



10 September 2010

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

Re: Response to Productivity Commission Draft Research Report – Bilateral and Regional Trade Agreements

Cattle Council appreciates the opportunity to comment on the Productivity Commission's draft report on Bilateral and Regional Trade Agreements (BRTAs), released 16 July 2010. Cattle Council has some general comments on the draft report and some concerns about specific recommendations.

Please accept our late submission, Cattle Council is a small not-for-profit producer member organization with limited resources and was unable to complete this submission within the allotted time.

Yours sincerely

Greg Brown

President



REVIEW OF BILATERAL AND REGIONAL TRADE AGREEMENTS

Response of Cattle Council of Australia to the Productivity Commission Draft Research Report, July 2010.

Cattle Council of Australia

The Cattle Council of Australia is the peak producer organisation representing Australia's beef cattle producers. The objective of the Council is to represent and promote the interests of Australian beef cattle producers through wide and regular consultation with, and policy advice to, key industry organisations, relevant Federal Government Departments and other bodies regarding issues of national and international importance to beef cattle producers.

General Comments

Existing BRTAs have been beneficial to the agriculture sector, though the gains have been smaller and spread over a longer period of time than the industry would hope for. These gains were set out in a number of submissions to the inquiry from agricultural industries and the Department of Agriculture, Fisheries and Forestry (and acknowledged in the Commission's draft report). These gains flow through agricultural supply chains broadly to the Australian community, particularly in rural and regional Australia. Some 13% of Australian jobs are dependent on agriculture.

Agricultural market access is a constant stumbling block in market access negotiations. Cattle Council would be concerned with any moves that could see agricultural market access negotiations sidelined or delayed, as this would delay the benefits to Australia's agricultural industries and rural and regional communities.

Draft Recommendation 2

Cattle Council's main concern with the Commission's draft report is with Recommendation 2 and related comments later in the draft report.

The Australian Government should continue to comply with WTO requirements in forming bilateral and regional agreements. Within this framework, 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; and*
- *make greater use of implementation schedules that rely on built in agendas to promote reductions in barriers to trade and investment.*

Page 13.8 of the Commission's draft report also states that *'it may be appropriate to instead abandon a single undertaking approach and secure the non-contentious components of the agreement immediately,*

while settling on a working groups approach to advance more sensitive issues through a longer term process of cooperation.'

Cattle Council is concerned that the adoption of this approach would effectively sideline agricultural market access discussions from the negotiation of BRTAs. This approach, if followed, would be a retrograde step in Australia's trade policy.

Cattle Council believes that if a 'services only' type agreement is struck, that this agreement would remove any incentive to deal with more sensitive issues such as agricultural market access. This is particularly true for the European Union which remains a high priority for increasing red meat market access and has in place highly restrictive import tariffs and quota limitations.

Draft Recommendation Six

Cattle Council also has some comments on the Commission's draft Recommendation 6.

The Australian Government should institute measures to substantially enhance the scrutiny of the potential impacts and benefits of prospective agreements, particularly those involving preferential arrangements.

- *Before negotiations commence, greater attention should be given to the reasons for seeking to negotiate with a trading partner, the proposed topics for negotiation, potential impacts and benefits of a prospective agreement, expected timeframe, resource requirements, relevant exit strategies where negotiations cannot be concluded within, say, 2 years, and the relative merits and feasibility of alternative strategies, including unilateral and multilateral reform options.*
- *Before an agreement is signed, an independent and transparent assessment of the likely impacts and community-wide benefits of the proposed agreement, commissioned independently of the executive, should be undertaken. The assessment should be made against the text of the agreement and not an overly optimistic scenario. It should take into account any additional administrative and compliance costs and the economic effects of the proposal for reducing barriers to trade and investment and other provisions.*

It is very difficult to evaluate the benefits of a BRTA due to the difficulty in establishing an accurate baseline, 'do nothing' approach with which to compare the impacts of a prospective agreement. To establish a true baseline, the analysis would need to include the effects of agreements struck between our competitors and our customers on Australia's future trade performance, as analysis by the Centre for International Economics in 2007 did for KORUS (Davis, Hanslow and Stoeckel 2007).

Cattle Council believes that this cannot be accurately achieved as we cannot know the impact of all other agreements that our competitors will continue to strike with our customers over the life of a particular BRTA.

For this reason, we believe it is in Australia's best interest to push for the most comprehensive, tariff eliminating agreements possible in future BRTA's with efforts and resources prioritised according to the current and likely future importance of Australia's trading partners.

Other Comments

Cattle Council would like to highlight a factor that we believe has been overlooked by the Commission in its draft report, the potential of other agreements to impact on Australia's future trade performance.

Cattle Council believes that by not considering the impact of BRFTAs between Australia's customers and competitors, and the impact of Australia not striking similar agreements with key customers, that there is a gap in the Commission's analysis that may have distorted the draft recommendations by underestimating the value of comprehensive BRFTAs to Australia's trade performance.

For example the United States has negotiated a free trade agreement with Korea (KORUS) that would see tariff rates on US beef reduce from 40% to zero over the 15 year implementation period of the KORUS FTA.

An analysis conducted by the Centre for International Economics in 2007 concluded that KORUS confers a commercial advantage to US exports in the Korean market, at the expense of Australian exporters and that an Australia-Korea trade agreement can restore the loss of commercial advantage arising from KORUS. The CIE analysis estimates that by the year 2020, if KORUS is implemented without an equivalent Australian agreement, Australia's beef exports to Korea will fall by \$35million. However if an equivalent agreement can be struck between Australia and Korea, Australia's beef exports to Korea would grow by \$86million, a very significant difference in one of our most important markets.

It is Cattle Council's concern that the Australian beef industry, consistently one of Australia's top ten export goods by value, is at risk of losing market share to two of our most significant export markets, Japan and Korea, as our competitors pursue comprehensive bilateral agreements with those countries. We do not believe that this type of risk has been reflected in the Commission's draft report.

Concluding remarks

Regardless of the approach that the Australian Government chooses to take in the negotiation of BRFTAs, our competitors will continue to strike agreements with our most important customers.

Cattle Council appreciates the work of Australia's trade negotiators and their pursuit of high quality, comprehensive trade agreements with key trading partners. It is critical for the future of Australia's beef industry that ambitious outcomes are achieved with two of our major international customers, Japan and Korea, with whom Australia is currently in trade agreement negotiations.

References

Davis, L., Hanslow, K., and Stoeckel, A. 2007. *Impacts of KORUS on Australian Agriculture...and what an Australian-Korea FTA could mean* (Report prepared for the National Farmers Federation). Centre for International Economics, Cnr Marcus Clarke Street and Edinburgh Avenue, Canberra ACT 2601.