



Export Council of Australia

The Voice for Australia's Exporters

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The Committee Secretary
Joint Standing Committee on Treaties
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Canberra ACT 2600

Sent by Email to: jsct@aph.gov.au

Export Council of Australia Submission for the Joint Standing Committee on Treaties on the Japan-Australia Economic Partnership Agreement (JAEPA)

At the outset, the Export Council of Australia (ECA) would like to commend the Australian Government for negotiating the most liberalising agreement Japan has ever concluded. On behalf of its members, and indirectly on behalf of Australia's international trade community, the ECA makes this submission in support of JAEPA and its early entry into force in Australia.

Background on the ECA

A not-for-profit, membership based organisation, the ECA is the peak industry body representing Australia's exporters and importers. With a membership base of 1,000 and a reach of 15,000, the ECA represents companies of all sizes and across a wide range of industries. The ECA's core activities include research, advocacy, skills development and events.

Recently the ECA collaborated with Austrade, Efic and the University of Sydney to undertake a longitudinal study, *Australia's International Business Survey (AIBS 2014)*, designed to capture data on the export behaviour of Australian companies. The first survey captured data from over 1,600 Australian exporters, making it the most comprehensive investigation into Australia's international business activity in more than 15 years.

The ECA also works collaboratively with a number of Federal and State Government Departments and Agencies to advance its business and the interests of its members; these include DFAT, Austrade, Efic, the Australian Customs and Border Protection Service and the Department of Agriculture.



Trade with Japan and support for the JAEPA

AIBS 2014 respondents nominated Japan as the fifth top current export market for Australian companies, behind the United States, China, New Zealand and the United Kingdom. Respondents also selected Japan as the sixth top market they are looking to target in the next two-years. These statistics reinforce the significance of Japan as a trading partner, providing further justification for the early entry into force of JAEPA.

Without detracting from the generality of this support, the ECA wishes to highlight the following specific elements that support the endorsement of JAEPA:

1. The ECA's preference is for trade liberalisation to occur on a multilateral basis. However, given that the WTO Doha Round of negotiations has stalled with no conclusion in sight, the ECA sees benefit in continuing to promote greater international trade and investment flows through bilateral, regional and plurilateral free trade agreements. On that basis, the ECA is of the opinion that JAEPA represents a reasonable and desirable outcome that will advance Australian trade.
2. The ECA notes from research conducted by DFAT that Japan is Australia's second largest trading partner, with two-way trade valued at \$70.8 billion in 2013. DFAT's research also indicates that Australia's top exports to Japan (by value) are coal, iron ore, beef, and copper. The ECA is delighted that Australian resource and manufacturing exporters will benefit from JAEPA, with 99.7 per cent of Australia's exports of resource, energy and manufacturing products entering Japan duty-free on entry into force of the agreement. The ECA is also pleased that beef exports, which currently incur a tariff of 38.5 per cent, will see immediate tariff reductions on entry into force of the agreement, as well as further reductions over time. According to estimates from Meat and Livestock Australia, JAEPA will deliver an increase in the annual gross value of Australian beef production by up to 7 per cent.
3. The ECA acknowledges that the agreement reached between the two countries is not a "perfect" outcome. As with other agreements, JAEPA represents a compromise outcome reflecting the respective negotiating strengths of the parties and their respective political sensitivities. In the case of JAEPA (as with KAFTA and MAFTA), cultural sensitivities on trade in some goods did create their own limitations in areas such as the export of rice. As a result, while not all exporters are satisfied with all the outcomes, JAEPA delivers significant commercial outcomes across a wide range of sectors including beef, grains/oilseeds, dairy (particularly cheese), sugar, and seafood, a range of horticultural goods and processed foods as well as wine, which should not be downplayed.
4. The ECA also recognises that there is significant merit in the fact that JAEPA is the first trade agreement entered into between Japan and a major agricultural exporting nation. While this provides an advantage to Australia on its own account, this also created issues in the negotiations as Japan would have been reluctant to have provided too many concessions in such an agreement.
5. The ECA is also of the view that JAEPA needs to be considered in the context of the wider and deeper relationship between Australia and Japan, which applies not only to trade but to political, cultural and defence relationships as well.

6. The tariff reductions incorporated in JAEPA are particularly desirable given that 36 per cent of AIBS respondents that selected Japan as their most challenging market cited tariffs and quotas as an important barrier to trade.
7. Australia faces increasing competition from international competitors in Japan, including from Chile in the wine industry and the United States in beef exports. It is therefore imperative that JAEPA enters into force as soon as practicable so that Australian exporters can remain competitive and retain their market share.
8. The ECA is also of the view that JAEPA is consistent with and does not detract from the parties' obligations to each other within the APEC trading community.
9. The ECA does not believe that JAEPA is in any way inconsistent with any other negotiations to which Australia is a party, such as WTO negotiations on the Doha Round, the proposed Trade in Services Agreement, Environmental Goods Agreement and Government Procurement Agreement, as well as the separate multilateral negotiations on the proposed Trans-Pacific Partnership. Indeed, the other agreements may well be advanced by JAEPA. For example, the Chapters in the JAEPA on Trade in Services and Government Procurement may assist in clarifying the types of outcomes which could be included in the corresponding proposed WTO Agreements. Further, the provisions in the JAEPA aimed at facilitating trade, such as in the Chapter on Customs Procedures and Electronic Commerce will form the basis for bilateral improvements which are now required given that the parties to the proposed WTO Agreement on Trade Facilitation were unable to complete the adoption of the Protocol to that Agreement by the deadline of 31 July 2014.
10. The ECA is concerned that delay in, or failure to adopt JAEPA will compromise the ability of any future Australian Government to pursue negotiations with its current FTA or related agreements. It would be inconsistent with Australia's expressed public position to advance and liberalise international trade if it was then to delay the implementation of an agreement such as JAEPA which has been comprehensively negotiated and affords significant improvements in trade liberalisation with one of our major trading partners.
11. The ECA considers it essential that FTAs are truly liberalising and comprehensive in their coverage beyond merely the reductions in tariffs on goods or reductions in quota restrictions. In this regard, commitments on services and investment are important and the ECA welcomes the outcomes of JAEPA.
12. The ECA endorses and supports the inclusion of the two unique Chapters that address specific areas of interest in trade between Australia and Japan, namely Chapter 7 (Food Supply) and Chapter 8 (Energy and Mineral Resources). The ECA notes that these Chapters reflect concerns to ensure that trade in these areas is preserved and well regulated so as to reduce the prospect of interruption in these areas, which are vital to both countries.
13. The ECA recognises that JAEPA includes some flexibility in terms of requirements for importers and exporters to hold documents evidencing that goods are entitled to preferential treatment. The agreement allows for exporters to elect to either hold Certificates of Origin issued by an authorised party or to provide their own Exporter Declaration. There are also provisions enabling exporters who are not the producer

to provide such verification and even for importers to do so on occasion. The ECA welcomes such flexibility.

Work beyond the current terms of JAEPA

Notwithstanding the merits of JAEPA, the ECA would encourage the Australian Government to continue to work to improve the terms of the trading relationship between Australia and Japan and to improve certain aspects which may not have been able to be addressed in the current terms of JAEPA.

1. Japan has a relatively complex and multi-layered regulatory framework covering everything from import licensing to product standards. The ECA is of the hope that Australian Government officials both on the ground in Japan and in Australia will continue to offer support to companies, particularly those new to doing business in the market, to assist them in overcoming non-tariff barriers not addressed in JAEPA. AIBS 2014 respondents that listed Japan as their most challenging market state that licences and standards (33 per cent), and information about local culture (56 per cent) and regulations (44 per cent) are key barriers to doing business in Japan. The importance of government and industry working together to assist businesses overcome these hurdles to doing business in what remains a complex market cannot be understated.
2. The ECA would encourage the adoption of a program to fully promote the benefits of JAEPA to all those in trade including importers, exporters and service providers. It seems to be widely accepted that there is underutilisation of FTA benefits generally. The program would need to be more comprehensive than that which has been adopted previously and should include specific engagement with affected industries and sharing of knowledge through websites, face-to-face presentations, social media and other avenues. This will also assist in promoting the positive stories to come out of the entry into force of JAEPA, as well as existing FTAs, which can sometimes be overshadowed by negative press.
3. The ECA would encourage the use of the ongoing consultation processes in JAEPA to further streamline and improve the Rules of Origin in JAEPA, which can, as with other FTAs, form a barrier to full utilisation of an FTA. This would be conducted pursuant to the mechanism provided for in Article 3.28.3 of JAEPA.
4. While the ECA appreciates that the absence of Chapters on Labour and the Environment may reflect the view that both countries are mature nations who recognise the importance of these issues through other agreements, the ECA believes that such Chapters have their place in an FTA (as with other Australian FTAs) and encourages the Government to continue to work with Japan on these important issues.

The ECA looks forward to providing further input and assistance where required.

Yours Sincerely

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