

Nicolas Brown
Assistant Secretary
Australia-Malaysia FTA Scoping Study
Trade and Economic Analysis Branch
Dept of Foreign Affairs and Trade
RG Casey Building
BARTON ACT 0221

12 October 2004

Dear Mr Brown

Please find attached a brief submission from A3P (the Australian Plantation Products and Paper Industry Council) to the Australia-Malaysia FTA Scoping Study. The submission outlines the various ways in which the Australian plantation products and paper industry might be impacted by changes to trade arrangements between Australia and Malaysia.

Given the plantation products and paper industry's diverse range of interests in the proposed Australia-Malaysia Free Trade Agreement, I would be grateful if you would keep me informed of developments and involve A3P in the proposed industry consultation process. If you have any questions in relation to the matters raised in this submission please contact **Richard Stanton, Manager – Policy (02 6273 8111 or richard.stanton@a3p.asn.au)**.

Yours sincerely

Belinda Robinson
Chief Executive Officer



Submission to the Australia-Malaysia FTA Scoping Study
by
A3P – The Australian Plantation Products &
Paper Industry Council

October 2004

A3P considers that a free trade agreement between Malaysia and Australia could offer benefits to the Australian economy generally and to the Australian plantation wood products and paper industry specifically. However, given the nature of the Malaysian economy, a free trade agreement could also involve significant risks for Australian companies, particularly manufacturers.

Australia has a trade deficit in wood and paper products of approximately \$1.8 billion per annum. Paper products, the most highly manufactured component of the industry's production, accounts for virtually all of this deficit.

A3P – the Australian Plantation Products & Paper Industry Council – is the national industry association representing the interests of all segments of the plantation-based wood products and paper manufacturing industry. This industry:

- manages 1.7 million hectares of timber plantations;
- produces 18 million tonnes of wood per year;
- manufactures a wide range of products including 3 million tonnes of paper and 3 million cubic metres of sawn timber per annum;
- employs 50,000 people mainly in rural and regional areas; and
- produces \$12 billion in sales turnover each year.

At this stage A3P has not developed a formal position in relation to the proposed Australia-Malaysia Free Trade Agreement. However, Australian wood products and paper manufacturers would seek to ensure that a free trade agreement between Australia and Malaysia provides for a strong anti-dumping and countervailing measures regime and maintenance of safeguard provisions.

The table below provides a summary of the volume and value of Australia's wood and paper products imports from Malaysia. Imports from Malaysia represent approximately 4.5% of Australia's total wood and paper products imports. Data is not readily available on Australia's wood and paper products exports to Malaysia. However, the value of exports to Malaysia is likely to be relatively small and significantly less than imports.

Australian Wood and Paper Products Imports from Malaysia

Product	2001-02		2002-03	
	Volume	Value (\$ millions)	Volume	Value (\$ millions)
Sawnwood	47,700 m ³	41.4	49,900 m ³	42.5
Plywood & veneer	17,600 m ³	15.0	24,100 m ³	19.0
Panels	15,200 m ³	12.1	19,200 m ³	13.6
Paper & paperboard	6,600 kt	16.5	11,300 kt	22.7
Paper manufactures		11.0		15.5
Miscellaneous forest products		57.0		63.8
Total		\$153.0		\$177.1

Source: ABARE Australian Forest and Wood Products

Because A3P's members operate at different points along the value-chain for wood and paper products they have differing perspectives and priorities in relation to trade issues and the proposed agreement with Malaysia. The nature and perspectives of the three main groupings of A3P members are outlined briefly below.

Paper Manufacturers

Australian paper manufacturers produce the full range of paper types (packaging, newsprint, tissue, and printing & writing) primarily for the domestic market using mostly locally grown fibre and recovered paper. As most paper grades are internationally traded commodities Australian manufacturers face very strong competition from large scale producers around the world.

Given the fierce nature of competition in paper markets, Australian producers are very susceptible to adverse impacts from non-tariff barriers, including direct subsidies, enjoyed by producers in a number of countries in our region. Australian paper manufacturers would hope to see non-tariff barriers, including subsidies, thoroughly addressed in any FTA with Malaysia.

Sawn Timber Manufacturers

Sawn timber manufacturers process domestically grown plantation logs into sawn wood which is used primarily in structural applications in the domestic housing market. However, wood supply and processing capacity in Australia is

increasing and therefore so is the potential to export sawn timber. Malaysia represents a potential market for sawn timber particularly material suitable for use in house construction.

Australian sawn timber producers would like to have access to Asian markets generally but potentially face significant non-tariff barriers such as building codes and standards. To date the industry has not identified specific non-tariff barriers of this type in the Malaysian market but this is probably because of limited efforts to export sawn timber to Malaysia. An FTA between Australian and Malaysia should seek to promote international standardisation in the interests of more efficient trade between nations and building codes and standards should be a key area in this regard.

Plantation Growers & Log Exporters

Plantation growers invest in and manage plantations with the aim of supplying logs to the market which best meets their objectives in terms of price, volume, reliability and other factors. In order to maximize their returns growers would like to have open access to as many markets as possible for their logs and other products.

There is a perception amongst some plantation growers and log exporters in Australia and New Zealand that they may be disadvantaged in some Asian markets relative to other countries because of discriminatory tariffs and non-tariff barriers. For example, Australian exporters have experienced difficulties in gaining agreement on quarantine protocols for the export of forest products to China. A free trade agreement would provide the opportunity to implement improved processes for the recognition and adoption of quarantine protocols.

Australian plantation growers also have significant concerns about any trade agreement which may lead to a lessening of the quarantine barrier which protects the Australian plantation resource. The large volume of miscellaneous forest products imported from Malaysia (see table above) potentially represent a significant quarantine risk and should be taken into account in any consideration of changes to quarantine arrangements between Malaysia and Australia.