

Business  
Council of  
Australia



submission

Submission to the Joint Standing  
Committee on Treaties Inquiry into  
the Japan Australia Economic  
Partnership Agreement

AUGUST 2014

*Working to achieve  
economic, social  
and environmental  
goals that will benefit  
Australians now and  
into the future*

## About this submission

This is the Business Council of Australia (BCA) submission to the Joint Standing Committee on Treaties (JSCOT) Inquiry into the Japan–Australia Economic Partnership Agreement (JAEPA). The JAEPA was signed by Prime Minister Abbott and Prime Minister Abe on 8 June 2014.

Trade is the world's growth engine; trade creates jobs, raises living standards and secures the resources necessary for inclusive economic development. One in five Australian jobs is related to trade.

Members of the BCA are committed to policies that support trade and investment liberalisation, recognising the benefits to Australia from increased access to new markets for our goods, services and capital, and from greater access to global supply chains.

Australia benefits from increased levels of inbound foreign investment, which supplements savings, helps develop our economy and supports job creation. Australia's economic success has always been reliant on inbound foreign investment.

The BCA's *Action Plan for Enduring Prosperity*, released in 2013, noted the linkages between deeper levels of global engagement and increased prosperity and living standards in Australia. It also recommended the government intensify efforts to conclude the JAEPA, including by taking a pragmatic approach to negotiations.

## Key points

The JAEPA will be beneficial for Australia and the BCA fully endorses its outcomes. It is a key milestone in one of Australia's most important bilateral relationships.

Japan is Australia's second largest trading partner with two-way trade worth over \$70 billion. The entry into force of the JAEPA will deepen an already comprehensive relationship and build further on the strong political and people-to-people links developed over decades.

The JAEPA is the most liberalising bilateral trade agreement Japan has ever concluded, and it provides Australian exporters, importers, investors and producers with better access to Japan's \$5 trillion market.

More than 97 per cent of Australia's exports to Japan will enter duty free or will receive preferential access when fully implemented.

Australian agricultural producers will benefit from greater access to the Japanese market, with agricultural tariffs of up to 219 per cent eliminated or significantly reduced on many Australian export products.

Australian beef producers will see Japan's frozen beef tariff progressively cut from the current 38.5 per cent to 19.5 per cent after three years, with an immediate 8 per cent tariff cut once the agreement enters into force. In a global marketplace where Australian beef is already internationally competitive, the JAEPA will give Australian beef producers a significant boost to their largest export market in both volume and value terms.

Australian dairy, horticulture and sugar industries will also benefit from better market access gains.

Australia's manufacturing and minerals sector will benefit, with the elimination of tariffs on 99.7 per cent of Japan's industrial imports (by value), when the agreement enters into force, and most remaining tariffs will be eliminated within 10 years.

Australia's exports of resources and energy products to Japan were worth an estimated \$42.2 billion in 2013 and account for over 80 per cent of Australia's total exports to Japan. Many of Australia's major resource exports, such as coal, iron ore and liquefied natural gas already enter Japan duty free. The cuts in tariffs of up to 11.7 per cent on a range of transformed energy and resource products will bolster Australia's international competitiveness in this area and consolidate our credentials as a major player in resources and energy.

On services, the JAEPA will ensure Australian services suppliers have better access to the Japanese market in financial, education, telecommunications and legal services. Australian financial services providers will benefit from commitments made by Japan for the first time, guaranteeing cross-border access for Australian funds managers who provide investment advice and portfolio management services. Australian law firms will be able to form legal professional corporations under Japanese law and take advantage of expedited registration procedures for Australian lawyers residing in Japan, to facilitate the provision of Australian and international legal services.

Under JAEPA, the Foreign Investment Review Board (FIRB) will raise the threshold for Japanese private investment in non-sensitive sectors from \$248 million to \$1.1 billion. Foreign investment brings the world's best skills, technology and know-how to Australia, which is critical to maintaining our position as a world-leading economy. Both countries, however, benefit from investment: Japan receives greater food and energy security, while Australia gains greater access to needed investment capital.

### **Bipartisan approach to trade negotiations**

Until the agreement enters into force, however, Australian exporters will not be able to utilise these benefits. We urge JSCOT to approve this treaty without conditions and allow Australian producers and citizens to benefit immediately from its outcomes.

Australia has benefited from a long history of bipartisanship on trade and investment. This agreement is an excellent example of what can be achieved when a pragmatic approach is followed. The conclusion of the agreement reflects considerable effort by trade ministers in successive governments. The BCA encourages continued bipartisanship to negotiate the remaining preferential trade agreements on Australia's ambitious trade policy agenda.

The BCA congratulates the government on the recent completion of the Korea–Australia Free Trade Agreement (KAFTA) and encourages the government to press ahead with the conclusion of the long-running Australia–China FTA.

The BCA also calls on the government to conclude the Trans-Pacific Partnership (TPP), which covers 12 parties, including Japan, and accounts for nearly half of all global trade and around 70 per cent of Australia's trade flows through the region. The JAEPA should be the foundation of a deal on the TPP. There should be no backsliding, and Australia should seek from Japan – and others – an even more ambitious and trade liberalising agreement, particularly in agriculture.

The TPP and its negotiation agenda paves the way for an agreement that reflects the 21st century, with specific chapters on competition, labour, e-commerce and environmental policy. It is important the TPP Agreement keeps pace with commercial realities around it and provides business and industry with the adequate policy framework for trade to flourish.