



Symex Holdings Ltd
14 Woodruff Street
Port Melbourne, VIC 3207

18 June, 2004

David Holly
Head
China FTA Study Taskforce
R G Casey Building,
Barton, ACT 0221

Dear Mr. Holly,

SUBJECT: AUSTRALIA-CHINA FREE TRADE AGREEMENT FEASIBILITY STUDY

I am writing to make a submission to the feasibility study being conducted into entering negotiations with China for a comprehensive free trade agreement.

Oleo products are chemicals that are derived from naturally occurring fats and oils. The global market for oleo chemicals is around five billion dollars. The fastest growing market for oleo chemicals over the last two years has been The People's Republic of China. This is driven by a large growth in demand for plastics to support their expanding manufacturing sector. Oleo chemicals are used very extensively in the production of plastics, both to make plastic stabilizers and as plastic lubricants.

The People's Republic of China previously imposed a 16% import duty on stearic acid from all countries. From the 1st of January this year they have reduced the import duty from ASEAN countries to 10% whilst from Australia the duty remains at 16%. The import duty on the raw materials to make these products is imposed at 8%. As such Australian manufacturers are at a clear disadvantage, not only to our Malaysian and Indonesian competitors, but also to oleo-chemical manufacturers within China itself.

Since this change in duty structure, Australia has been losing market share. We have seen a reduction in the Australian share of the Chinese imports from 5% in 2003 down to 3% so far in 2004%. This can be compared to oleic acid where the duty structure has not changed and Australia has grown its market share from 37% in 2003 to 42% in 2004.

For the oleo chemicals industry in Australia to continue to grow we need to have a level playing field. There are huge benefits in being able to add the value to our precious raw materials here in Australia rather than overseas.

Since the announcement of the FTA with the United States we have seen a significant increase in inquiry from that market and are even seeing some sales concluded even prior to

that agreement becoming law. As such we can already see the benefits of negotiating such agreements.

We would strongly urge that your department commence negotiations to achieve a free trade agreement with China.

For your information Symex employs 100 people in the process of adding \$40 million of value to \$35 million worth of Australian tallow that would otherwise be exported in the raw form. We export around 70% of our production with our major markets being Japan, Taiwan, South Korea, China and South Africa.

If you have any questions or require further information please do not hesitate to contact myself on (03) 9251-2311

Sincerely,

Matt Ellis
Marketing Manager
Symex Holdings Ltd