



Global Sky Group's Queensland Business Centre in Tokyo's Kamiyacho district

EPA Signals New Era of Partnership

By Anthony Fensom

Australia's deal with Japan grants "most favoured nation" status

Australia's economic partnership agreement with Japan has helped put the spotlight back on the longstanding relationship between the two countries, with both nations seeking to strengthen mutually beneficial trade ties. While ANZCCJ members expressed mixed views on the deal's benefits, all are hoping it signals a new period of growth, supported by bilateral visits at the highest levels of government.

Officially the Japan–Australia Economic Partnership Agreement (JAPEA), the deal

announced on April 7 during Australian Prime Minister Tony Abbott's visit to Tokyo captured media headlines in both nations, marking Japan's first such deal with a major agricultural exporter.

Following seven years of negotiations, Japanese Prime Minister Shinzo Abe told Japanese media that it was "an extremely important framework to promote trade and investment." Abbott reciprocated by describing the "historic" agreement as "good for the Australian economy, good for jobs, good for farmers and good for consumers."

Two-way trade totalled nearly A\$70 billion in fiscal 2013, with Australia's exports of minerals, energy and beef making it Japan's third-largest source of imports, as well as Australia's second-largest export market.

Thanks to the agreement's "most favoured nation" status, Australian exporters will automatically receive the benefit of any better deals negotiated by Japan, such as those being targeted through the Trans-Pacific Partnership (TPP) negotiations.

Leonie Muldoon, Austrade's senior trade commissioner,

Tokyo, said JAEPA offered significant benefits to Australian businesses, with more than 97% of Australian exports to Japan to receive preferential access or enter duty-free once the agreement is fully implemented.

“While it might be expected that Japan will enter into other free trade agreements or regional trade deals, Australia has an important first mover advantage,” Muldoon said. She pointed to the fact that Japan remains the world’s third-largest economy—75% larger than Germany—as well as Australia’s second-largest overall trading partner.

“Japan also has a high GDP per capita of about US\$50,000 a year, and that aligns well with our positioning as a high-end goods and services supplier,” she said.

Praising Australian trade negotiators for the deal,

ANZCCJ Chair Melanie Brock said there was potential for even more benefits.

“It’s not only the gains that we might see in terms of specific sectors, but I’ve also noticed, since the deal’s announcement, a shift in terms of understanding the opportunities that exist for SMEs,” Brock said.

“People have pricked up their ears to the opportunities that exist in Japan, and there’s now more potential for new joint ventures and third-country partnerships.”

Japanese entrepreneur Ko Nagata, founder of the Queensland Business Centre in Tokyo, said the trade deal would have an important headline effect for businesses in both countries.

“Japan already has over A\$117 billion invested in Australia, and this deal should spur Japanese investment in

new areas such as services, as well as the traditionally strong sectors of resources, agriculture and property,” said Nagata, who is the managing director of Global Sky Group.

Trade benefits

For Australia, the main prize is significant cuts to Japanese beef tariffs. According to Meat & Livestock Australia, the tariff cuts could boost exports to its largest export market by A\$5.5 billion over the next 20 years, increasing the annual gross value of Australian beef production by up to 7%.

However, not all exporters have cheered the deal, with the National Farmers’ Federation saying it was “disappointed with the overall outcomes for agriculture, with a number of sectors facing marginal improvements or limited commercial gains.”

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Abe's July trip to Australia was the first such visit by a Japanese prime minister since 2007.

A dairy industry representative said JAEPA offered “very little” for Australian dairy exporters, with the main hope for lower trade barriers coming from the TPP.

“There’s very little in it. One small advantage is we will get a 5.1% duty advantage over New Zealand and European suppliers on milk protein concentrates, which will result in a few hundred tonnes more business and is pretty insignificant in the scheme of things,” the representative said on condition of anonymity.

Food safety

Japan’s dependence on imported food could rise further under JAEPA, with ANZCCJ members ANZCO Foods Japan Ltd., Fonterra (Japan) Ltd. and Murray Goulburn Co-operative Co., Ltd. among those benefitting from Australia and New Zealand producers’ “clean and green” credentials.

The potential for further gains was shown by a 2013 report by The Economist Intelligence Unit, which was sponsored by National Australia Bank. It found that demand for safe and nutritious food in the Asia-Pacific region would rise from US\$2.8 trillion in 2012 to US\$3.7 trillion by 2016.

Japan is Australia’s second-largest agricultural export market, with Austrade seeing new opportunities in the natural market (worth a projected A\$140 billion by 2025) and the rapidly growing online market for organic and other healthy products, along with partnership opportunities in Asia with major Japanese retailers such as Aeon Co., Ltd.

Coming more than 50 years after Australia’s historic 1957 Australia–Japan Agreement on Commerce, the new partnership is seen as heralding greater prosperity for the two democratic allies in the so-called Asian Century. ▲

Snapshot: What JAEPA means for your business

Beef

Frozen beef tariff to be cut to 19.5%, fresh beef to 23.5%; reduced tariffs on beef offal, as well as preserved and prepared beef.

Dairy

Australia-only duty-free cheese quota expanded to 20,000 tonnes; duty-free access for milk products such as protein concentrates; increasing quotas for ice cream and frozen yoghurt.

Sugar

Tariff elimination and reduced levies for international standard raw sugar.

Horticulture

Tariff elimination on most horticulture exports, including canned products; lower barriers for barley, canola, chocolates, honey, pork, seafood and wines.

Energy and minerals

All tariffs on energy and mineral products to be eliminated within 10 years; immediate tariff reductions on coking coal, petroleum oils, etc.

Industrial products

All industrial exports and manufactured products to be duty-free.

Services

Guaranteed access in education, financial, legal and telecommunications services, including Japanese government procurement.

Investment

Enhanced protections for bilateral investments; threshold for regulatory review of private Japanese investment into Australia in non-sensitive sectors raised to A\$1,078 million.

Intellectual property

Protections guaranteed in line with Australian standards.

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