
The Parliament of the Commonwealth of Australia

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

Inquiry of the Trade Sub-Committee

Joint Standing Committee on Foreign Affairs, Defence and Trade

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Canberra

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Foreword

There are few countries as important to Australia as Japan and the Republic of Korea. As our second and fourth largest trading partners respectively, Australia's trade and investment relationship with each country is of longstanding and fundamental importance.

The Trade Sub-Committee welcomed the opportunity presented by this inquiry to explore these relationships. In our inquiry, we have examined our current relationship with each country, identified opportunities to deepen and expand commercial links, looked at any barriers to trade and investment that presently exist, explored trends of the trading relationship, and further recognised that the success of trade was built as well on the friendship that exists between the countries.

With free trade agreement negotiations underway with each country, the inquiry was particularly timely. Indeed, as can be seen from the evidence we received, there were some enthusiastic expectations that negotiations with the Republic of Korea would be concluded before this report was finalised.

Since its initial investments in the resources sector in the 1960s, Japan has made a significant contribution to Australia's prosperity as Australia's largest trading partner for more than 40 years and third largest source of foreign investment. Resources, agriculture, education and tourism dominate Australian exports. In turn, Australia seeks Japanese cars, refined petroleum and manufactured products.

Australia's relationship with the Republic of Korea has also grown dramatically since the 1960s into a strong and complementary relationship. Energy and food security concerns have seen the Australia-Korea relationship develop and broaden significantly in recent years.

The Committee considered that much more attention should be given to the Korean relationship – in addition to goods trade, it is our third largest source of overseas students yet inquiry participants identified language and cultural

differences and an unfamiliar business environment to be affecting Australian businesses as they attempt to work in South Korea.

In recent years, South Korea has embarked on an active schedule of free trade negotiations. With agreements concluded with key trading partners, such as the United States, negotiations for an Australia-South Korea agreement take on particular importance. The negotiations feature in our report, as it did for those who gave evidence to the inquiry.

In Japan, the Japanese Government is moving towards trade liberalisation and agricultural reform. It has signalled its intention to liberalise and has publicly identified the importance of a free trade agreement with Australia. I note that Japan has also now joined negotiations for the proposed Trans Pacific Partnership, which we touch upon in our report.


Services are a key Australian export and we heard about the importance of education and tourism exports to both countries. Opportunities also exist in other sectors, ranging from infrastructure to health, financial, and legal services.

A delegation of the Committee undertook a parliamentary visit to Japan and South Korea in July 2012. Committee members appreciated the opportunity presented by this visit to broaden our awareness and understanding of the issues before us and to gain the perspective of our Japanese and Korean counterparts. Delegation members were particularly struck by the strength of Australia's relationship with both countries, which can be underappreciated or overlooked as we focus on the rise of other economies. This report includes commentary about the visit.

I conclude by thanking members of the Trade Sub-Committee for their contribution to the inquiry. I wish to thank as well the Inquiry Secretary Ms Julia Searle and I also particularly thank the Deputy Chair, the Hon Mr Bruce Scott MP, for his ongoing support and valuable input to the work of the Sub-Committee over many years now. We were able to work in the true spirit of bi-partisanship, which is what the Parliamentary Committees do best.

Finally, I thank all those who participated in the inquiry, both in Australia and overseas.

Janelle Saffin MP
Chair, Trade Sub-Committee



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Terms of reference

The Trade Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade will inquire and 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.



List of abbreviations

ADB	Asian Development Bank
Ai Group	Australian Industry Group
AJBCC	Australia Japan Business Cooperation Committee
AJEI	Australian and Japanese Economic Intelligence
AKBC	Australia-Korea Business Council
ANZCCJ	Australia New Zealand Chamber of Commerce in Japan
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
CIE	Centre for International Economics
Commerce Agreement	Agreement on Commerce between Japan and the Commonwealth of Australia
DAFF	Department of Agriculture, Fisheries and Forestry
DAPA	Defence Acquisition and Procurement Agency
Defence	Department of Defence
DFAT	Department of Foreign Affairs and Trade
DIISR	Department of Innovation, Industry, Science and Research
DMO	Defence Materiel Organisation

DRET	Department of Resources, Energy and Tourism
EFTA	European Free Trade Association
ELICOS	English Language Intensive Courses for Overseas Students
EPA	Economic Partnership Agreement
EU	European Union
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FLNG	Floating Liquefied Natural Gas
FTA	Free Trade Agreement
FTAAP	Free Trade Area of the Asia-Pacific
G20	Group of Twenty Finance Ministers and Central Bank Governors
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
HHI	Hyundai Heavy Industries
IMF	International Monetary Fund
ISDS	Investor-State Dispute Settlement
JET	Japan Exchange and Teaching Programme
KEPCO	Korea Electric Power Corporation
KOGAS	Korea Gas Corporation
KORES	Korea Resource Corporation
KORUS	Korea-United States Free Trade Agreement
LNG	Liquefied Natural Gas
MFN	Most-favoured-nation

MLA	Meat and Livestock Australia
MOU	Memorandum of Understanding
Nara Treaty	Basic Treaty of Friendship and Cooperation between Australia and Japan
NFF	National Farmers' Federation
OECD	Organization for Economic Co-operation and Development
OFA	Organic Federation of Australia
POSCO	Pohang Iron and Steel Company
PPP	Public Private Partnerships
RCEP	Regional Comprehensive Economic Partnership
ROK	Republic of Korea
SMBC	Sumitomo Mitsui Banking Corporation
The Gordon	Gordon TAFE
TCF	Textiles, clothing, footwear
TPP	Trans Pacific Partnership
TTF	Tourism Transport Forum
US	United States
WTO	World Trade Organization



List of recommendations

2 Japan

Recommendation 1

The Committee recommends that the Australian Government continue to prioritise negotiation and conclusion of a comprehensive free trade agreement with Japan that addresses the numerous barriers, particularly in the agricultural sector, to trade and investment between Australia and Japan.

Recommendation 2

The Committee recommends that the Australian Government investigate establishment of a complementary program to the Japan Exchange and Teaching Programme (JET) to facilitate improved cross cultural links between Australia and Japan.

Recommendation 3

The Committee recommends that the Australian Government showcase the benefits of a coordinated approach to marketing, such as that used by Meat and Livestock Australia, in its export facilitation activities.

3 Republic of Korea

Recommendation 4

The Committee recommends that the Australian Government seek to conclude negotiations on a comprehensive and liberalising free trade agreement with the Republic of Korea as a matter of urgency.

Recommendation 5

The Committee recommends that the Australian Government recognise the significance of Australia's current and potential relationship with the Republic of Korea by designating Korean as a priority language in school education.

Recommendation 6

The Committee recommends that the Australian Government prioritise and promote Australia's relationship with the Republic of Korea, with the objective of broadening and deepening the relationship between the two countries.

Recommendation 7

The Committee recommends that the Australian Government prioritise its support for Australian businesses seeking to enter the Korean market, with a focus on improving understanding of the market and maximising opportunities to conduct business in the Republic of Korea.

Recommendation 8

The Committee recommends that the Australian Government prioritise implementation of the recommendations of the Joint Standing Committee on Foreign Affairs, Defence and Trade report *Australia's Overseas Representation: Punching below our weight?*