



15 August 2014

Committee Secretary
Joint Standing Committee on Treaties
PO Box 6021, Parliament House
Canberra ACT 2600

Via email: jsct@aph.gov.au

Japan-Australia Economic Partnership Agreement

I am writing on behalf of the Australian red meat and livestock industry in response to the Joint Standing Committee on Treaties inquiry into the Japan-Australia Economic Partnership Agreement (JAEPA).

The Australian red meat and livestock industry is supportive of the JAEPA which upon entry into force will deliver preferential trading advantages. This agreement is critical to the long term positioning of Australian red meat in Japan, with a more liberalised import regime providing a welcome boost in an environment characterised by increasing competitive pressure.

Our industry has been an interested and contributory party from the outset of the JAEPA process. Although the beef tariff regime was a major point of conjecture within the negotiations (with the Japanese seeking to protect a range of 'sensitive' products – such as beef), the Australian industry was adamant that it be addressed. The 38.5% tariff was imposing a \$590 million annual tax on the supply chain - directly impacting the profitability of Australian cattle producers, lot feeders, processors and exporters, not to mention the inflated prices paid for Australian beef by Japanese consumers.

Under the JAEPA, the tariffs on frozen Australian beef entering Japan will drop from 38.5% to 19.5% over 18 years (with an 8% cut in year 1), while the tariffs for chilled beef will fall from 38.5% to 23.5% over 15 years - including a 6% cut in year 1.

Whilst falling short of the beef industry's tariff elimination objective, modelling undertaken by the Centre for International Economics suggests that the tariff reductions secured under JAEPA will benefit Australian beef export sales by around \$5.5 billion over 20 years and deliver an increase in the annual gross value of Australian beef production by up to 7%.

Of supplementary benefit to the tariff reductions, is the inclusion of a Most Favoured Nation provision. This commits the Parties to conducting an immediate review if there is a significant change to the competitiveness of Australian beef in the Japanese market as a result of preferential market access being granted by Japan to another country supplier. The aim is to provide equivalent treatment for Australian beef and other red meat product tariff lines should a superior agreement be negotiated in future.

Coupled with an automatic review of access arrangements 5 years after entry into force (with a view to improving the applicable access), these clauses will be useful triggers for potential supplementary transformation of the imported beef market in Japan - and are most welcome JAEPA components.

During the implementation of the JAEPA, however, it will be critical to stress the discretionary nature of the beef safeguard provisions, because if applied, these have the potential to greatly disrupt the trade.

The tariff rate quotas (TRQs) introduced for offal and processed meat products will also be disruptive – as quota administration schemes will need to be developed and subsequently applied (particularly for offal) based on current trade volumes. Whilst providing tariff reductions for in-quota product and thus welcome preferential access, our industry's objective was for no TRQs to be introduced under the JAEPA. We will therefore seek the removal of these imposts at the earliest opportunity.

In addition to the aforementioned outcomes, the binding of sheepmeat tariffs at zero provides certainty for this burgeoning trade, whilst the reduction of tariffs applicable to live cattle are a move in the right direction.

It is hoped, however, that the JAEPA will only be the forerunner to further liberalisation of the imported beef market in Japan. Our industry continues to seek the elimination of all global import tariffs - including those which Japan will maintain on our products.

Additional trade reform with Japan, involving potential gains from the current Trans-Pacific Partnership and Regional Comprehensive Economic Partnership negotiations, will continue to be vigorously pursued in partnership with the Australian Government. The JAEPA is thus seen as a very useful and encouraging 'first step' in Japan's trade reformation process.

Based on the JAEPA text and accompanying tariff schedules, the Australian red meat and livestock industry recommends that the Joint Standing Committee on Treaties endorse the JAEPA and that binding treaty action be taken without delay.

We would welcome elaborating further on our position in relation to the JAEPA outcomes at a time convenient to the Committee.

Yours sincerely

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Chair
Australian Beef Industry Japan FTA Taskforce