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Customs and Global Trade Update

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Frozen berries scare and Free Trade Agreements
Separating the fact from fiction

The contaminated berry scandal has forced Australians to focus on the quality of imported foods. An interesting and unexpected response has been the suggestion that the recently concluded free trade agreement with China is part of the problem. Given the FTA has not been signed, let alone implemented, the comments were misinformed. However, the FTA is likely to be implemented some time this year and it is worth considering what is true and false about the claims it will have on food safety.

FALSE – There will be a flood of cheap Chinese food imports

FTAs generally act to reduce duty and make imports cheaper. However, they cannot make imports cheaper if the non-FTA duty rate is already zero. Much of Australia's food imports, including fresh or frozen berries, are already duty free. Even where not duty free, the 5% duty saving under an FTA is unlikely to significantly alter purchasing decisions.

FALSE – The FTA limits Australia's ability to impose safety measures on imported food

Both the World Trade Organisation and the free trade agreements Australia enters into allows Australia to take measures to prevent health risks associated with imports. The only proviso is that such measures must be genuine, apply equally to locally produced goods and not be a veiled attempt to protect local manufacturers.

Australia is already accused of breaching these rules by the manner in which it seeks to prevent importations of meat potentially affected by mad cow disease. However, such claims have not lead to a relaxation of Australia's requirements.

TRUE – Logistics improvements mean we are importing more perishable food

It is hard to believe that Australia is looking to China for berries. Clearly Australia has the environmental advantage when it comes to growing such fruit. However, a berry has to be picked and someone has to be paid to pick them. The evolution of containerised transport, including refrigerated containers, means that transport cost is not a significant factor when considering from where to source a good. It's the same logistics improvements that mean that Australia can export fresh milk to China.

TRUE – Under the FTA more attention will be placed on the country of origin

Lower duty rates under free trade agreements are based on where the goods are produced or manufactured. It is generally irrelevant where the goods are packaged or exported from. It is likely that to claim preferential duty rates under the FTA the Chinese exporter will need to produce a document certifying that the goods were grown/produced in China. Australian importers claiming this preference will be held liable by Australian Customs for the accuracy of the claim. While this will not improve consumer focused labelling, it will place greater pressures on importers to ensure origin claims are correct.

TRUE – The buck stops with the Australian supplier

The reality is that only the smallest sample of imported food will be tested by Government. The real driver of consumer protection will be the fact that the Australian importer/distributor is legislatively liable for breaching food safety standards. Prevention is better than the cure, and more reliable than detection. It is hoped that the contaminated berry scandal will motivate Australian food importers to insist on strict standards and periodically undertake the onsite due diligence to ensure those standards are being met.

TRUE – The FTA will actually increase the consumption of healthy food

The FTA will mean that the cost of Australian food exported to China significantly decreases. This will have the result that a greater number of Chinese consumers will have access to Australian produced food. It may also have the effect that over time, to compete with high quality imports, Chinese food producers will have to increase domestic confidence in their own product. The only way to do this will be to lift food safety standards.

Nothing rouses protectionist feeling in a country like a poor quality cheap import. In considering the responses to the frozen berry scandal it is important to separate the fact from the fiction. Once the rhetoric is put aside, the focus of regulators will remain the same, has the Australian supplier/distributor complied with the relevant safety requirements.

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