

TALKING TRADE

Welcome to the first edition of **TALKING TRADE**. We would like to keep everyone involved in trading Abalone and Rocklobster to China informed and connected and hope to use this update as a 'go to' place for information about the activities, issues and achievements of the group. We welcome your feedback and contributions!

Abalone and Rock Lobster Trade to China – Trade Figures

Australian Abalone and Rock Lobster exports to China (including trade to Hong Kong and other transit points) combined represents nearly 14 per cent of Australia's overall food exports to China!

As exports to China, Abalone (\$135 million) and Rock Lobster (\$303 million) compare well with wine (\$240 million) and dairy (\$233 million).

Combined, Abalone and Rock Lobster make up over 80 per cent of all Australian seafood exports to China.

Source: ABARES, 2012

New Minister, New Department Head and New Name for DAFF

The Federal Department of Agriculture and Fisheries has received a major shake-up with the election of the Abbott Government. The new Minister will be Nationals Deputy Leader Barnaby Joyce, and Fisheries and Forestry have been taken out of the department's name in line with the new Prime Minister's preference for short departmental names.

The newly named Department of Agriculture has lost its departmental head with the sudden departure of Andrew Metcalfe. Mr Metcalfe is being replaced by Dr Paul Grimes PSM, who moves across from his role as Secretary of the Department of Sustainability, Environment, Water, Population and Communities.

Our Canberra advisers will keep us up to date on what the changes mean for our industry, but inside sources tell us that the seafood messages have been well heard and understood by the Federal coalition, particularly Richard Colbeck who will be the Assistant Minister to Mr Joyce.

Canberra Engagement

Jayne Gallagher, Program Manager - Product and Market Development with the Australian Seafood Cooperative Research Centre, and Dean Lisson, Executive Chairman of the Abalone Council Australia Ltd, met senior Commonwealth officials in Canberra in late July and renewed the industry's key messages:

- **Commitment to strengthen direct trade to China**
- **Support for the resumption of talks on the Free Trade Agreement with China**
- **Improved China market access.**

Meetings included the head of the Australian Bureau of Agricultural and Resource Economics and Sciences, Paul Morris, who was acting departmental head of the Department of Agriculture, Fisheries and Forestry, and separate meetings with ministerial advisers and the Department of Foreign Affairs and Trade.

Officials recognised the industry's efforts in establishing the Seafood Trade Advisory Group as a mechanism to improve the trade and market access to China for Australia's premium seafood exporters. They pledged to assist in furthering the group's aims in gaining better market access, improving customs clearances, and importantly, communicating to China the safety and security of Australia's SO₂ regime for canned products. More communications are planned on these key issues as a follow up.

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About the cross-border economic zone between China and Vietnam

The China and Vietnam cross-border economic zone was proposed in 2005, and a memorandum was signed in January 2007, by China's Guangxi Zhuang Autonomous Region and Vietnam's Lang Son Province, to establish a cross-border economic zone as a regional import-export processing center, an international trade base and an international logistics center. The zone covers 8.5 square kilometers of land from China's border city of Ping Xiang in Guangxi and Vietnam's border town of Dong Dang in Lang Son province.

The main objective of the economic zone is to carry out the development strategy mapped out by the Chinese government for the region, to shift the region from a single model of border trade to one with comprehensive models of trade and investment, processing and manufacturing and tourism, and to promote the free flows of Chinese and Vietnamese citizens as well as the free flows of goods and services within the economic zone.

The project will develop in two phases, with the first phase being from 2009 to 2010, and the second phase being from 2011 to 2015.

The Chinese Academy of International Trade and Economic Cooperation under the Ministry of Commerce carried out the feasibility study on the Chinese side of the economic zone from 2008 and completed the study in 2009.

Over the three years since the memorandum, relevant authorities held several rounds of consultations and symposiums on construction of the cross-border economic zone.

In October 2010, both countries reached consensus on specific measures to promote the building of the zone. The project also gained financial support from UNDP and received technical aids from Asian Development Bank.

In September 2011, the first bonded area on the border line city of Ping Xiang was brought into operation, thus becoming a symbol of progress to the second phase in the China - Vietnam cross-border cooperation. The first batch of projects approved then included 10 enterprises in the areas of logistics, trade and processing industries.

Ping Xiang has become the most important port along the border line with Vietnam and also the gateway on land route to Vietnam and other Asian countries. It is cultivating and developing 5 specialised markets for agricultural native produce, rosewood, seafood, aquatic products and auto parts for the region.

The project is in the best interests of regional development along the borders of China and Vietnam. It is still at its development stage, so it is difficult to predict what package of agreements will

be signed between the two regional governments and discussions continue.

The bonded zone on Guangxi side is in operation already. It is operated like other bonded zones in China wherein goods imported into the zone are free of duties and goods coming out of the zone will be levied.

This does not mean that the Economic Zone should be considered a point of entry through which Australian product can legally enter China without incurring duties.

Even when the zone has been fully implemented, products from a third country can't be brought into China from Vietnam without paying any duties. The rules of country of origin are still effective, and depending on the category of products, mandatory inspection and quarantine will still take place.

The economic zone is very much like a country to country FTA that provides preferential treatment for goods originating from the signatory country. It is the view of MofCOM that the project will not benefit the market access for products of a third country.

Both the Chinese and Vietnamese governments are now focusing on infrastructure construction that includes developing customs, inspection and quarantine check-points capabilities at the border.

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About the China (Shanghai) pilot Free Trade Zone

The China (Shanghai) Pilot Free Trade Zone was launched on 29th September, and a first batch of 25 Chinese and overseas companies were granted the licenses at the launching ceremony to operate in the zone. The zone has covered a total area of 28.78 square kilometers and included four existing bonded zones —Shanghai Waigaoqiao Free Trade Zone, Waigaoqiao Bonded Logistics Park, Yangshan Bonded Port and Shanghai Pudong Airport Comprehensive Bonded Zone.

According to the Chinese State Council, which has officially unveiled a plan, the pilot free trade zone in Shanghai has five major objectives: boosting investment opportunities, transforming trade growth patterns, increasing financial innovation, better legal regulation and accelerating the transformation of government function.

According to the plan, free yuan convertibility is allowed under the capital account on a trial basis, and interest rates liberalization and cross-border use of yuan are to be experimented in the zone, with risks under control. Restrictions on foreign investment will also be eased, as regulations on operations of foreign firms and Sino-foreign joint ventures will be "temporarily adjusted" in the zone for three years from October 1. Foreign financial institutions will be allowed to set up solely-owned banks and privately-funded Sino-foreign joint ventures, while domestic lenders will be able to conduct offshore business in the zone.

The main thing is to use the zone as an experimental field to push forward reforms, improve the open economy, as well as accumulate experiences that can be duplicated and promoted, the State Council said in a statement when announcing the plan.

Below are the 18 sectors that have had the restrictions lifted by the State Council for the pilot free trade zone:

1. Banking services
2. Health and medical insurance
3. Financial leasing
4. Ocean cargo shipping
5. International ship management
6. Value-added telecommunications
7. Game and amusement devices
8. Legal services
9. Credit investigation
10. Travel agencies
11. Employment agencies
12. Investment management
13. Engineering design
14. Construction services
15. Cultural performance agencies
16. Entertainment venues
17. Education and vocational skills training
18. Medical services

Please contact us for further information on the China (Shanghai) Free Trade Zone - helen@australianwildabalone.com.au

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A note from the Chair, Mark Webster

Hi Everyone,

As you know we have established a series of working groups to focus on individual priorities of our trade agenda. I wanted to add a note to the newsletter to give a bit of an overview of the progress and activity of these groups.

The Economic Analysis group is working with Sam and Selwyn from Newgate to provide a compelling picture of the Australian trade with China and model the beneficial outcomes of a fully liberalising trade agreement. It's important work as it will provide us credible content for our communications with government and inform all key messages in support of the trade agenda.

The SO2 group has been working to identify how we can apply to have SO2 content in canned abalone accepted under the Chinese *Measures for Administration of New Food Additives*. Whilst we are still waiting for advice on this issue from the Australian Department of Agriculture, Jeff Zhu has leveraged his relationship with the Chinese Ministry of Health, Ministry of Commerce and the National Centre for Health Inspection & Supervision to identify a path forward for our application.

The Customs Clearance group has been working on analysing delays in key direct channel ports such as Shanghai and Beijing. We have created a Customs Clearance Monitor which will form a quarterly update that is provided to government to demonstrate our concerns about delays, product quality and resulting losses.

The above work demonstrates to government the group are engaged in the market and are a source of intelligence and professional counsel as they continue to pursue market access on behalf of our industry. To this end our government engagement has been ongoing with significant meetings taking place with DFAT, DA, Austrade and ABARES.

As we discussed during the GR working group meeting we are looking to engage with the new government in the coming month and the above inputs and research that have been prepared by the working groups will provide us substantial content for ongoing discussion.

We are continuing to formalise the group. A website will be completed in the coming week and will be another platform for us to publish our key messages about the trade agenda. After taking your feedback on a clearer name for the group we have arrived at the Seafood Trade Advisory Group or STAG with the tag line "improving China trade and market access for Australia's premium seafood exporters". This will now be the name under which we operate.

With funding from the Australian Seafood CRC and the FRDC we have engaged KGA on the ground in Canberra, and Newgate in Beijing. The research and support provided by both companies will provide the group with ongoing intelligence and insight related to Australian and Chinese Government trade and market access policies and initiatives. We encourage all members to share their own insight into the trade as new intelligence comes to hand.

We will continue to produce and distribute this newsletter to the group so you are all across our activity.

I am very pleased to be working with you all and look forward to continuing to build on the group's initial success over the coming months.

Yours,

Mark Webster

Chair, Seafood Trade Advisory Group

**For further information about the Seafood Trade Advisory Group
please contact us: t: 03 6231 1956 or helen@australianwildabalone.com.au**

