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Mr David Sullivan
Secretary
Foreign Affairs, Defence and Trade Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Mr Sullivan

I wish to correct my testimony at the Senate Foreign Affairs, Defence and Trade Legislation Committee Supplementary Estimates hearing on 20 October 2016.

In the context of questions about evidence of increased trade from Australia to the markets of our North Asian free trade agreement partners, Senator Back asked for a brief summary of the recent performance of trade with China, Japan and Korea. The discussion is referenced on pages 104 and 105 of the proof Hansard (attached).

Australia's export of products that receive preference under the China-Australia Free Trade Agreement (ChAFTA) have in fact fallen by 13 per cent (not 30 per cent) over the period January to June 2016, compared to the same period in 2015.

I would appreciate if you could pass on my apology for misquoting the statistic.

Yours sincerely

Justin Brown

attended by delegates which were funded by Austrade. All other costs were paid for by the delegates themselves, and they made their own bookings on aircraft, for example. So the service we provided was to—

Senator MOORE: They had to arrange their own travel?

Mr Barty: They had to arrange their own travel. The only thing we organised was we would meet the large groups at the airports as we moved between cities. Where events were quite a distance from the hotel, we provided transportation for the delegates to the location. Obviously, India is a very convoluted place to travel in. That seemed to be a good use of time.

Senator MOORE: What was the total cost, Mr Barty?

Mr Barty: There were 220 individual ground events. We are trying to ascertain the exact cost, but if you average that out it is about \$500,000. I think between \$100,000 and \$150,000 would be the cost that we would estimate.

Senator MOORE: In total?

Mr Barty: In total there were 220 ground transportation events. But that varied from being a single car to a bus.

Senator MOORE: So the total cost was between \$100,000 and \$150,000?

Mr Barty: We would estimate. But we are trying to find that exact number at the moment.

Senator MOORE: And that would be somewhere because it is a 2015 event?

Mr Barty: Sure. We have macro costs, but we are trying to find the breakdown costs.

Senator MOORE: And do people come in and out and join the meetings? It was a week, was it not?

Mr Barty: It was a week.

Senator MOORE: Were people part of it for the whole week, or did they come in and out?

Mr Barty: There were dedicated programs. So they would decide which part of the program they were part of. Where they chose to leave the program, that was at their expense and their cost. We did not engage with that.

Senator MOORE: So there was no extra expense in terms of going on more trips to airports and more trips to and from?

Mr Barty: No.

Senator MOORE: There was nothing like that?

Mr Barty: No.

Senator MOORE: How many visits were to the Prime Minister, Mr Modi? Were there many events that included Mr Modi in attendance?

Mr Barty: Mr Modi was participating in the Vibrant Gujarat event in Ahmedabad. But not all the delegates participated on that. That was on the Sunday before the actual start of ABWI itself. ABWI itself started—

Senator MOORE: So it was kind of an extra day?

Mr Barty: ABWI itself started in Delhi on the Monday. Vibrant Gujarat ran Saturday, Sunday and Monday and the Australian delegation participation, which was much smaller, was primarily on the Sunday.

Senator MOORE: Thank you, Mr Barty. If there is anything else, we will put it on notice. We might get more details of that. I know you are looking for it because the question was put there. So, if there is any detail you can give us, we would be appreciative. I really appreciate your coming in early to take those questions. Thank you.

CHAIR: Thank you. We will now suspend for an hour for dinner. We will resume just after 7.30 pm. Thank you very much.

Proceedings suspended from 18:32 to 19:29

CHAIR: I will just kick off. In the context of the three free trade agreements we have negotiated, can you provide the committee with evidence yet of where we have seen increase in trade from Australia to the markets of these countries?

Mr Brown: I would be pleased to do that. Just bear with me while I get my briefing ready.

CHAIR: It would be good if we had reasonably brief summaries. We have a lot of ground to cover.

Mr Brown: I will try and be as brief as I can. Just for clarity's sake, we are talking about the three North Asian free trade agreements?

CHAIR: I am, yes: Japan, Korea and China.

Mr Brown: We tend to look at what we call the utilisation of the preferences that have been negotiated under the agreement—in other words, are the preferences, the reduced or eliminated tariffs, driving increased exports from Australia? That is the primary gauge we used to determine the impact of the FTA. In relation to JAEPA that entered into force on 15 January last year, we have compared the data January to June 2016 to the same period in 2014—in other words, before JAEPA entered into force. I can advise that our exports of products that receive preference under the agreement have increased over that period by 30 per cent. In comparison, Japan's imports of those products from the rest of the world increased by only 7.8 per cent, so our market share for those products has actually risen from 1.7 to 2.1 per cent. Our total exports to Japan have actually fallen by 30 per cent. Our share of Japan's total imports fell from six per cent to 4.8 per cent, but, of course, that reflects some broader global developments in commodity prices. In particular, we have experienced over the last four years a 20 per cent reduction in our terms of trade. The iron ore price globally has halved, so a lot of those broader trends in relation to Japan can be explained not by the FTA but by those broader price trends for some of those bulk mining commodities.

In relation to the China FTA, that is still relatively new in the sense that it entered into force on 20 December last year so the amount of data we have to make meaningful assessments of the impact of the agreement is still relatively early days. We have compared data from January to June this year to the same period in 2015 before the agreement entered into first force. For some of the reasons that I have just mentioned, particularly the impact of global developments on mining commodities, our exports of products that receive preference under the China FTA have actually fallen by 30 per cent. The total exports to China fell by nine per cent. We have also experienced decline in our market share. None of this is surprising when you do look at the global commodities demand.

CHAIR: China's economic activity.

Mr Brown: Also China's economy is obviously transitioning to a very different model, so that is in many ways the dominant factor that is driving some of those trends.

In relation to the Korea FTA, that entered into force 12 December 2014, so we have slightly better data for that. Again, we have compared data from January to June 2016 for the same period pre-KAFTA in 2014. There the story is that our exports of products that receive preference actually increased by more than 18 per cent. Our share of Korea's total imports from the world in products received a preference increase from 1.9 per cent in that period in 2014 to 2.6 per cent. Our total exports to Korea have fallen and, again, that is largely a factor of the mix of our exports.

CHAIR: I know rice is not one of the favoured products at the moment with Japan but also, knowing the rapidly ageing population of Japanese farmers, can you tell us if there is anything in the free trade agreement or even in proved trade relations—most favoured nation status et cetera—that, if and when the Japanese find they cannot feed themselves with rice and look to markets to supplement, would give Australia some favoured status as an exporter of something like rice to Japan?

Mr Brown: I might ask my colleagues to help me with the explanation of the outcomes on rice. Mr Roberts?

CHAIR: I know they are fiercely protective of their rice production, but due to farm size, not being replaced by younger people, inability to be able to get critical mass in their paddock sizes et cetera, and their age, we know that their rice production is going to taper off, if it has not already started to.

Mr Roberts: As you said, rice is not included in JAEPA. There are review mechanisms in JAEPA which at certain set stages allow us to revisit outcomes. As circumstances change there are opportunities to try to update the deal. Australia is also currently in negotiations with Japan under the Regional Comprehensive Economic Partnership agreement, so that is another opportunity to go for that market access for rice.

CHAIR: This will be my last question. Returning to the TPP, it is 12 countries and 40 per cent of world economic activity. In the event that the 12-country TPP goes ahead and we are not a participant, what would be the impact on Australia from a trade point of view?

Mr Brown: The scenario you are asking about is if the agreement were to proceed and enter into force—

CHAIR: Without us.

Mr Brown: but for some reason Australia had decided not to be a part of it. The first answer to that is that some of the very significant market access benefits that are part of the TPP deal would obviously be missed. There are a range of them, particularly in agriculture, which build on the Japan FTA, for example, in a number of products. They would be lost to us, as well as a number of other areas where the new concessions in the TPP are really a significant improvement and represent a major opportunity for our exporters. To not participate in the TPP would clearly mean that those benefits would go begging. For example, the TPP includes significant