



# AUSTRALIA-JAPAN FREE TRADE AGREEMENT NEGOTIATIONS

**T**he Australian Chamber of Commerce and Industry welcomed the December announcement by the Australian and Japanese Governments that they will commence negotiations on an Australia - Japan Free Trade Agreement (AJFTA) early in 2007. The challenge now for business and governments in both countries is to work toward an outcome that delivers substantial dividends to both sides, within a reasonable period of time.

ACCI is a strong supporter of closer trade and economic relations with Japan and provides secretariat services for the influential Australia-Japan Business Co-operation Committee

The start of FTA negotiations is a fitting way to celebrate the 50th anniversary of the signing of the landmark Australia Japan Commerce Agreement of 1957 that initiated the decades long economic partnership between the two countries.

Any AJFTA must be bold and comprehensive, covering all sectors – including agriculture - and be consistent with both countries' obligations under the World Trade Organisation (WTO) – namely, covering 'substantially all trade'.

Importantly, it should also be 'WTO-plus' – delivering outcomes above and beyond those already available to each country through the multilateral trading system.

Without prejudging any negotiations, priority sectors for commerce and industry would include areas such as government procurement, investment, movement of natural persons and services.

## JAPAN'S IMPORTANCE

The economic and commercial significance of Japan cannot be understated. It is the world's second largest economy and Australia's largest trading partner and has been so for the past 40 years.

After the 'lost decade' of the 1990s and early this century – marked by negligible economic growth and, for a time, price deflation - Japan's economy has more recently been on the upswing.

In November 2006, Japan recorded the longest

continuous period of economic expansion since the almost 4½ year growth surge which ended in 1969. For the calendar year 2006, Japan's economic growth rate is likely to come in at around 5.5 percent in real terms.

Australia exports over A\$34 billion worth of goods and services per year to Japan and the Australia-Japan two way trade relationship is worth almost A\$54 billion (see also box).

## MAKING IT HAPPEN

ACCI acknowledges the catalytic role played by our allies in the Australia-Japan Business Co-operation Committee (AJBCC) in progressing the trade relationship between our two countries for more than 40 years.

Over the last five years in particular, the AJBCC and its Japanese counterpart have called for the significance of the commercial relationship to be recognised and enhanced through an Economic Partnership Agreement, including a Free Trade Agreement that was comprehensive and WTO consistent.

As part of the lead-up to the announcement of FTA negotiations, the two national governments have jointly undertaken three studies over the past five years and these have greatly enhanced their mutual understanding of the key bilateral trade and investment issues.

These studies provide useful background, context and information for the two governments, as well as business and other interested parties, and will facilitate progress of the negotiations.

The studies also provided useful econometric modelling which quantified the potential economic and commerce impact of bilateral trade liberalisation.

The modelling work estimates, at a minimum, the billion and A\$27 billion for Japan in present value terms cumulative gain over twenty years for Australia to be A\$39 – sizeable gains in any terms.

#### Some Key Facts on Australia-Japan Trade

- Japan is Australia's number one export market at \$A31.5 billion or 18 per cent of total exports (2005 CY) or A\$ 34.5 billion in 2005-06
- Japan is Australia's number one trading partner at \$50.6 billion or 14 per cent of total trade (2005 CY) or A\$ 53.9 billion in 2005-06 FY
- Japan is Australia's third largest source for imports at \$19.1 billion or 10 per cent of total (2005 CY)
- Australian minerals & energy exports to Japan were worth \$21 billion in 2005-06
- Japan is Australia's largest market for coal, aluminium, LNG, LPG and copper ore as well as beef and dairy producers
- In December 2005, Japan was Australia's 3rd largest source of foreign investment (total investment valued at A\$53 billion) and Japan is the 4th largest destination Australian outward investment
- Japan is Australia's 3rd largest source of tourists with 674,400 Japanese visiting Australia in 2005-06
- Japanese companies employ more than 200,000 Australian workers
- Over 3,600 Australian businesses export to Japan (goods, FY 2005-06) and 14 per cent of all Australian SMEs export to Japan

Source: Australian Trade Commission