



AUSTRALIAN CHICKEN MEAT  
FEDERATION INC.

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Telephone 02 9955 3224  
Facsimile 02 9925 0627  
Email acmf@chicken.org.au

Level 7, 122 Walker Street  
North Sydney NSW 2060  
PO Box 579  
North Sydney NSW 2059

Australia–Malaysia FTA Scoping Study  
Trade and Economic Analysis Branch  
Department of Foreign Affairs and Trade  
BARTON ACT 0221

Attention: Mr Paul Tighe

**Submission to Australian Scoping Study for a Free Trade Agreement (FTA)  
between Australia and Malaysia.**

This Submission by The Australian Chicken Meat Federation Inc is made in response to the DFAT Media Release of 19 August 2004 calling for public submissions.

***Quarantine must be excluded from this FTA***

In spite of strong representations from ACMF, and other organisations, that quarantine should not be a matter for “trade–off” and negotiation in FTAs, the ACMF is seriously concerned that recent FTAs (USA and Thailand) and FTA Studies (China) have included quarantine. They have introduced SPS “consultation” mechanisms which cut across and weaken Australia’s quarantine protection and have encouraged those countries to believe that Australia’s chicken meat quarantine could be relaxed in their favour in the context of FTA trade liberalisation (Treaties Submissions, April 2004, July 2004; Senate USFTA Inquiry April 2004; DFAT, May 2004).

The ACMF agrees with the Media Release of 15 July 2004 of the Minister for Agriculture, Fisheries and Forestry designed to remove “...*any perception that trade considerations rather than scientific analysis influence IRA recommendations.*” This new statement of government policy to clearly separate trade market access activity from quarantine was elaborated further in AFFA Memorandum CY 2004/15. This recent move by the Australian government to clearly disconnect trade and quarantine has also been reaffirmed in the Coalition Policy Statement on Quarantine and Border Protection of 1 October 2004 and, we understand, the separation of trade and quarantine has bi–partisan political support. The ACMF has consistently asserted that there must be no “trade–off” of Australia’s strict and WTO legal quarantine protection for trade advantage in other areas. DFAT in this and future FTA Scoping Studies and FTA negotiations must scrupulously avoid any introduction of SPS and quarantine issues into trade agreements and negotiations.

### ***Proper consultation by DFAT with ACMF is essential***

ACMF requests DFAT to consult directly and immediately with ACMF on any issues relating to poultry meat trade and quarantine either generally, or specifically in relation to chicken meat, in this Scoping Study and any subsequent FTA negotiations.

DFAT's record of consultation with ACMF appears to have been seriously inadequate in the past (see DFAT May 2004, p4). As that Submission states: "...*The ACMF is Australia's peak industry association representing the poultry industries. It is not a member of the NFF nor is it "represented" by that organisation or any other body.*

*In matters affecting Australia's quarantine, and in matters concerning the poultry industry and international trade in poultry meat, the ACMF should be consulted directly and promptly by DFAT. These are not matters for other industry associations."*

ACMF therefore takes this opportunity to respectfully remind DFAT of the obligation to consult directly and immediately with it on any matters relevant to chicken meat and quarantine in this Scoping Study and future trade negotiations.

### ***World chicken meat trade realities***

World chicken meat trade which is dominated by major subsidised exporters (USA, Brazil, EU, Thailand and China) differs considerably from other meats. This has been explained at length in the Submissions cited above (see, for example, DFAT May 2004). The realities of the corrupted world trade system are such that Australia's chicken meat industry, although it is by far Australia's most efficient meat industry, cannot hope to compete with the major subsidised world exporters.

### ***The Malaysian industry***

Malaysia has a large and well developed chicken meat industry around the size of Australia's.

Malaysia has a strict policy, successfully implemented over many years, of self sufficiency in chicken meat production. It protects itself with import restrictions. Subsidies and price controls are also features of its industry. Consumption of chicken meat in Malaysia is high by world standards (around 28kg per person) with integration, high value added processing with advanced fast food and consumer products being prominent. Nevertheless, like many Asian countries, live birds (sold and processed in wet markets) account for the largest market segment – around 75% of consumption being in live birds (USDA MY 3047).

Malaysia has significant export operations particularly in live birds to Singapore (accounting for around 34% of Singapore's consumption). This live bird trade has recently been suspended by Singapore because of the outbreak of the highly pathogenic Avian Influenza ("bird flu") in Malaysia (USDA SN4006; FAO [www.aphca.org/news](http://www.aphca.org/news)).

Given the highly protectionist policy of Malaysia, the large live bird share of its market, its strict policy of domestic self - sufficiency, and other commercial realities – including the ability of the

subsidised majors (USA, Brazil, EU, Thailand and China) to service easily any niche opportunities that may conceivably arise in Malaysia – there can realistically be little prospect for an unsubsidised producer and exporter like Australia in that market.

***Malaysia’s export strategies***

Malaysia has a thriving export business in Asia in live birds (recently suspended because of H5N1 avian influenza) and generally encourages subsidised investment for export operations. While Malaysia has not recently targeted Australia as a possible market for processed product it should not be surprising if Malaysia in due course joined with its ASEAN members Thailand and the Philippines in attacking, formally in the WTO and bi–laterally, Australia’s quarantine regime. This is a matter which DFAT officials should be conscious of in progressing the Scoping Study (see also DFAT, May 2004). In ACMF’s view DFAT should carefully avoid encouraging Malaysia, or any other country, to believe that special deals can be done on Australia’s quarantine as part of “free trade” negotiations.

***The significant economic costs of quarantine relaxation***

The campaign of the major subsidised world exporters of chicken meat, and more recently those joining the WTO attack on Australia’s quarantine system, all of whom have exotic strains of avian diseases from which Australia is free, must be firmly resisted by DFAT.

As set out in ACMF Submissions cited above relaxation of Australia’s strict, and WTO legal, quarantine protection would result in a flood of low cost subsidised chicken meat imports from the world’s major exporters which could not only devastate the Australian industry and its environment with exotic diseases but also result in huge economic costs.

These costs set out in the ACMF Submission in April 2004 to the Joint Committee on Treaties on the US-Australia FTA have been estimated at \$3.5 billion in lost GDP, \$900 million in household income and 35,000 in lost jobs. This economic impact would be widespread throughout outer metropolitan and rural areas of Australia. Job losses by State are set out below:

<b>Employment Losses by State: Quarantine Relaxation – Chicken Meat</b>	
NSW	13,056
Victoria	9,174
Queensland	6,421
S A	2,908
W A	3,611
<b>Total</b>	<b>35,170</b>

Maintenance of strict biosecurity and WTO legal quarantine protection by successive Australian governments over many years has been fundamental to the stability, growth and prosperity of Australia’s rural industries, and the protection of Australia’s unique natural environment.

The present serious “bird flu” crisis in Asia, which has unfortunately afflicted Malaysia and its neighbour Thailand, reinforces the vital importance of heightened attention to quarantine

protection by Australia. Particularly at this very sensitive time with world attention focussed on the H5N1 virus, that has never occurred in Australia. DFAT should exercise considerable caution to avoid any impression that Australia's quarantine is an item for inclusion or negotiation in trade agreements.

***Imports, at zero tariff, are allowed***

Australia already has a zero tariff on imports of chicken meat subject to compliance with Australia's quarantine Protocols.

***Cooked chicken meat access is available***

Cooked chicken meat already has access at zero tariff to the Australian market subject to compliance with our quarantine Protocol put in place in 1997 following a thorough, transparent, science based risk assessment process in accord with Australia's WTO SPS Agreement obligations. None of the five major world exporters, notwithstanding their criticism, have seen fit to challenge that Protocol in the WTO.

Any efforts by Malaysia, or any other country, to water down Australia's 1997 Protocol on cooked chicken meat by "back-door" negotiations in the context of FTA negotiations should be firmly resisted by DFAT.

***Uncooked chicken meat access sub judice because of IRA underway***

In response to requests from the United States, Thailand and the EU a risk assessment (IRA) for the import of uncooked chicken meat has been established and is presently being conducted by *Biosecurity Australia* in accord with Australia's obligations under the WTO SPS Agreement. ACMF is concerned to ensure that the FTA Scoping Study and negotiations with Malaysia, or any other country, in no way compromises the integrity of this uncooked chicken meat IRA.

Having launched a risk assessment for uncooked chicken meat the major world exporters, and any other smaller exporters like Malaysia, must, in ACMF's view, now abide by Australia's IRA process under-way. Australian government officials should be careful not to engage in side discussions with Malaysia in a "free trade" agreement context on chicken meat quarantine while the formal risk assessment on uncooked chicken meat being conducted. To do so could compromise the integrity of the IRA process and raise serious questions of procedural fairness and natural justice to the Australian industry and other domestic stakeholders, in ACMF's view. Uncooked chicken meat quarantine should accordingly be regarded as sub-judice by Australian government officials so as to ensure the integrity of Australia's risk assessment processes is preserved and no signals should be given suggesting that Australia's quarantine is an item which can be "traded-off" for commercial advantage in other areas in FTAs.

***Conclusion***

I would be glad to assist DFAT further in so far as any chicken meat and quarantine issues might arise in this Scoping Study with Malaysia.

Yours sincerely

Dr Jeff G Fairbrother

Executive Director

### ***References***

AFFA, August 2004; *New Arrangements to Strengthen Import Risk Analysis*; CY Memorandum 2004/15; AFFA Canberra 15 August.

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DFAT, May 2004; *Submission to the Department of Foreign Affairs and Trade on a Joint Australia–China Free Trade Agreement Feasibility Study by The Australian Chicken Meat Federation*, May 2004.

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USDA/FAS GAIN Report SN 4006; *Singapore Imposes Ban on Malaysian Poultry*.

USTR; *Foreign Trade Barriers Reports 2003, 2004 (Malaysia Section)*

FAO Media Releases (Highly Pathogenic Avian Influenza); various.