



## Complementary Medicines Australia

**Title** Submission to Discussion Paper on Addressing Non-Tariff Measures (NTMs)

**Department** Department of Foreign Affairs and Trade

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**Mr Aiden Essery**  
**Economic Policy Adviser**  
**Complementary Medicines Australia**

**Published by:** Complementary Medicines Australia  
PO Box 450  
Mawson, ACT 2606  
Australia  
Telephone: 02 6260 4022  
Facsimile: 02 6260 4122  
E-mail: [aiden.essery@cmaustralia.org.au](mailto:aiden.essery@cmaustralia.org.au)  
Website: [www.cmaustralia.org.au](http://www.cmaustralia.org.au)

## **A. Introduction**

1. Complementary Medicines Australia (CMA) welcomes the opportunity to respond to the Discussion Paper on Addressing Non-Tariff Measures (NTMs) released by the Department of Foreign Affairs and Trade on the 25th November 2016. CMA is the peak industry body for the complementary medicines (CM) industry, representing members throughout the value chain: manufacturers, raw material suppliers, distributors, retailers, practitioners and consultants.
2. The Australian complementary medicines industry generates \$3.5 billion of revenue annually, which is expected to grow to \$4.6 billion in 2017-2018. CMA promotes appropriate industry regulation and advancement to ensure consumers have access to complementary medicines of the highest quality.
3. Regulated in Australia as medicines under the *Therapeutic Goods Act 1989*, complementary medicines include vitamins, mineral and nutritional supplements, homeopathic, aromatherapy products and herbal medicines (unless specifically exempt). The term 'complementary medicines' also comprises traditional medicines, including traditional Chinese medicines, Ayurvedic, Australian Indigenous and Western herbal medicines.
4. Access to international markets is crucial for the long term prosperity of the CM industry. Australia is recognised as a premium brand in the complementary medicines sector, stemming from our strict environmental, safety and manufacturing standards. As a result of this 'clean and green' image, over 60 per cent of companies in our sector are engaged in exporting activities. Although Australia holds a promising comparative and competitive advantage over global rivals, the nutraceutical industry is being increasingly identified as a high-skill, high value infant industry in many economies. It is therefore crucial for Australia to continue to pursue trade liberalisation in order to maintain its current market dominance.

## **B. Recommendations**

5. At CMA we believe that provisions concerning non-tariff measures (NTMs) should, as much as possible, be included in the 5 chapters. Including NTMs throughout the guiding chapters will lead to greater clarity to real world applications of the trade agreement. For instruments such as licenses or quotas there will have some overlap across the chapters, reducing the risk of misinterpretation and disputes.

### Chapters include

- a) Trade in Goods
  - b) Rules of Origin
  - c) Customs Procedures and Trade Facilitation
  - d) Standards, Technical Regulations and Conformity Assessment Procedures
  - e) Sanitary and Phytosanitary Measures
6. CMA however believes that an annex should be added which provides the definitions, expectations and overarching mission of statement identifying the harm to economic prosperity stemming from protectionism.
7. CMA believes that sectoral initiatives should not be pursued under the current RCEP negotiations or framework due to opposition from less developed nations. The two key reasons that developing nations tend to oppose sectoral initiatives is, 1) that it distracts from the original binding agreement and 2) the lack of bargaining power by poorer nations leads to an uneven distribution of benefits between advanced and developing nations.
8. Cross-sectoral, unilateral agreements, negotiated outside the formal framework of RCEP should be the primary channel of the removal of NTMs as they are the least politically contentious. Saudi Arabia provides good evidence of how these initiatives negotiated outside the formal trade agreements lead to the liberalisation of the yogurt, beef, chemical and information technology sectors.
9. CMA would argue that the unfavourable public perception of the Trans-Pacific Partnership primarily serving moneyed interests could damage the public trust in welfare improving outcomes of future trade liberalisation and thus RCEP. When possible the working groups should explicitly avoid conflating the two trade agreements.

### **C. Concluding comments**

10. By recognising that a reduced tariff rate has a larger marginal benefit on trade than abolishing NTMs, as well as the political reality that developing nations are suspicious of sectoral initiatives, DFAT should focus on negotiating a timely, simple, realistic agreement.
11. CMA recommends that this is achieved by including NTMs provisions into the chapters alongside the functional clauses to provide clarity in application. CMA also argues that for a timely agreement to be reached with the greatest

possible reduction in tariff rates, sectoral initiatives should be left to be made preferably on a voluntary, unilateral, cross-sectoral basis.