

## Introduction

### Background to the inquiry

1.1 On 21 April 2011, the Minister for Trade, the Hon Dr Craig Emerson MP referred to the Committee an inquiry into Australia's trade and investment relationship with Japan and the Republic of Korea. The terms of reference of the inquiry were to:

... report on Australia's trade and investment relations with Japan and the Republic of Korea with particular reference to:

- the nature of Australia's existing trade and investment relations;
- emerging and possible future trends in these relations;
- barriers and impediments to trade and investment with Japan and the Republic of Korea for Australian businesses;
- opportunities for deepening existing commercial links, and developing new ones, with Japan and the Republic of Korea; and
- the role of the government in identifying new opportunities and assisting Australian companies to access existing and potential opportunities in Japan and the Republic of Korea.

1.2 As Australia's second and fourth largest trading partners respectively, Japan and the Republic of Korea are amongst Australia's most important trade and investment relationships. Australia's valued relationship with these two key trading partners is built on a foundation of complementary strengths.<sup>1</sup> Together the markets account for about 24.6 percent of Australia's goods and services exports.<sup>2</sup>

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1 Department of Resources, Energy and Tourism, *Submission 16*, p. 4.

2 Mr Peter Rowe, DFAT, *Committee Hansard*, 14 March 2012, p. 1.

- 1.3 Australia's relationship with each country has been close and constant over many years and is imperative to the ongoing economic and strategic interests of all parties. Australia has contributed to both countries' energy and food security, and provided resources for their growth. Australia has also benefitted from imports and inward investment.
- 1.4 To strengthen and expand each relationship, Australia is negotiating free trade agreements with both countries. These agreements received considerable attention throughout the inquiry.
- 1.5 The Committee commenced this inquiry shortly after Japan experienced the devastating Great East Japan Earthquake and resulting tsunami on 11 March 2011. Over 22,000 people were killed and nuclear reactors at the Fukushima Daiichi nuclear power plant were severely damaged.<sup>3</sup>
- 1.6 Much of the early evidence received by the Committee was influenced by this significant event and the impact it might have on the Japanese Government's pursuit of economic and trade reform. The Committee is pleased that the Japanese Government appears committed to continuing reform, although understandably with revised timeframes.

## **Conduct of the inquiry**

- 1.7 The Committee invited relevant companies and organisations to make a submission. The Committee received 24 submissions and 4 exhibits, which are listed at Appendices A and B.
- 1.8 Public hearings were conducted by the Committee in Melbourne, Sydney and Canberra. The dates and locations of the hearings, together with the names of witnesses who appeared before the Committee are at Appendix C.
- 1.9 A delegation of the Committee also travelled to Japan and the Republic of Korea from 16 to 27 July 2012. The Committee sought and secured support from the Prime Minister for the delegation visit. The Prime Minister approved the delegation as part of the Australian Parliament's outgoing delegation program for 2012.
- 1.10 A copy of the delegation program is at Appendix D. The program arranged for the visit provided the delegation with an opportunity to meet with Ministers, Vice Ministers, parliamentarians, Japanese, Korean and

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3 Department of Foreign Affairs and Trade and Austrade, *Submission 3 (Japan)*, p. 18.

Australian business representatives, university representatives and Australian English language teachers.

- 1.11 The delegation visited Japan from Monday, 16 July to Saturday, 21 July 2012. The delegation held meetings and undertook site visits in Tokyo, Kyoto, Kizugawa, Kobe and Osaka, including visiting several supermarkets to view Australian products on sale.
- 1.12 Following its visit to Japan, the delegation travelled to the Republic of Korea from Sunday, 22 July to Thursday, 26 July 2012. The delegation undertook site visits and held meetings in Seoul, Pohang and Ulsan.

## Structure of the report

- 1.13 The report has been divided into two parts and then broadly structured around the Terms of Reference (see paragraph 1.1).

### Part One—Japan

- 1.14 The first part focusses on Japan. It commences with an overview of the existing trade and investment relationship and discusses emerging trends including the impact of the Great East Japan Earthquake on energy and food security issues. It also briefly outlines the defence materiel relationship and Australia and Japan's multilateral cooperation.
- 1.15 The next sections focus on:
- barriers to trade and investment faced by Australian businesses in each country;
  - free trade agreement negotiations;
  - investment opportunities;
  - services trade, particularly in the education, tourism and financial services sectors; and
  - Australian products on sale in Japan, including marketing strategies.
- 1.16 The first part concludes with an overview of government activities that assist Australian companies to identify and access new opportunities.

## Part Two—Republic of Korea

- 1.17 The second part focusses on the Republic of Korea and is similarly structured. It commences with an overview of the existing trade and investment relationship and discusses emerging trends, including the impact of energy and food security concerns, and new opportunities for small and medium-sized businesses. Defence materiel cooperation and multilateral cooperation are also discussed.
- 1.18 The next sections focus on:
- barriers to trade and investment faced by Australian businesses in each country;
  - free trade agreement negotiations;
  - services trade, particularly in the education and tourism sectors;
  - investment opportunities; and
  - government assistance.
- 1.19 The section concludes with a discussion of Australian products in the Republic of Korea, including some comments about organic certification.
- 1.20 Observations from the Committee’s delegation visit are included throughout the report.

### Note on the text

- 1.21 The Committee has used the terms ‘Republic of Korea’, ‘South Korea’ and ‘Korea’ interchangeably throughout the report.