

Commerce Queensland

QUEENSLAND'S CHAMBER OF COMMERCE AND INDUSTRY

31 May 2007

Ms ~~Gayle~~ Milnes
Head, Japan, FTA Task Force
Department of Foreign Affairs and Trade
RG Casey Building
John McEwen Crescent
Barton ACT 0221

Dear Ms Milnes

Commerce Queensland, Queensland's Chamber of Commerce and Industry is Queensland's largest and most respected employer organisation. The Chamber's history dates back to 1868 and over this time has evolved and continues to evolve in order to serve members in the best possible way.

Commerce Queensland represents the interests of 3,600 direct financial members and through our Chamber of Commerce network and affiliates, Commerce Queensland now represents more than 25,000 businesses throughout Queensland.

Members of Commerce Queensland are drawn from a broad range of sectors, including manufacturers, service orientated business, agribusiness, mining, IT, and other industry associations. Members range from small to medium enterprises through to big businesses.

On behalf of Commerce Queensland, I am pleased to attach a submission which has been created with input from members identifying opportunities and concerns as Australia engages Japan. Our Members see the Japan FTA negotiations as a very important step in establishing a framework for both their new and continued economic engagement with Japan into the foreseeable future. We wish you well as the FTA negotiations proceed.

Please contact Mr Nick Ferris, Manager – International Business, in the first instance if you require clarification on any of the issues raised in this submission.

Yours sincerely



Beatrice Booth
President

PP,
- for five p's
(electronic & hard
copy)

- pls also distribute
electronic version
to JATF, post +
NAD.

Thanks

Gayle 14/6



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Incorporating



Submission to the the Japan FTA Task Force
Department of Foreign Affairs and Trade

May 2007



Introduction

Commerce Queensland is a strong supporter of free and open trade in all markets around the world to enable growth and secure future prosperity of our members. Commerce Queensland recognises trade is a two way process, with benefits flowing to the importing as well as the exporting community.

Commerce Queensland is very mindful however, of transitional issues that arise as we move along the path towards free and open trade.

The Queensland Japan relationship is extremely important in securing Queensland's future economic prosperity. Japan is currently Queensland's largest trading partner, accounting for \$7.5 billion in two way trade in 2005. Queensland alone accounts for over thirty percent of Australia's total sale of goods to Japan.

Japan is a major market for Queensland coal, beef and manufactured goods. In 2004-05, merchandise exports to Japan totalled more than \$7.5B, more than twice Queensland's second largest market, Korea. Japan is Queensland's largest source of international tourists and third largest market for education and training. Japan is, by far, the State's largest source market for international study tours to Queensland (Department of Premier and Cabinet).

Exports from Queensland and Australia to Japan, by commodity, 2005-06			
Commodity	Queensland	Australia	Qld as a proportion of Aust
Food and live animals	1,862,151,743	4,271,753,071	43.6
Beverages and tobacco	719,325	48,004,246	1.5
Crude materials, inedible, except fuels	420,027,926	6,626,630,340	6.3
Mineral fuels, lubricants and related materials	5,027,804,669	12,081,083,328	41.6
Animal and vegetable oils, fats and waxes	3,464,261	29,184,252	11.9
Chemicals and related products	19,104,179	248,330,729	7.7
Manufactured goods classified chiefly by materials	751,132,453	2,005,404,512	37.5
Machinery and transport equipment	12,330,397	209,542,973	5.9
Miscellaneous manufactured articles	7,488,031	121,757,007	6.1
Source: Office of Economic and Statistical Research			



The tourism and educational sectors in Queensland are well established and have significant interests from Japan.

According to Tourism Queensland, Queensland received more Japanese visitors (399,800) than New South Wales (256,800) and Victoria (63,200) in the year ended December 2006. Brisbane currently receives daily flights from Tokyo, and daily flights from Osaka and Cairns receives daily flights from Osaka, Nagoya and Tokyo. This equates to an estimated 9,926 seats per week from Japan to Queensland during the Northern Summer 2006 scheduling period.

Based on a report tabled by the Queensland Government in early 2007, Japan was the third largest source country for Queensland international students in January 2007, accounting for 2,237 students out of a total 29,416 international students. The education sector in Queensland has recorded steady growth over the past five years and is a significant contributor to the State economy.



Key Issues

In consultation with members, Commerce Queensland has identified three key issues that should be considered as Australia moves to engage in more liberalised trade with Japan. These being:

- Single undertaking agreement;
- Preferential market access and elimination of barriers to investment;
- Awareness of outcomes.

In general, members have expressed a general level of ease in relation to future negotiations between Australia and Japan which is testament to Australia's long trading history with Japan as well as similarities in market conditions. Other free trade agreement negotiations that are currently underway or existing agreements that are subject to review have occupied a higher level of interest by members.



Single undertaking agreement

The success of the agreement is reliant on trade liberalisation being opened as widely as possible and within a workable timeframe.

The Australian Government must move forward in the negotiation process on the basis that the agreement will be comprehensive and cover all industry, including the often sensitive areas of agriculture, government procurement and investment.

Recommendation

Considering the diversity of trade in goods and services between Queensland and Japan and Japanese sensitivities it is important that any agreement be a single undertaking and be comprehensive in nature.



Elimination of trade barriers

Tariffs

Japan imposes high tariffs rates, with an average rate of 7.1% in 2004. In sensitive areas such as agriculture, Japan is heavily protectionist by imposing an average rate of 20.9%. In comparison, Australia's average level of tariffs is much lower at 3.1% with little variance on most product imports.

Recommendation: By its very name, an FTA should seek to eliminate any tariff rates within a workable timeframe. However, given Japanese sensitivities, this may be unachievable for many products and risks the exclusion of certain products. An approach that develops preferential market access arrangements that benefit Australian suppliers over our competitors is likely to deliver greater market access than an approach that seeks the elimination of tariffs.

Quotas

Japan's system of quotas is considered fair and equitable for Japanese companies wishing to access concessions, however a number of safeguard measures are enforced in areas such as meat (pork) and dairy, impeding existing trade in these areas.

Recommendation: Similar to tariffs, an FTA should seek to eliminate any quotas within a workable timeframe.

Distribution networks

One of the difficulties overseas companies have when dealing with Japan is accessing the distribution network due to the often interlocking relationships of companies in the supply chain (keiretsu).

It is unlikely that an FTA will be able to address this issue directly, however ensuring preferential trade arrangements for Australia will assist Australian businesses access the Japanese supply chain.



Awareness of outcomes

As with any free trade agreement, their success is ultimately only judged by businesses responsiveness to enhanced trading conditions. Reflective of Commerce Queensland's recent consultation process and in line with recent comments by Tim Harcourt, Chief Economist with Austrade, it is important that business awareness of the Japan FTA negotiations be increased.

During the negotiation process, we encourage the negotiating team to engage Queensland businesses during the negotiations and also at the conclusion to ensure new opportunities are understood.

Recommendation

Significant promotion is required by the Federal Government outlining the benefits available to business. Commerce Queensland will work closely with Department of Foreign Affairs and Trade, other Chambers of Commerce and business associations to educate and encourage business to engage with government during the negotiations and to identify new opportunities that may flow from an agreement.



Conclusion

Japan is an important trading partner for Queensland and a continuing strong relationship is essential for many Queensland businesses. The strength of this relationship is evident as Queensland continues to enjoy a relatively stable trade relationship which in many respects is surprising considering Japan's recent economic challenges as it undertakes significant internal reform.

Commerce Queensland in consultation with members identified three areas that Queensland business wish to have taken into consideration moving forward in the negotiation process. An agreement between Australia and Japan must be comprehensive and all inclusive, it needs to improve market access and the outcomes/benefits must be communicated widely to ensure success.

Commerce Queensland is committed to working closely with the Department of Foreign Affairs and Trade to secure a good outcome for our members.