortimer review suggested with respect to the European Union.”

Draft Recommendation 7

The Australian sugar industry works closely with the Department of Foreign Affairs and Trade (DFAT) in all trade related matters, multilateral, bilateral and regional as well as through the WTO dispute resolution process. During all these interactions DFAT and its officers have been transparent in their dealings, accountable for their actions and carried out their duties with a high level of integrity and professionalism.

Other

Trade rules matter. As the *EC Sugar* case taken in the WTO by Australia, Brazil and Thailand demonstrates, the enforcement of trade rules can and does deliver significant long term market benefits. The case also demonstrates the importance of building international coalitions of support to achieve worthwhile trade outcomes.

The Australian sugar industry has built a strong network of support targeting the full inclusion of sugar in the WTO Doha round. Australia, Brazil, Canada, Chile, Colombia, Guatemala, India, South Africa and Thailand, fierce rivals in the world sugar market, are working together through the *Global Sugar Alliance* and with our respective governments to improve the international market environment for sugar. Although not formal complainants in the case, most governments of Global Sugar Alliance members joined the case as third parties.

Our experience in the international arena is that the probability of securing worthwhile trade outcomes is dependent on several factors:

- the comprehensiveness of the trade agreements;
- the establishment of strong networks of support for worthwhile outcomes; and,
- enforcement of the trade agreements.

It is important that the Australian government continues to devote resources in each of these areas.

Yours faithfully

Dominic Nolan
Secretary