



Submission No 23

**Inquiry into Australia's trade and investment relationship
with Japan and the Republic of Korea**

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Inquiry into Australia's trade and investment relationship with Japan
and the Republic of Korea

Submission

To: Ms Julia Searle
Inquiry Secretary
Trade Sub-Committee
Joint Standing Committee on Foreign Affairs, Defence and Trade
Parliament House
Canberra ACT 2600

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Covering letter:

Seafood Services Australia (SSA) welcomes the decision of the Trade Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade to undertake an inquiry into Australia's trade and investment relationship with Japan and the Republic of Korea.

Please find enclosed SSA's submission for public release.

1. Australia's seafood trade with Japan and the Republic of Korea

1.1 Seafood trade with Japan

According to Japan Ministry of Finance, the total value of food and live animals imports by Japan from the world in 2011 was 5.13 trillion yen, up by 9.8% (0.5 trillion yen) over 2010. Of that in 2011, fish and fish preparation (1.35 trillion yen) was the top item, and increased by 6.7% in the same period. It was followed by other food items below: meat and meat preparation at 1.07 trillion yen, and dairy products and eggs at 0.12 trillion yen.

Of total fish and fish preparation imported by Japan, top three species in 2011 were fresh, chilled, frozen seafood, and listed as: crustacea and molluscs at 33.9 billion yen, Albacore and Tuna at 7.4 billion yen, and Salmon at 6.7 billion yen.

Suppliers ranking of fish and fish preparations to Japan in value (unit: billion yen) in 2011 was: China (248), Chile (123), Thailand (121), Russia (114), USA (111), Norway (72), Indonesia (69.2), the Republic of Korea (69.1), Vietnam (68.8), Taiwan (55), Canada (37), India (34), and Australia (25). The exchange rate between Australian dollars and Japanese Yen was approximately 1 – 81 in 2011.

In 2011, the value of Australia exports of seafood (edible and non-edible) to Japan rose to A\$ 299.6 million, by 5% (A\$15.1 million) a year. Primary Australian seafood to Japan in 2011 included: Southern Bluefin Tunas, Atlantic Salmon, Worked Cultured Pearls, Shrimps and Prawns, and Rocklobsters (SSA Trade and Market Access Database).

The total value of Australian seafood (edible and non-edible) exports to the world reached A\$ 1.31 billion in 2011, up by 3.8% (A\$ 0.05 billion) over 2010. Japan seafood market accounted for 23% of Australian total seafood exports in 2011.

The value of food and live animals exports by Japan to the world declined to 0.3 trillion yen in 2011 by 16.7% (0.05 trillion yen) over the previous year. Of that, the top item of the exports was fish and fish preparation, and decreased to 0.15 trillion yen in 2011 by 13.3% (0.02 trillion yen) in the same period.

The value of seafood exports (edible & non-edible) from Japan to Australia dropped to A\$ 1.7 million in 2011 from A\$15.2 million in 2010. The main three Japanese seafood species/items to Australia in 2010 were: Scallop (fresh, chilled, frozen) at A\$ 8.44 million, prepared or preserved fish at A\$ 0.97 million, and caviar and caviar substitutes at A\$ 0.55 million.

Seafood is the most important for Japan in the country's imports of food and live animals from the world. The tsunami in 2011 made adverse impacts on food production and supply facilities in Japan. It creates opportunities for Australia to increase seafood exports to Japan.

1.2 Seafood trade with the Republic of Korea

In 2011, Australia exported A\$4.4 million worth of seafood (edible & non-edible) to Korea, almost doubled over the previous year (A\$2.6 million). The major exports of Australian seafood species to Korea in 2011 were: Southern Bluefin Tunas, Shrimps & Prawns, extracts and juices of fish and shellfish, fish, Eels (especially live eels), Pearls, Scallops and Abalone (SSA Trade and Market Access Database).

The seafood (edible and non-edible) exports in 2011 from Korea to Australia rose to A\$ 6.1 million by 4.9% (A\$ 0.3 million) over the previous year. Two peak seafood items in 2011 were: prepared or preserved Tunas, Skijack and Bonito at A\$ 0.6 million, and Cuttlefish and Squid at A\$ 0.4 million.

Seafood consumption is popular in Korea. There is much room for Australia to increase seafood exports to Korea.

2. Barriers and impediments to trade and investment with Japan and the Republic of Korea for Australian businesses

2.1 Japan

2.1.1 Japan's import tariff barriers

At present, Japanese tariffs for raw and intermediate seafood imports from Australia average 4.3 percent and 2.0 percent respectively. Certain other important Australian seafood exports (prepared or preserved shellfish and molluscs) face tariffs of up to 10 percent and abalone is subject to a tariff of 7 percent ad valorem. The Australian seafood industry considers Japanese seafood tariffs still present a significant barrier to trade, particularly when compared to some competing Asian markets (i.e. Hong Kong).

Below is an example of Japan's import tariffs applied to Australian key seafood types listed at *Table 1: List of Key Items* at point of import into Japan

Table 1: List of Key Items

Seafood type	Tariffs applied to Australian seafood at point of import into Japan (%)
(i) Southern Bluefin Tuna	0 to 11
(ii) Rocklobsters	1 to 5
(iii) Abalone	1 to 15
(iv) Prawns	1 to 5.3
(v) Atlantic salmon	0 to 11
(vi) Yellowfin and Bigeye tuna	0 to 11
(vii) Albacore or longfinned tuna	0 to 11

Seafood type	Tariffs applied to Australian seafood at point of import into Japan (%)
(viii) Crabs	4 to 10
(ix) Oysters	6.7 to 15
(x) Prepared molluscs	6.7 to 10.5
(xi) Trout	0 to 11
(xii) Fish livers and roes	2.8 to 10
(xiii) Swordfish	0 to 11
(xiv) Patagonian Toothfish	0 to 11

2.1.2 Japan's non-tariff barriers

Japan's non-tariff barriers include import quotas (Yellowtail Kingfish and all other major seafood products), import licensing and approvals, and food preservative requirements.

2.1.3 FTAs between Japan and other countries/regions

Japan has concluded Free Trade Agreements (FTAs)/Economic Partnership Agreements (EPAs) with Singapore, Mexico, Malaysia, Chile, Thailand, ASEAN, the Philippines, Brunei, Indonesia, Switzerland, Vietnam, India, and Peru.

According to the schedules of Japan in the EPAs with Chile and Thailand, those items for immediate tariff elimination include crustaceans. The tariffs for some items will be eliminated in annual installments, and some will be subject to negotiation. For more information, please see Table 2 and Table 3 in Appendix 1.

The EPA between Japan and Chile entered into force in September 2007. The value of fish and fish preparation from Chile exported to Japan rose from 106

billion yen in 2006 to 123 billion yen in 2011. Major seafood species of Chile in Japanese market is Salmon, crustacea and molluscs (Cuttlefish and Sea Urchins).

The EPA between Japan and Thailand became effective in November 2007. The value of fish and fish preparation exports from Thailand to Japan was up from 111 billion yen in 2006 to 121 billion yen in 2011. Primary seafood species in 2011 were: crustacean and molluscs, including Shrimps, Prawns, Lobsters, Cuttlefish and Octopus.

In comparison in the same period, the value of fish and fish preparation exports from Australia to Japan fell from 36 billion yen 2006 to 25 billion yen in 2011.

2.2 The Republic of Korea

2.2.1 Korea's import tariff barriers

Under the current Korea Most Favored Nations (MFN) applied tariffs applicable to Australia, in the major seafood tariff lines (all the six-digit tariff lines from 030110 through to 030791 in the whole of Chapter 3, and some from 160411 to 160590 in Chapter 16), the average duty rate is 16.1% with maximum up to 20%. The rates of other fisheries tariff lines may be even higher. We believe that these rates present a considerable barrier to trade in seafood products. In addition, Korea imposes “flexible tariff” as high as 40%.

2.2.2 FTAs between the Republic of Korea and other countries/regions

Korea's FTAs with the countries/regions below are in effect: Chile, Singapore, European Free Trade Association (Liechtenstein, Iceland, Norway, and Switzerland), ASEAN, India, EU, Peru and USA.

In both the Korea-Chile FTA and Korea-Singapore FTA, a number of the major seafood tariffs in Korea's schedules are subject to elimination immediately, with others subject to elimination within a period of 5 or 10 years respectively from the date of implementation. Of the 316 major seafood tariff lines in Korea's schedule for Chile, 210 tariff lines are eliminated immediately. Of the 158 major seafood tariff lines in Korea's schedule for Singapore, 33 are eliminated immediately.

In FTAs with Chile and Singapore, the seafood tariffs in the Korea's schedules are subject to elimination immediately, and either 5 or 10 years from the date that enforcement is commenced. Of the 316 major seafood tariff lines (ten-digit lines from 0301101000 through to 0307993990 in Chapter 3, and 1604111000 to 1605909090 in Chapter 16) in Korea's schedule for Chile, 210 are eliminated immediately, 75 in 5 years, and 31 in 10 years. Of the 158 major seafood tariffs of (ten-digit lines from 0301101000 through to 0307993990 in Chapter 3, and 1604119000 to 1605902030 in Chapter 16) in Korea's schedule with Singapore, 33 shall be eliminated immediately, 88 in 5 years, and 37 in 10 years.

Korea-U.S. FTA entered into force on 15 March 2012. In the Korea schedule, The tariff rates for some USA seafood are eliminated in Year 1, or will be eliminated in a range of annual staging in the period from year 1 to year 12 respectively. For some USA seafood, an aggregate quantity shall be permitted to enter free of duty in a particular year in the period.

For more information, please see attached Appendix 2: Table 4: Some extracted information of tariff staging in the Korea schedule of the Korea-US FTA.

2.3 Implications of FTAs signed by Japan and Korea with other countries

Australian seafood exports currently generate around \$1.5 billion in export revenue. However, import tariffs imposed by export destination countries make it difficult for Australian seafood to compete in many of our existing and potential seafood export markets. While Australian seafood exports currently face high import tariffs in most of our export destination countries, seafood imports into Australia are basically tariff free.

When we review Australia's trade relations with Japan and the Republic of Korea, it is essential to attach high importance to FTAs with the two countries. As significant global economic powers continue to aggressively pursue FTAs with the two countries, the challenges already faced by Australian seafood exporters will be further exacerbated by agreements that reduce or eliminate tariffs and non-tariff barriers on seafood supplied by our trading competitors in the markets.

It is important for Australia to seek an outcome on fisheries products and related matters at least as favourable as that achieved under the FTAs by Japan and Korea with other countries/regions; and an outcome on other significant fisheries export interests, not covered by the FTAs by Japan and Korea with other countries/regions.

3. 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

The Department of Foreign Affairs and Trade (DFAT), Australian Trade Commission (Austrade), and Department of Agriculture, Fisheries and Forestry (DAFF), have provided assistance in seafood trade and market access. They attend international bilateral and multilateral negotiations, for creating trade opportunities and removing tariff and non-tariff barriers in Japan and Korea relevant to Australia seafood. They also pursue the interests of Australian seafood industry on food safety and health certification.

Appendix 1: Japan schedules of FTAs with Chile and Thailand

Table 2: Extracted information of tariff staging in the Japan schedule of Japan- Chile FTA

HS subheadings/ codes	Descriptions		Japan Average MFA Applied Tariff Rate for other WTO countries	Japan Schedule Staging category for Chile	
030212	Pacific Salmon Fresh or chilled	Silver Salmon (<i>Oncorhynchus kisutch</i>)	3.5%	B10	
		Other		R	
	Atlantic Salmon (<i>Salmo salar</i>) and Danube Salmon (<i>Hucho hucho</i>) fresh or chilled			R	
030236	Southern Bluefin Tunas (<i>Thunnus maccoyii</i>) (excl. fish fillets, other fish meat of HS 0304, livers & roes) fresh or chilled		3.5%	X	
030346	Southern Bluefin Tunas (<i>Thunnus maccoyii</i>) (excl. fish fillets, other fish meat of HS 0304, livers & roes) frozen		3.5%	X	
030613	Shrimps & prawns, whole, in shell or not, whether or not cooked by steaming or by boiling in water, frozen		1%	A	
030621	Rocklobster and other sea crawfish	Live, fresh or chilled	3%	A	
		Other		B5	
030791	Urchins, sea cucumbers and other aquatic invertebrates (other than crustaceans); fresh or chilled flours, meals and pellets of aquatic invertebrates (other than crustaceans), fit for human consumption (excl. oysters, queen scallops, queen scallops of the genera <i>Pecten</i> , <i>Chlamys</i> or <i>Placopecten</i> , mussels (<i>Mytilus spp.</i> , <i>Perna spp.</i>), cuttle fish (<i>Sepia officinalis</i> , <i>Rossia macrosoma</i> , <i>Sepiola spp.</i>), squid (<i>Ommastrephes spp.</i> , <i>Loligo spp.</i> , <i>Nototodarus spp.</i> , <i>Sepioteuthis spp.</i>), octopus (<i>Octopus spp.</i>) and snails other than sea snails.		5.6%	Cuttlefish	X
				Sea Urchins	R

Notes:

Customs duties on originating goods classified under the tariff lines indicated with “A” shall be eliminated as from the date of entry into force of this Agreement;

Customs duties on originating goods classified under the tariff lines indicated with “B5” shall be eliminated in six equal annual installments from the Base Rate to free, as from the date of entry into force of this Agreement;

Customs duties on originating goods classified under the tariff lines indicated with “B10” shall be eliminated in 11 equal annual installments from the Base Rate to free, as from the date of entry into force of this Agreement;

Customs duties on originating goods classified under the tariff lines indicated with “R” shall be subject to negotiation; and

The originating goods classified under the tariff lines indicated with “X” shall be excluded from any commitment such as reduction or elimination of customs duties.

Table 3: Extracted information of tariff staging in the Japan schedule of Japan- Thailand FTA

HS subheadings/ codes	Descriptions	Japan Average MFA Applied Tariff Rate for other WTO countries	Japan Tariff Rate Schedule Staging category for Thailand		
030212	Fresh or chilled Pacific salmon (<i>Oncorhynchus nerka</i> , <i>Oncorhynchus gorbusha</i> , <i>Oncorhynchus keta</i> , <i>Oncorhynchus tshawytscha</i> , <i>Oncorhynchus kisutch</i> , <i>Oncorhynchus masou</i> and <i>Oncorhynchus rhodurus</i>), Atlantic salmon (<i>Salmo salar</i>) and Danube salmon (<i>Hucho hucho</i>)	3.5%	X		
030236	Southern Bluefin Tunas (<i>Thunnus maccoyii</i>) (excl. fish fillets, other fish meat of HS 0304, livers & roes) fresh or chilled	3.5%	X		
030346	Southern Bluefin Tunas (<i>Thunnus maccoyii</i>) (excl. fish fillets, other fish meat of HS 0304, livers & roes) frozen	3.5%	X		
030613	Shrimps & prawns, whole, in shell or not, whether or not cooked by steaming or by boiling in water, frozen	1%	A		
030621	Rock lobster and other sea crawfish (<i>Palinurus spp.</i> , <i>Panulirus spp.</i> and <i>Jasus spp.</i>), whether in shell or not, live, dried, salted or in brine, incl. in shell, cooked by steaming or by boiling in water	3%	A		
030751	Octopus, live, fresh or chilled		B	Year 1	3.75%
				Year 2	2.50%
				Year 3	1.25%
				Year 4	0
030791	Urchins, sea cucumbers and other aquatic invertebrates (other than crustaceans); fresh or chilled flours, meals and pellets of aquatic invertebrates (other than crustaceans), fit for human consumption (excl. oysters, queen scallops, queen scallops of the genera Pecten, Chlamys or Placopecten, mussels (<i>Mytilus spp.</i> , <i>Perna spp.</i>), cuttle fish (<i>Sepia officinalis</i> , <i>Rossia macrosoma</i> , <i>Sepiolo spp.</i>), squid (<i>Ommastrephes spp.</i> , <i>Loligo spp.</i> , <i>Nototodarus spp.</i> , <i>Sepioteuthis spp.</i>), octopus (<i>Octopus spp.</i>) and snails other	5.6%	B (Cuttlefish and squid)	Year 1	2.9%
				Year 2	2.3%
				Year 3	1.8%
				Year 4	1.2%
				Year 5	0.6%
				Year 6	0

HS subheadings/ codes	Descriptions	Japan Average MFA Applied Tariff Rate for other WTO countries	Japan Tariff Rate Schedule Staging category for Thailand		
	than sea snails.				

Notes:

Customs duties on originating goods classified under the tariff items indicated with “A” shall be eliminated as from the date of entry into force of this Agreement;

Customs duties on originating goods classified under the tariff items indicated with “B” shall be eliminated in annual installments as provided in Japan’s Schedule;

The originating goods classified under the tariff items indicated with “X” shall be excluded from any commitment of reduction or elimination of customs duties and commitment of negotiation.

Appendix 2: Korea schedule of the FTA with USA

Table 4: Extracted information of tariff staging in the Korea schedule of Korea-US FTA

HS subheadings/ codes		Descriptions	Base rate	Staging category/Remarks
0301921000		Glass eel	10	A
0303460000		Southern Bluefin Tunas <i>(Thunnus maccyii)</i>	10	C
030379	0303791000	Alaska Pollack	30	Free tariff subject to aggregate quantity from year 1 to year 15
	0303798000	Saury (including horn fish)	36	I
	03037999095	Croakers	63	Free tariff subject to aggregate quantity from year 1 to year 15
	0303792000	Sable Fish	10	D
	0303793000	Hair Tail		G
	0303794010	<i>Red Horsehead Fish (Branchiostegus Japonicus)</i>		
	0303794090	Other	10	
	0303795000	Conger Eel		
	0303796000	Yellow Corvina		
	0303797000	Horse Mackerel		
	0303799010	Chub mackerel		
	0303799020	Pufferes		
	0303799060	Atka Mackerel		
	0303799080	Whip Tail or Hoki		
	0303799092	Hagfish (Pacific, Atlantic)		
	0303799099	Other		
0303799093	State	27		

HS subheadings/ codes		Descriptions	Base rate	Staging category/Remarks
	0303799070	Rock Fish (including Pacific Ocean Perch)	10	I
030379	0303799091	Angler (Monkfish)	10	I
	0303799096	Ray		
	0303799030	White Sea Smelt	10	A
	0303799040	Thorny Head		
	0303799050	John Dory		
	0303799094	Milk Fish		
030613	0306131000	Shrimps and prawns, peeled	20	D
	0306139000	Other		G
030729	0307291000	Scallops, frozen	20	G
	0307292000	Scallops, dried		
	0307293000	Scallops, salted or in brine		C
1504200000		Fats and oils and their fractions, of fish, other than liver oils.	3	D

Notes:

Except as otherwise provided in a Party's Schedule to this Appendix, the following staging categories apply to the elimination of customs duties by each Party pursuant to Article 2.3.2 in the Korea-US :

Duties on originating goods provided for in the items in staging category A in a Party's Schedule shall be eliminated entirely and such goods shall be duty-free on the date this Agreement enters into force;

Duties on originating goods provided for in the items in staging category C in a Party's Schedule shall be removed in three equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year three;

Duties on originating goods provided for in the items in staging category D in a Party's Schedule shall be removed in five equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year five;

Duties on originating goods provided for in the items in staging category G in a Party's Schedule shall be removed in ten equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year ten; and

Duties on originating goods provided for in the items in staging category I in a Party's Schedule shall be reduced by five percent of the base rate beginning on the date this Agreement enters into force. Duties shall be reduced by an additional five percent of the base rate on January 1 of year two, by an additional seven percent of the base rate on January 1 of year three, and by an additional seven percent of the base rate each year thereafter through year five. Duties shall be reduced by an additional ten percent of the base rate on January 1 of year six and by an additional ten percent of the base rate on January 1 of year seven. Duties shall be reduced by an additional 12 percent of the base rate on January 1 of year eight, by an

additional 17 percent of the base rate on January 1 of year nine, and by an additional 20 percent of the base rate on January 1 of year ten, and such goods shall be duty-free, effective January 1 of year ten.