

Australia–Japan Trade & Economic Framework

Prime Minister Howard and Japanese Prime Minister Koizumi signed the Australia-Japan Trade and Economic Framework Agreement on 16 July 2003, following consultations that were launched in May 2002 to explore options for deeper economic linkages.

The Framework charts a course for the future development of trade and investment links between Australia and Japan, with both countries working toward comprehensive trade and investment liberalisation.

Whilst Australia indicated a comprehensive free trade agreement (FTA) was the preferred option, Japan made it clear that it is not ready to enter into FTA negotiations at this point. Clearly, such a bilateral agreement would be difficult because of our fundamental differences with Japan over the issue of free and fair access to agricultural markets.

Against this background, the Framework Agreement recognises an FTA is not possible at the moment, but positions Australia for FTA negotiations with Japan should circumstances change, and in the meantime puts in place measures to facilitate trade and investment. As a first step, the two governments will undertake a joint study to examine the benefits of free trade and investments and how it might be achieved. The joint study is to be completed within two years.

The Framework also contains a package of eleven initiatives aimed at improving commercial and policy linkages. Annex I of the Agreement, which covers these initiatives, is as follows:

1. Food issues

(a) Bilateral working level technical discussions on food safety inspection and certification systems, to facilitate the exchange of information, increase transparency, facilitate compliance with our respective systems and build confidence, with a view to ensuring consumer protection and facilitating trade in safe food products between Australia and Japan.

(b) Continuation of, and where appropriate new, bilateral working level discussions on food technical issues, to identify areas where mutually acceptable and beneficial improvements can be arranged.

2. Information and Communications Technology and E-Commerce

Reaffirming the key elements of the 1999 Joint Statement on Electronic Commerce, the two sides will increase cooperation between relevant Australian and Japanese authorities, in particular:

(a) to establish a greater understanding of legal systems surrounding the mutual recognition of digital certificates;

(b) to ensure that protection is provided to consumers using electronic commerce that is equivalent to that provided to consumers using other forms of commerce;

(c) the promotion of privacy of personal data transmitted electronically;

(d) a policy dialogue to promote electronic government;

(e) a policy dialogue to address digital divide issues; and

(f) a policy dialogue to promote the uptake of broadband access services.

3. Customs Cooperation and Paperless Trading

(a) The conclusion of a bilateral cooperative framework to cooperate on joint measures to promote trade facilitation; and

(b) Establish an exchange of technical information on electronic health certification of food and produce.

4. Mutual Recognition of Professional Qualifications

A forward work program on mutual recognition of professional qualifications consistent with GATS Article VII in the area of professional qualifications, beginning with priorities such as in specific engineering categories. Both countries intend to conclude promptly a framework for mutual recognition covering the areas of mechanical, electrical and chemical engineers.

5. Investment Promotion

Increased cooperation between Invest Australia, Austrade and JETRO to promote research, investment and commercial linkages in areas of mutual interest, including information and communications technology, biotechnology and nanotechnology.

6. Energy

Conclusion of an enhanced bilateral framework for energy and minerals to broaden and deepen policy dialogue and cooperation in such areas as the promotion of a positive environment for bilateral trade and investment, sustainable development as it relates to energy and minerals policies and research, cooperation and collaboration in fields of mutual interest as well as to allow for participation by industry.

7. Competition Policy

Exploring options for the facilitation of information exchange, enforcement assistance and enhanced dialogue between the Australian Competition and Consumer Commission and the Japan Fair Trade Commission through a possible formal cooperation arrangement.

8. Regulatory Cooperation on Securities Markets

Facilitating dialogue on information exchange through a bilateral arrangement between the relevant agencies.

9. Intellectual Property

Establishing a dialogue between experts of IP Australia and the Japan Patent Office to exchange information on mutual exploitation of patent search/examination results.

10. Government Procurement

Facilitating information exchange on government procurement procedures.

11. Construction Business Licences

Further information exchange on issues of mutual interest in the construction sector, including in relation to licences to construct buildings.

The Trade Relationship

Australia's trade relationship with Japan is of fundamental importance, as Japan has long been our largest export destination. In 2001, Australia's total exports to Japan were valued at over A\$23 billion, which increased by 8.8% over 2000. Total imports from Japan were valued at A\$15.3 billion in 2001.

Australia's merchandise exports to Japan account for around 20 per cent of our total merchandise exports. Trade is heavily concentrated on five products - coal, liquefied natural gas, iron ore, beef and aluminium - which account for more than 50 per cent of merchandise exports. Japan is our largest market for all five exports. Japan is also a major supplier of motor vehicles and parts as well as computers and telecommunications equipment for Australia.

The Investment Relationship

Japan continues to be a key source of foreign investment. As of 30 June 2000 Japan was the third largest source of foreign investment in Australia, with total stock of A\$49 billion. Japanese investments are concentrated in real estate, mining, commerce and the services sector. Whilst Japan is the fourth most important destination for Australian outward investment, the total stock as of 30 June 2000 was only A\$23 billion as at 30 June 2000. The bulk of this investment represents capitalisation of banks and financial institutions, and the establishment of regional offices by Australian exporters.

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