



GREEN EXCUSES: COLLUSION TO PROMOTE PROTECTIONISM?

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i. Executive summary

For years environmental groups have claimed there is mass deforestation and illegal logging occurring in the developing world. In response they've advocated for forestry products to be certified against their own standards and to impose trade restrictions in the developed world against products that don't meet those standards.

Using environmental justifications to propose trade restrictions is now commonplace. Carbon tariffs have been proposed internationally to offset the cost of climate change policies. Now industry and unions, cloaked behind environmental language appear to be colluding with the messages of green groups to advocate for green protectionism from imports.

Green groups want less forestry in the developing world. Industry wants green protectionism to cut the volume of competitive imports. Unions want green protectionism to stop imports to ensure they can keep workers in high-paying jobs.

There is plenty of evidence overseas of industry, unions and green groups colluding to push protectionist causes. Two major manufacturers, Kimberly-Clark Australia (KCA) and SCA Hygiene are part of the World Wildlife Fund's Global Forest and Trade Network and SCA Hygiene has reportedly paid £10 million to WWF to use their logo.

There is now emerging evidence that the collusion may be occurring in Australia. And they are increasingly pursuing political and legal avenues.

In early 2008 both KCA and SCA complained that Chinese and Indonesian toilet tissue paper manufacturers were "dumping" products into the Australian market and temporarily succeeded in getting trade restrictions imposed by the Australian Customs Service.

But the restrictions were overturned following a Customs report that concluded competition from domestic providers was among a series of contributing factors causing market pressure.

Now KCA and SCA have appealed the decision to the Federal Court supported by the CFMEU.

Meanwhile an independent report commissioned by the government concluded environmental grounds for restricting imports was weak and would have no affect to improve the environment in the developing world.

In addition to the legal path, the CFMEU may also be pursuing a political path to secure industry protection.

The CFMEU, which is at the centre of anti-imports activities, donated \$28,000 to the South Australian Division of the Australian Labor Party around the same time the Party announced it would commit to banning certain timber imports.

The CFMEU were also primary funders to the Wake Up Woolworths! campaign that succeeded in getting Woolworths to stop using Asia Pulp & Paper imports in its *Select* private brand tissue products. In doing so the CFMEU has made it harder for Woolworths to compete on price.

But the real cost of the push for green protectionism will fall onto consumers. New trade restrictions will cut competition and increase the cost of products adding further upward pressure on the cost-of-living and may add up to 42 per cent onto the price of toilet paper.

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iii. Abbreviations

A3P	Australian Plantation Products & Paper Industry Council	KCA	Kimberly Clark Australia
ACBPS	Australian Customs and Border Protection Service	Kt	Kilo tonnes
ACS	Australian Customs Service	NGOs	Non-Government Organisations
ALP	Australian Labor Party	PEFC	Program for the Endorsement of Forest Certification
APP	Asia Pulp and Paper	SCA	Svenska Celulosa Aktiebolaget
CFMEU	Construction, Forestry, Mining and Energy Union	WTO	World Trade Organisation
FOE	Friends of the Earth	WUW!	Wake Up Woolworths!
FSC	Forest Stewardship Council	WWF	World Wildlife Fund

1.0 Introduction

The trade of forestry products on international markets is becoming increasingly controversial.

For years environmental groups have been claiming that there is mass deforestation and illegal logging occurring in the developing world to create products for developed world consumers. In response environmental groups have sought certification of forestry products based on their expectations of environmental management.

But increasingly industry and unions are now doing the same. Cloaked behind environmental language industry and trade unions appear to now be colluding with the messages of green groups to advocate for green protectionism.

Green groups want less forestry in the developing world. Industry wants green protectionism to cut the volume of competitive imports. Unions want green protectionism to stop imports to ensure they can keep workers in high-paying jobs.

But many aspects of these campaigns are deceptive. The real cost will flow through to the final price of retail products, hit the hip pocket of consumers and increase the cost-of-living for Australians. This is particularly true in the Australian toilet tissue market where green groups, unions and industry are now seeking trade restrictions.

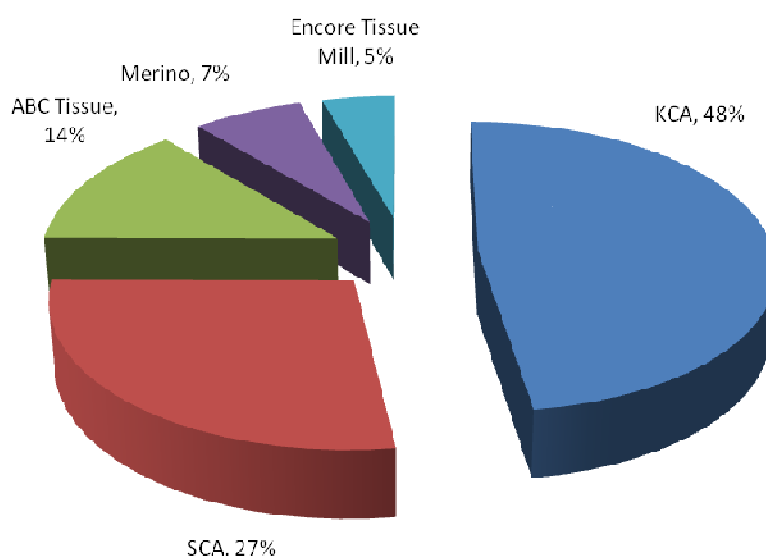
This report will critically analyse the role of unions, industry and green groups and assess the legitimacy and impact of their campaigns.

2.0 Industry prospects

The Australian tissue paper industry is facing significant challenges. As an industry the tissue paper industry has traditionally been dominated by two major manufacturers.

Kimberly Clark Australia (KCA) is a subsidiary of the Kimberly Clark Corporation based in the United States and has operated in Australia for more than 50 years. Its principle tissue manufacturing facility is in Millicent and its pulp mill is in Tantanoola. Both are located in the South East of South Australia. Figure 1 outlines the market share for different tissue manufacturers retailing in the Australian market.

Figure 1 | Tissue production market share in Australia 2006-07, by Kt



Source: Industry Edge, 2007, “Pulp & Paper Strategic Review 2007: A comprehensive analysis of the Australian and New Zealand Pulp & Paper Industry”, Hobart, Australia

The other traditional major player is the Australian arm of Swedish company, Svenska Celulosa Aktiebolaget (SCA). SCA Hygiene has operated in Australia since 2004 with its primary tissue manufacturing in Box Hill, Victoria. Table 1 outlines the major brands of both KCA and SCA Hygiene.

Table 1 | Select popular Kimberly Clark Australia and Svenska Celulosa Aktiebolaget brands

Kimberly Clark Australia (KCA)		Svenska Celulosa Aktiebolaget (SCA) Hygiene	
<i>Huggies</i>	<i>Pull-Ups</i>	<i>Tena</i>	<i>Purex</i>
<i>Depend</i>	<i>Snugglers</i>	<i>Cuddlers</i>	<i>Sorbent</i>
<i>DryNites</i>	<i>Thick & Thirsty</i>	<i>Treasures</i>	<i>Velvet</i>
<i>Kleenex</i>	<i>U by Kotex</i>	<i>Libra</i>	<i>Tork</i>
<i>Kotex</i>	<i>Viva</i>	<i>Deeko</i>	
<i>Poise</i>	<i>Wondersoft</i>	<i>HandeeUltra</i>	

Source: Kimberly-Clark Australia, 2009, “Our products”, at <http://www.kca.com.au/products/> and Svenska Celulosa Aktiebolaget, 2010, “Products”, at <http://www.sca.com/en/Products/SCA-brands/>

But in recent years their market dominance has come under threat. The two main competitors to KCA and SCA's dominance has been in-house private brands like Woolworths' *Select* range and Coles' *You'll Love Coles* range, as well as ABC Tissue's brands. To be competitive Woolworths imported tissue sourced from Asia Pulp and Paper (APP) in its *Select* range. According to reports most of the toilet paper sourced by Woolworths was from APP's plants in Gold Hong Ye Paper in China and PT Pindo Deli in Indonesia.¹

ABC Tissue began manufacturing in 1985 in Western Sydney. Through recent acquisitions of known brands, including *Softex*, and the use of imported tissue paper, ABC has also emerged as a strong market competitor. ABC Tissue increased its retail sales of toilet tissue from \$101 million worth 15.7 per cent of the market in 2004 to \$144.5 million worth 19.9 per cent in 2007.² The other key to ABC Tissue's capacity to compete is its non-union workforce. KCA and SCA employ more than 1,650³ and 764⁴ people respectively, whereas ABC Tissue employs 500 non-unionised workers.⁵

Table 2 | Major toilet-tissue brands and suppliers to the Australian market

Retail sector			
Sub sector	Supplier		Brand
Premium	Australian Industry	ABC	<i>Quilton</i>
		KCA	<i>Kleenex and You'll Love Coles</i>
		SCA	<i>Sorbent</i>
	Importers	Woolworths	<i>Select</i>
		Paper Force	<i>Paseo</i>
Mid range	Australian industry	ABC	<i>Naturale and Softly</i>
		Encore & Merino	<i>Bouquets, Envirosoft and Safe</i>
		KCA	<i>Wondersoft</i>
		SCA	<i>Purex</i>
Economy	Australian industry and importers		<i>Bi-Lo, Black and Gold, Coles Smart Buy and No Frills</i>
	Importer	Woolworths	<i>Homebrand</i>
Away from Home sector			
Sub sector	Supplier		Brand
All	Australian industry	Encore & Merino	<i>Merino', Earthwise and Elite</i>
		KCA	<i>Scott and Kimdri</i>
	Importers	Bunzl Limited (Bunzl)	<i>Executive Premium and Premium</i>
		Caprice	Not publicly available
		Financial Raising Pty Ltd	<i>Green Dolphin, Casey and Elise</i>
		JSH	<i>Real and Trusoft</i>
		Paper Force	<i>Livi, Premium, Mayfair, Milestone and Ultrasoft</i>
		SCA	<i>Tork</i>

Source: Adapted from Australian Customs and Border Protection Service, 2009, "Reinvestigation of findings in Report to the Minister Rep 138, Certain toilet paper exported from the People's Republic of China and the Republic of Indonesia", Trade Measures Branch, Commonwealth of Australia, Canberra, Australia, December at http://www.customs.gov.au/webdata/resources/files/MicrosoftWord-0912REP158-Reinvestigationtoiletpaper_public_.pdf

¹ McIlwraith, I, 2009, "Cheap toilet paper imports get flushed", envirocare systems, January 2, at <http://www.envirocaresystems.com.au/go/news/cheap-toilet-paper-imports-get-flushed>

² Industry Edge, 2007, "Pulp & Paper Strategic Review 2007: A comprehensive analysis of the Australian and New Zealand Pulp & Paper Industry", Hobart, Australia

³ Kimberly-Clark Australia, 2009, "Who we are", at <http://www.kca.com.au/who/>

⁴ Svenska Celulosa Aktiebolaget, 2009, "SCA Annual Report 2009", Stockholm, Sweden, at http://www.sca.com/Documents/en/Annual_Reports/SCA_AnnualReport_2009_English.pdf

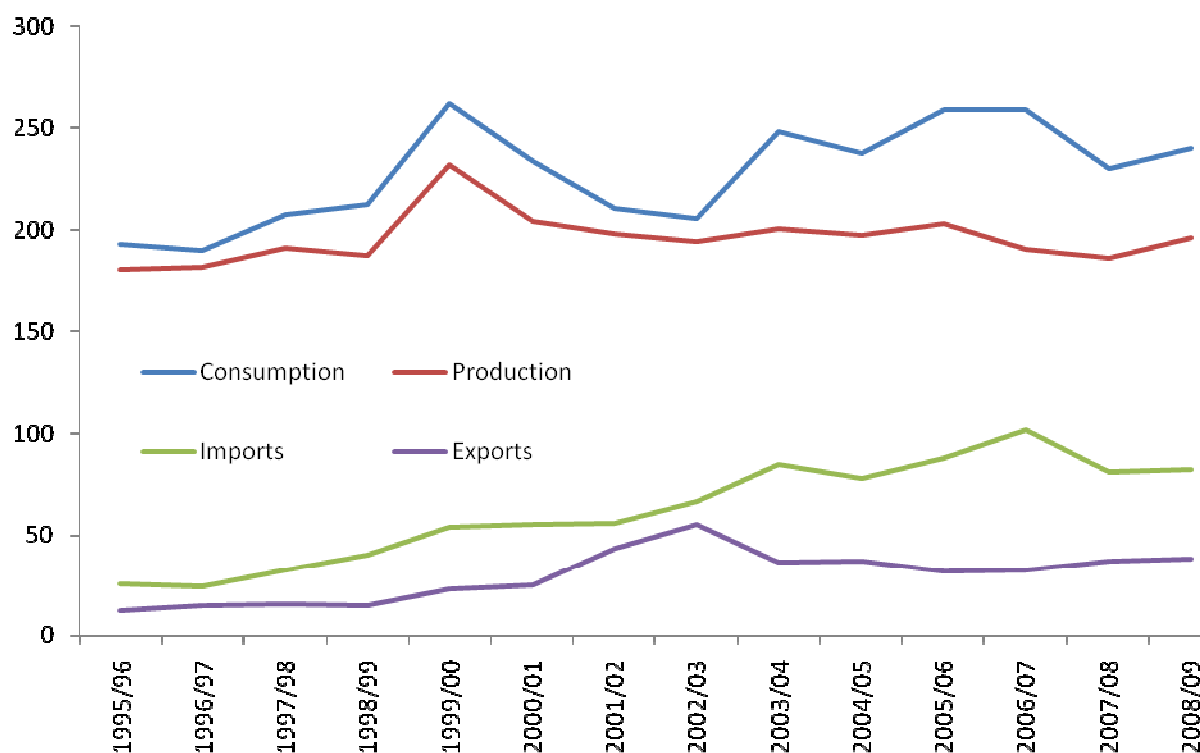
⁵ ABC Tissue, 2010, "About us", at <http://www.abctissue.com/web/aus/>

ABC Tissue’s capacity to compete is also a result of importing pulp and finished tissue products enabling them to seek out market opportunities based on the fluctuations of pulp and finished product prices. By comparison KCA’s operations in South Australia are highly integrated from forestry, to pulping to manufacture limiting their flexibility to buy components of their supply chain cheaper and pass on the benefits to consumers.

As Table 2 demonstrates there is significant competition within the marketplace. Individually the increased competition from private brands and ABC Tissue has impacted on KCA and SCA’s market dominance. Combined they’ve added strong competitive pressure in the tissue market in the interests of consumers.

Figure 2 outlines the trends in the consumption, production, imports and exports of household and sanitary paper and paperboard products, this includes tissue-based products, over the past fifteen years. The data shows that while consumption has consistently increased over time, the major beneficiaries have been those importing products.⁶ And Figure 3 articulates which countries have driven the rise. Exports to Australia have grown from China, Indonesia and New Zealand, who have all increased their market share dramatically over the timeframe, despite recent declines.

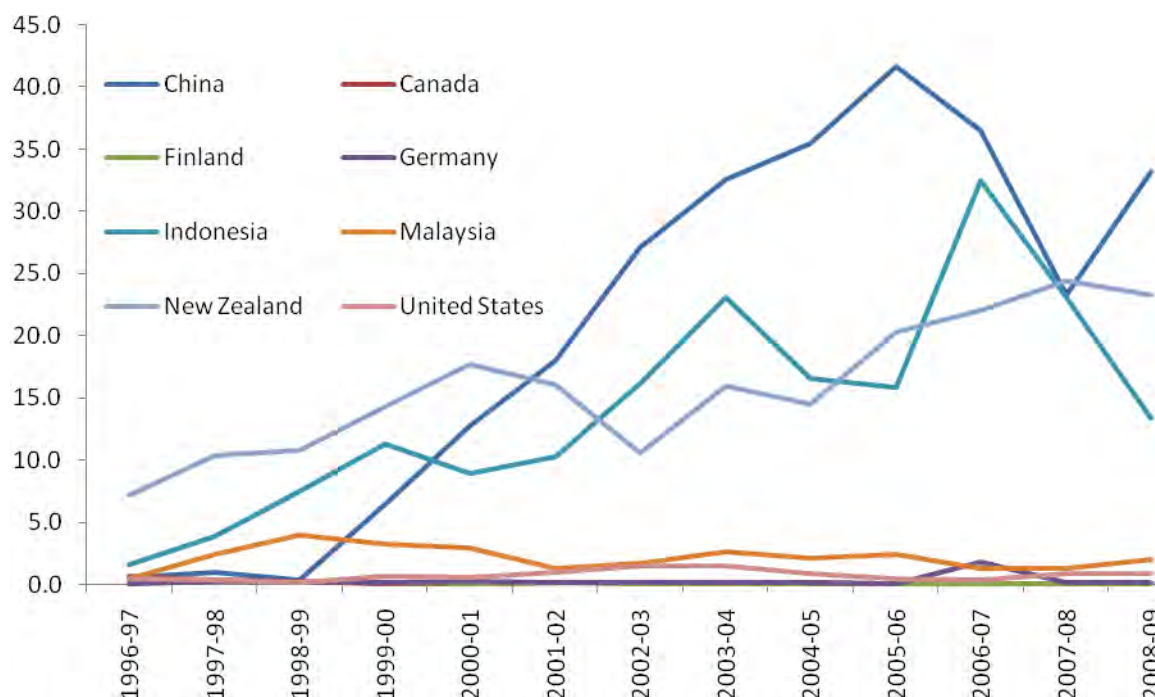
Figure 2 | Australian consumption, production, imports and exports of household and sanitary paper and paperboard products, Kt



Source: Australian Bureau of Agriculture and Resource Economics, 2010, “Australian forest and wood products: Statistical tables”, Commonwealth of Australia, Canberra, Australia, at http://www.abare.gov.au/publications_html/data/data/data.html#

⁶ Australian Bureau of Agriculture and Resource Economics, 2010, “Australian forest and wood product statistics”, Commonwealth of Australia, Canberra, Australia, May 25, at http://www.abare.gov.au/publications_html/afwps/afwps_10/afwps_may10.pdf

Figure 3 | Select Australian import destinations of household and sanitary paper and paperboard products, Kt



Source: Australian Bureau of Agriculture and Resource Economics, 2010, “Australian forest and wood products: Statistical tables”, Commonwealth of Australia, Canberra, Australia, at http://www.abare.gov.au/publications_html/data/data/data.html#

According to an Australian Customs Service (ACS) report into the potential impact of ‘dumped’ toilet paper from China and Indonesia the downward pressure from imports was between 5 and 10 per cent for products from China, and 37 and 42 per cent for products from Indonesia.⁷ By removing this pressure through trade protection is likely to rise. Table 3 outlines the possible increase on current retail prices if protection was introduced to offset the downward pressure provided by ‘dumped’ Indonesian and Chinese imports.

Table 3 | Range of retail price increases by introducing protection for toilet paper

Product	Total price	Protection margin	
		+5%	+42%
Coles <i>Smart Buy</i> 2 Ply, 12 pack	\$4.35	\$4.57	\$6.18
Coles Toilet Tissue 4 Ply, 8 pack	\$5.22	\$5.48	\$7.41
Kleenex Toilet Paper Cottonelle Marine, 12 pack	\$10.56	\$11.09	\$15.00
Kleenex Toilet Paper Double Length White, 6 pack	\$8.71	\$9.15	\$12.37
Purex Toilet Paper Seashore, 9 pack	\$5.94	\$6.24	\$8.43
Quilton Eco Toilet Tissue 3 Ply, 12 pack	\$9.25	\$9.71	\$13.14
Sorbent Extra Thick Toilet Paper Hypo-Allergenic, 12 pack	\$11.17	\$11.73	\$15.86

Note: Prices sourced from Coles Supermarkets Shopping online at www.colesonline.com.au

⁷ Australian Customs Service, 2008, “Toilet paper exported from the People’s Republic of China and the Republic of Indonesia”, Canberra, Australia, at <http://www.customs.gov.au/webdata/resources/notices/SEF138.pdf>

3.0 Collusion to stop imports?

It's clear from the data that the Australian tissue manufacturing industry has been under increased competitive pressure. The impact is directly felt from the two established major tissue manufacturers, KCA and SCA, but also by the relevant union, the Construction, Forestry, Mining and Energy Union (CFMEU). Representing workers in the forestry sector, the CFMEU's membership base is directly threatened by any decline in the domestic industry.

As a result of the declining commercial position of domestic toilet tissue manufacturers there has been increasing evidence that unions and industry are now colluding with the messages of eternal opponents of the forestry industry, environmental NGOs, to seek trade restrictions.

Despite often being opponents, unions, industry and green groups have a history of collaboration when they have a common goal. The World Wildlife Fund (WWF) has a history of working with the CFMEU where their interests collide. In 2008 they worked together to support select carbon mitigation strategies⁸ and in 2009 they collaborated on a report discussing the future of the coal industry.⁹

WWF is recognised as a supporter of the Forest Stewardship Council (FSC) certification scheme.¹⁰ The scheme is designed to enable forestry product producers to have their products certified to standards aligned with WWF's view of environmental management from the initial harvest through the supply chain to retail sales. Forestry products that have achieved FSC certification are entitled to carry the FSC certification mark which, it is argued, increases the products desirability to consumers.

WWF has worked with forestry product companies in Australia to achieve FSC certification and to establish networks for FSC-certified companies.¹¹ As part of the Global Forest and Trade Network, the Australian Forest and Trade Network encourages consumers to lobby for FSC certification for forestry products. However, no Australian toilet tissue manufacturer is FSC certified.

Both KCA's parent company, Kimberly Clark Corporation, and SCA are members of WWF's Global Forest and Trade Network.¹² And in 2007 SCA Hygiene entered a commercial relationship with WWF to use their panda logo on their *Velvet* brand of toilet tissue. The cost of securing WWF's logo was reported to be £10 million.¹³

Green groups, especially WWF, have lobbied that forestry products should meet FSC certification standards, or a similar certification scheme, to be imported into Australia. And the evidence outlined in the next three sections, suggests that a similar position is being taken by unions and industry to create a form of backdoor green protectionism.

⁸ World Wildlife Fund Australia, 2008, "WWF welcomes National Low Emission Coal Council", July 28, at <http://www.wwf.org.au/news/wwf-welcomes-national-low-emission-coal-council/>

⁹ World Wildlife Fund Australia, 2009, "Big coal companies endanger mining jobs", October 12, at <http://www.wwf.org.au/news/big-coal-companies-endanger-mining-jobs/>

¹⁰ World Wildlife Fund Australia, 2007, "'Full house' for FSC Australia launch", March 8, at <http://www.wwf.org.au/news/full-house-for-fsc-australia-launch/>

¹¹ World Wildlife Fund, 2005, "Partnership to promote sustainable forestry practices", December 5, at <http://www.wwf.org.au/news/partnership-to-promote-responsible-forestry-practices/>

¹² Global Forest and Trade Network, 2010, "GFTN Participants list", at http://gftn.panda.org/about_gftn/current_participants/

¹³ Fundraising.org.uk, 2007, "WWF partners with toilet tissue company", September 17, at <http://www.fundraising.co.uk/node/162921>

In the United States campaigns have emerged along these lines.¹⁴ The BlueGreen Alliance, the Sierra Club, the United Steel Workers Union, the Rainforest Action Network and the National Resources Defence Council have combined to fight forestry imports. In a recent report on Indonesian imports the coalition argued that “manufacturers in the US are struggling to compete against imported, illegally-harvested low-priced wood and wood products”.¹⁵

Similar alliances are now emerging in Australia.

Greenpeace coordinated business and business groups, green groups and religious faiths worked together to form a joint statement for “eliminating illegal forest products in Australia”.¹⁶ Among other requirements, the joint statement called for the Australian government to “take a leading role in stopping the importation of illegal forest products into Australia ... (through) regulations that require verification of the legality of forest product imports”.

The joint statement was supported by Bunnings, IKEA, the Wilderness Society, Patio, DANKS, the Building Designers Association of Australia, Oxfam, the Woodage, Simmonds Lumber, the Uniting Church in Australia, the Forest Stewardship Council, Lifestyle Furniture, the Australian Conservation Foundation, Fantastic Furniture, the World Wildlife Fund and Greenpeace.

However, there are more specific examples of these groups trying to exercise consumer activism as well as political and legal muscle.

3.1 Wake Up Woolworths!

In 2008 a group called Wake Up Woolworths! (WUW!) was formed to target Australia’s largest grocer, Woolworths Limited, and stop using imported toilet paper product sourced from Indonesia in its private label, *Select*.

The principle allegation was that APP was engaged in illegal logging in parts of Indonesia and may be selling illegally logged products. And by sourcing toilet paper for its *Select* range Woolworths, and therefore consumers, were support illegal logging. In substantiating their arguments the WUW! campaign drew heavily on material from WWF and Friends of the Earth (FOE), especially criticisms directed toward APP.¹⁷

WUW! also attracted support from Greenpeace, with a spokesperson stating “what we’re doing is protesting about Woolworths and their unsustainable tissue product, the *Select* brand paper products ... (because) they’re made by Asia Pulp and Paper, one of the least sustainable fibre manufacturers in the world”.¹⁸

¹⁴ World Growth, 2010, “Green protectionism: The new tool against forestry in developing countries”, Washington DC, United States of America, at http://www.worldgrowth.org/assets/files/WG_Green_Protectionism_Forestry_Report_6_10.pdf

¹⁵ BlueGreen Alliance, Sierra Club, United Steel Workers Union, Rainforest Action Network, National Resources Defence Council, 2010, “Illegal logging in Indonesia: The environmental economic and social costs”, Washington DC, United States of America, April, at <http://www.illegal-logging.info/uploads/BGAIndonesiaLogRptp7Wells.pdf>

¹⁶ Greenpeace, 2009, “Eliminating illegal forest products in Australia”, August 24, at <http://goodwoodguide.org.au/assets/docs/JointStatement.pdf>

¹⁷ Wake Up Woolworths, 2009, “Woolworths Select Brand Paper Products”, at <http://www.wakeupwoolworths.com/docs/woolworths-asia-pulp-paper.pdf>

¹⁸ Australian Broadcasting Corporation, 2010, “Background Briefing: Timber Politics”, Radio National, May 30, at <http://www.abc.net.au/rn/backgroundbriefing/stories/2010/2908767.htm>

But digging deeper into the WUW! campaign the objective appears to have had little to do with improving environmental standards and had more to do with promoting environmentalism as a disguise to argue for protectionism.

In recommending that consumers stop buying Woolworths' *Select* toilet paper, the campaign discourages consumers purchasing imported paper products to protect local industry.¹⁹ WUW! encouraged consumers to tell Woolworths stores to withdraw *Select* paper products, to tell other consumers to stop consuming *Select* products, and to ask for "Australian made paper products ... (so) thousands of Australian workers (are) paid properly ... (and) more of your money stays in Australia."

WUW! was "primarily funded" by the CFMEU²⁰ and managed by public relations firm, Fitzpatrick Woods. Principal consultant of Fitzpatrick Woods, Tim Woods, was a former official with the Pulp and Paper Workers' Branch of the CFMEU in the Forestry and Furnishing Products Division.²¹

Fitzpatrick Woods has a history of clients in the forestry sector, including the CFMEU, to promote the industry and the worker's interests, including the Australian Paper Industry Association.²²

And, depending on the interest, the campaign was successful. Environmental concerns won because Woolworths worked with WWF and adopted their FSC certification standards in their tendering requirements for *Select* tissue products in 2009.

The union's strategy stumbled because no Australian forestry company had FSC certification. However, Woolworths broadened the certification requirements to source tissue products from those meeting the Program for the Endorsement of Forest Certification (PEFC) standards.²³

3.2 Political action

Facing competitive pressures industry, unions and environmental groups sought to influence the Australian political process.

Prior to the 2007 Federal election then Federal Labor Party Leader, Kevin Rudd MP, announced he would commit his government to "the greater policing and enforcement of an effective national ban on the sale of illegally logged timber imports".²⁴ This announcement followed significant concerns being voiced by environmental groups, the CFMEU and the Australian Plantation Products and Paper Industry Council (A3P).²⁵

¹⁹ Wake Up Woolworths, 2009, "Woolworths Select Brand Paper Products", at <http://www.wakeupwoolworths.com/docs/woolworths-asia-pulp-paper.pdf>

²⁰ *Ibid.*

²¹ Fitzpatrick Woods, 2010, "Our People", at <http://www.fitzpatrickwoods.com.au/cms-our-people/index.php>

²² Fitzpatrick Woods, 2010, "Clients", at <http://www.fitzpatrickwoods.com.au/cms-clients/index.php>

²³ Woolworths Limited, 2009, "Corporate Responsibility Report", Baulkham Hills, Australia, November 27 at http://media.corporate-ir.net/media_files/irol/14/144044/WOL202_CR09_LR_FA.pdf

²⁴ Australian Broadcasting Corporation, 2010, "Background Briefing: Timber Politics", Radio National, May 30, at <http://www.abc.net.au/rn/backgroundbriefing/stories/2010/2908767.htm>

²⁵ Australian Plantation Products & Paper Industry Council, 2007, "Bringing down the axe on illegal logging – a practical approach", Braddon, Australia, January 31, at <http://www.a3p.asn.au/admin/assets/pdf/Submissions%20and%20Reports/2007%20Submission%20-%20Illegal%20Logging.pdf>

Table 4 | CFMEU donations to Australian political parties, 2003 – 2008

Party	Donation
2007/08 financial year	
Australian Labor Party	\$220,000
Australian Greens	\$10,000
Financial year total	\$230,000
2005/06 financial year	
Australian Labor Party	\$48,000
>> from CFMEU Forestry and Furnishing Products Division to ALP SA	\$28,000
Financial year total	\$48,000
2004/05 financial year	
Australian Labor Party	\$890,751.91
Financial year total	\$890,751.91
2003/04 financial year	
Australian Labor Party	\$339,500
Australian Democrats	\$25,000
Financial year total	\$364,500
2003 – 2008 total	
	\$1,533,251.91

Source: Australian Electoral Commission Data, at <http://www.aec.gov.au>

The extent of the CFMEU’s campaign to oppose imports of tissue paper resulted in their endorsement of a candidate for the South Australian seat of MacKillop in the 2010 State Election. The seat of MacKillop is the centre of many forestry-related jobs in the State and most importantly in the town of Millicent, near the Victoria-South Australia border that is the home of KCA’s tissue paper manufacturing. Despite being unsuccessful, Darren O’Halloran, and his campaign was financially supported by the union.²⁶

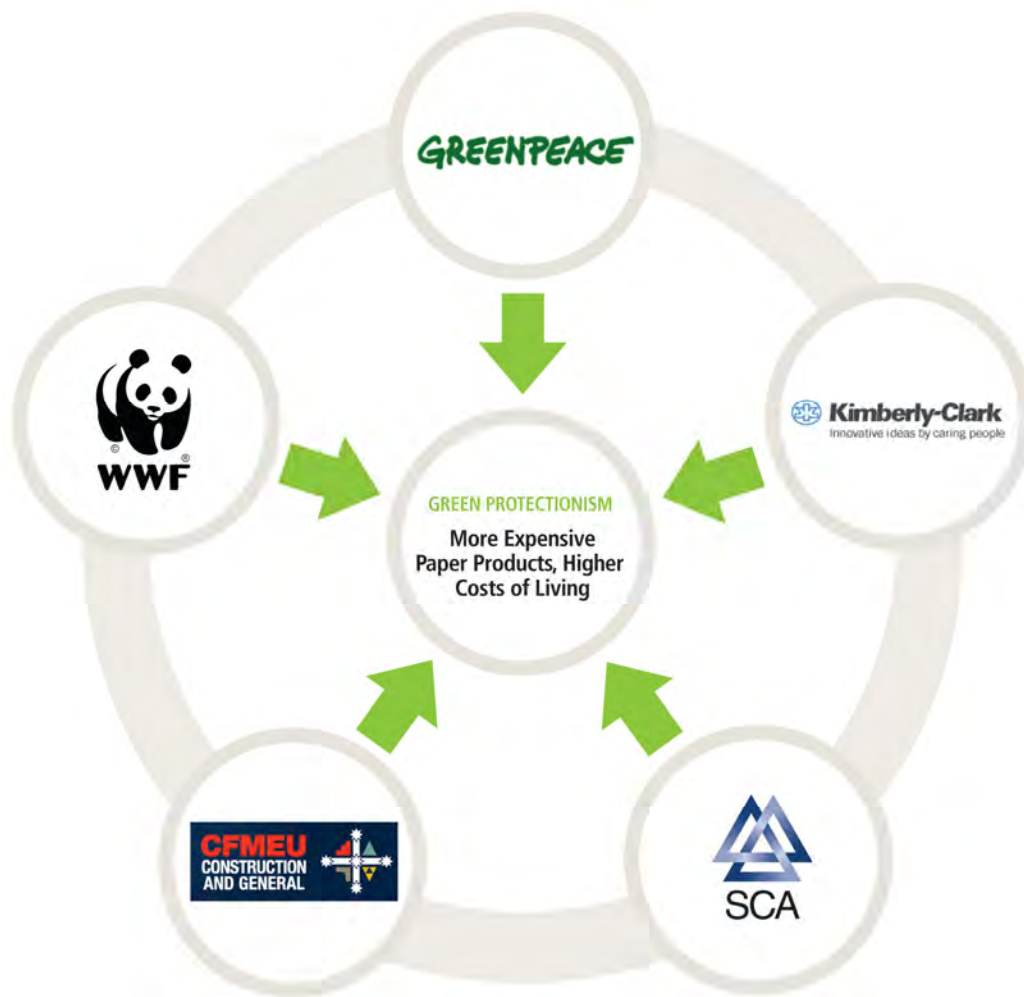
The influence of the CFMEU is particularly important because of its significant financial contributions to the Australian Labor Party (ALP). As Table 4 outlines since 2004 the CFMEU has donated more than \$1.5 million to political parties, of which almost all has been donated to the ALP including a notable \$38,000 donation in the 2005/06 financial year from its Forestry and Furnishing Products Division. Of that amount, the majority, \$28,000, was donated from the Forestry and Furnishing Products Division of the CFMEU, which has been at the forefront of the campaign to support trade restrictions, to the South Australian Division of the ALP.

But since being elected to government, the Minister for Agriculture, Fisheries and Forestry, Tony Burke MP, has not implemented the policy commitment given by former Prime Minister, Kevin Rudd. However, pressure has been placed on the government to implement the ban. Six United States Senators have written to the government seeking the principles of their *Lacey Act* to be included in Australian law. The *Lacey Act* requires importers to be able to source the origins of plant and animal life products with significant penalties for non-compliance.²⁷ A coalition of church groups, environmental NGOs, unions and industry groups are also calling for the implementation of the ban.

²⁶ Construction, Forestry, Mining and Energy Union, 202, “Union backs independent candidate for MacKillop in SA election”, February 26, at <http://www.cfmeuffpd.org.au/news/3560.html>

²⁷ The Centre for International Economics, 2009, “Proposed new policy on illegally logged timber: issues paper”, Sydney, Australia, April, at <http://www.thecie.com.au/content/news/Issues%20paper%20-%20RIS%20illegal%20logging.pdf>

Figure 4 | Advocates for green protectionism



3.3 Legal action

In the absence of political action industry, unions and green groups have now resorted to legal action. In early 2008 both KCA and SCA claimed Chinese and Indonesian toilet tissue paper manufacturers were “dumping” products into the Australian market for prices cheaper than their value.

In August 2008 KCA lodged an application for the ACS to assess whether dumping was occurring. By November the ACS concluded dumping was occurring and that it may be causing injury to the Australian industry.²⁸ In response the ACS recommended the imposition of tariffs against Chinese and Indonesian products to limit the impact on KCA and SCA.

However in late 2009 the Australian Customs and Border Protection Service (ACBPS) revisited their assessment and recommended the rescinding of anti-dumping measures. The assessment cited

²⁸ Australian Customs Service, 2008, “Toilet paper exported from the People’s Republic of China and the Republic of Indonesia”, Canberra, Australia, at <http://www.customs.gov.au/webdata/resources/notices/SEF138.pdf>

numerous reasons for doing so including the increased “competition from another industry member (ABC)”.²⁹

While recognizing that some dumping was occurring, the ACBPS broadened their investigation and found that the basis of injury to KCA and SCA was caused by factors other than dumping from China and Indonesia. The final conclusions, according to the report were “that:

- the goods exported to Australia from China and Indonesia was dumped; and
- the Australian industry producing like goods suffered injury; but
- the injury experienced by the Australian industry was caused more by other factors than by the dumping of the goods exported from China and Indonesia;
- injury to the Australian industry caused by dumping of the goods exported from China and Indonesia was not material; and
- material injury to the Australian industry by the good exported to Australia from China and Indonesia is not foreseeable and imminent”.³⁰

While not explicitly stating what the other factors were, the report outlined possibilities of:

- “appreciation of the Australian dollar against the United States (US) dollar which was argued must have affected the applicants’ pricing decisions in 2007;
- the launch of a new product into the premium retail sector; and
- shifting consumer preference”.³¹

Following the recommendation of the ACBPS the Federal government removed the tariffs delivering a hostile response from vested interests. The CFMEU argued “exporters from China and Indonesia are hurting the tissue-making industry by selling product at a lower price”.³² Similarly, A3P stated the government must “ensure Australian domestic manufacturing is not unfairly disadvantaged, and where dumping activities are demonstrably occurring the competitive playing field must be reinstated”.³³

In April KCA and SCA Hygiene took the Federal Attorney-General to the Federal Court to impose anti-dumping measures on paper products imported into Australia. The CFMEU flagged its support for the KCA and SCA’s efforts to stop imported forestry products.³⁴

²⁹ Australian Customs and Border Protection Service, 2009, “Reinvestigation of findings in Report to the Minister Rep 138, Certain toilet paper exported from the People’s Republic of China and the Republic of Indonesia”, Trade Measures Branch, Commonwealth of Australia, Canberra, Australia, December at http://www.customs.gov.au/webdata/resources/files/MicrosoftWord-0912REP158-Reinvestigationtoiletpaper_public_.pdf

³⁰ *Ibid.*

³¹ *Ibid.*

³² Ninemsn.com.au, 2010, “Cheap toilet roll threatens Aussie jobs, says CFMEU”, February 22, at http://money.ninemsn.com.au/article.aspx?id=1015470&print=true&defaultfontSize=11&js_siteid=255

³³ Australian Plantation Products & Paper Industry Council, 2010, “Dumping injures Australian manufacturing but is allowed to continue”, Braddon, Australia, January 15, at <http://a3p.asn.au/admin/assets/pdf/Media%20releases/2010/A3P%20Media%20Release%20-%20Dumping%20injures%20Australian%20manufacturing%20but%20allowed%20to%20continue.pdf>

³⁴ Willingham, R., 2010, “Toilet paper saga rolls on to Federal Court, The Age, April 9, at <http://www.theage.com.au/business/toilet-paper-saga-rolls-on-to-federal-court-20100408-rv83.html>

4.0 The cost of collusion against imports

The clear objective of the numerous attacks being made by industry, unions and green groups is to establish a level of protectionism that stops the importation of forestry products. But the benefits of doing so are highly circumspect.

4.1 No environmental benefit

In addition to the ACBPS conclusions, other reports commissioned by the government support that the environmental benefits of stopping imports will be negligible. A study by the Centre for International Economics (CIE) commissioned by the Commonwealth Department of Agriculture, Fisheries and Forestry concluded that the introduction of trade restrictions on timber in line with the ALP's 2007 policy is ill-advised.³⁵

The study released in February 2010 concluded that the actual volume of illegal logging internationally appears to be grossly over-estimated and may only be between five and ten per cent. The study also found that only fifteen per cent of the world's timber is traded and Australia only imports 2.5 per cent, of which only ten per cent may be illegally logged.

In light of the CIE's argument that "Australia's imports account for about 0.034 per cent of global timber production, and 0.34 per cent of products incorporating illegally logged timber" the report recommended not to implement the proposed policy.

The CIE particularly highlighted that the compliance costs for introducing the policy is likely to outweigh the economic benefit of doing so. Further, because Australia's share of globally imported timber is so low the impact of changing Australia's importing regime is unlikely to then affect decision making within the industry to reform and meet the standards the government would seek. Instead products restricted from the Australian market are likely to be imported elsewhere.

4.2 Protectionism harms consumers

Some Australians want products to meet their own expectations of environmental standards through arbitrary regulation. However, introducing trade restrictions will have a negative impact on Australia's economy. The history of Australia's liberalisation of tariffs is well known. Following reforms in the mid-late 1970s, through the 80s and 90s Australia's tariff walls have been dismantled. The only major remaining tariff barriers exist in the automotive and textile, clothing and footwear industries.

By introducing protections that limit imports the competition faced by Australia's industry will collapse and with it any downward pressure on prices. As a consequence the average price of tissue products will rise. Without any environmental benefit trade restrictions will simply increase the cost-of-living pressures already faced by Australian families.

Supermarket chains should also be wary. Coles and Woolworths have both developed commercial strategies to attract customers by cutting prices. Protectionism will undermine their commercial strategies and increase the competitive pressure that relatively newer, lower-cost competitors can provide including ALDI and Costco.

³⁵ The Centre for International Economics, 2010, "A Final report to inform a regulation impact statement for the proposed new policy on illegally logged timber", Prepared for the Department of Agriculture, Fisheries and Forestry, Canberra, Australia, January at http://www.thecie.com.au/content/news/Illegal_logging.pdf

5.0 Conclusions

There is a concerning trend emerging of collusion of the messages of industry, unions and green groups to push for self-interest trade restrictions disguised as environmental concerns.

The campaigns to impose trade bans on imported timber and forestry products are a clear example. Based on independent analysis sought by the Federal government the actual problem is over-stated. Australia's imports are tiny and Australia's capacity to stop illegally logged timber through its trade policy is non-existent.

Yet the campaigns persist. And they are now focused on political and legal channels to secure their objectives.

Of particular concern, is the possible link between donations made by the Forestry Division of the CFMEU to the South Australian Division of the ALP in light of their commitment to ban certain timber products.

And the impact of these policies cannot be ignored. Retailers who depend on low-cost products to compete, such as Coles and Woolworths, will lose their market advantage if they are limited to buying locally-produced goods. But the real cost will be pushed onto consumers who will face prices of up to 42 per cent higher at the supermarket to help protect the interests of industry and the unions.

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7.0 About the Institute of Public Affairs

The Institute of Public Affairs, founded in 1943, is the world's oldest free market think tank. The IPA is a not-for-profit research institute based in Melbourne, Australia with staff and associates based around Australia.

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- Industrial relations
- Taxation
- Investment

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