



29 July 2009

Michael Dean
PACER Plus FTA Section (PPFTA)
Pacific Regional and New Zealand Branch
Pacific Division
Department of Foreign Affairs and Trade
Phone: (02) 6261 1248

Dear PACER Plus Team,

R.E. Pacific Agreement on Closer Economic Relations (PACER) Plus

Australian Pork Limited (APL) recognises the Department of Foreign Affairs and Trade (DFAT) efforts in the Pacific Agreement on Closer Economic Relations (PACER) Plus. APL believes that there is a medium term opportunity to service the South Pacific region, but not without the PACER progressing to formal FTA negotiations. APL would welcome the opportunity to comment on the free trade agreement when negotiations commence.

Australia and New Zealand are committed by the Pacific Agreement on Closer Economic Relations (PACER) to negotiate an FTA by 2011. Under the terms of PACER, free trade agreement negotiations planned for 2011 with Australia and New Zealand will be "triggerred" earlier if Pacific countries enter into free trade arrangements with other countries.

APL recognises that some PACER nations are heavily reliant on subsistence farming, and that protecting these industries may be a sensitive issue. However trade liberalisation can work to increase Australian market access for Australian pork products in exchange for capacity building in the region. This can be in areas where research expertise in fields such as quarantine and biosecurity can be commoditised, and may involve improving pig production facilities. For example, the Australian pork industry is technically proficient and has advantages over its international competitors associated with herd health, genetic isolation and disease-free status. This is a result of Australia's robust, science-based quarantine and production technology. These capabilities can be used to build up agricultural capacity in countries reliant on subsistence agriculture. The industry's animal handling programs, such as ProHand are internationally recognised and can be used to improve PACER nation food production competitiveness.

This may also include efforts to improve 457 temporary worker's visa arrangements. For example, New Zealand has already opened its door to seasonal guest workers from five Pacific Island nations. This has since been extended to the horticulture industry in Australia

Page 1 of 4

on a trial basis. This is a direct form of foreign aid, providing employment opportunities. APL believes that the seasonal guest worker scheme could also be opened for Australian pork producers who operations suffer from labour shortages.

Australia already exports a small but notable volume of pork to the South Pacific¹ region. In the twelve months to May 2009, Australia exported approximately 1.6 million kilograms of Australian pork products to the region.

Figure 1 - Exports to Pacific Island Nations, kg (June 2008 – May 2009)²

Item	Volume (kg) Shipped Weight	Value (AUD\$)
Chilled hams, shoulder, cuts bone in	32,432.63	169,036
Chilled Swine Meat	65,245.17	347,899
Dried belly and cuts	24,264.46	177,955
Dried Hams, shoulders, cuts, bone in	35,050.26	45,457
Dried Swine Meat	372.00	8,735
Frozen Carcass	27,000.00	94,100
Frozen hams, shoulders, cuts, bone in	265,425.26	1,000,249
Frozen Offal	13,685.00	10,264
Frozen Swine Meat	1,173,863.04	3,095,583
Preserved Hams and Cuts	7,460.05	56,404
GRAND TOTAL	1,644,797.87 kg	\$5,005,682

In the twelve months to May 2009, Papua New Guinea, the Solomon Islands, Samoa and Fiji were Australia's largest export destinations.

In Fiji, Australia already supplies approximately 39% of the total food and beverage market, valued at AUD\$208.6 million in 2007. Imports of food and beverage for the food sector targets the tourist trade which can approach approximately 500,000 visitors annually, as well as a sizeable expatriate community. Frozen pork products are among the Australian industry's main export items to Fiji. All imports attract a Value Added Tax (VAT) of 12.5%.³

In Papua New Guinea (PNG), the total value of the food and beverage market was valued at approximately AUD\$280 million. 85% of PNG's population is reliant on subsistence agriculture for their livelihood. All imported goods incur a 10% Value Added Tax (VAT). There is a growing migrant Asian community in Papua New Guinea. Like Fiji, frozen pork products are the Australian industry's main export products to Papua New Guinea.⁴

¹ Countries in the South Pacific and part of the PACER agreement include the Forum Island Countries (the Cook Islands, Federated States of Micronesia, Fiji Islands, Kiribati, Republic of Marshall Islands, Nauru, Niue, Republic of Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu).

² APL from ABS Data.

³ <http://www.austrade.gov.au/Food-and-beverage-to-Fiji/default.aspx>

⁴ <http://www.austrade.gov.au/Food-and-beverage-to-Papua-New-Guinea/default.aspx>

APL believes that Australian pork exports to the region are hampered by cost prohibitive tariff duties as stated below:

Tariffs on HS 0203 and HS 0206

HS Code	COUNTRY (Note: Tariff data unavailable for Cook Islands, Micronesia, Kiribati, Marshall Islands, Nauru, Niue, Palau, Samoa, Tonga, Tuvalu and Vanuatu)		
	Applicable tariff (%) ⁵		
	Fiji Islands	Papua New Guinea ⁶	Solomon Islands
02031100 Fresh or chilled carcasses and half-carcasses of swine	15	20	70
02031200 Fresh or chilled hams, shoulders and cuts thereof of swine, with bone in	15	20	70
02031900 Fresh or chilled meat of swine (excl. carcasses and half-carcasses, and hams, shoulders and cuts thereof, with bone in)	15	20	70
02032100 Frozen carcasses and half-carcasses of swine	15	20	70
02032200 Frozen hams, shoulders and cuts thereof of swine, boneless	15	20	70
02032900 Frozen meat of swine (excl. carcasses and half-carcasses, and hams, shoulders and cuts thereof, boneless)	15	20	70
02063000 Fresh or chilled edible offal of swine	15	0	70
02064100 Frozen edible livers of swine	15	0	70
02064900 Edible offal of swine, frozen (excl. livers)	15	0	70

APL believes that Australian pork producers may be disadvantage by these cost prohibitive tariffs in the key export markets of Fiji, Papua New Guinea and the Solomon Islands.

⁵ http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm

⁶ APEC Tariff Database 2008



To fully exploit the opportunities for Australia and the PACER Plus any agreed outcomes should:

- Seek agreement on the timetable to begin FTA negotiations before 2011;
- State preliminary outcomes of Australian requirements to reduce the tariff rates on all Australian pork product exports to PACER nations;
- Encourage non-member or observer Pacific Island nations such as Samoa to WTO membership as this reduces tariffs;
- Record as a priority for liberalisation, frozen pork items of tariff lines 0203.2110, 0203.2190, 0203.2200 and 0203.2900;
- Record as a priority for liberalisation, pork offal products of tariff lines 0206.3000, 0206.4100 and 0206.4900;
- Recognise that a comprehensive agreement with PACER could liberalise the foreign direct investment (FDI) laws which would allow greater Australian infrastructure projects in the region;
- Recognise the contribution that guest workers from South Pacific nations can have in relieving labour shortages in the Australian pork industry.

APL recognises the opportunity of operating in a global trading environment and endorses trade negotiation efforts which maintain and build on the competitive advantages of Australian pork. By open access to export markets, Australian pork producers can expand production to offset the cost impacts of climate change and the Carbon Pollution Reduction Scheme. Producers would be able to maintain herd biosecurity and improve product traceability to ensure that product integrity is not compromised.

We welcome further enquiries from the PACER team on improving market access to Pacific Island nations for Australian pork.

Yours sincerely,

A handwritten signature in black ink that reads "Kathleen Plowman".

Kathleen Plowman
General Manager, Policy
kathleen.plowman@australianpork.com.au
(02) 6285 2200