

# Background paper:

## Japan Australian Economic Partnership Agreement (JAEPA)

The Japan Australian Economic Partnership Agreement (JAEPA) entered into force on 15 January, 2015. Once JAEPA is fully implemented, around 98 per cent of Australia's merchandise exports to Japan will be able to receive preferential access or enter duty-free. The JAEPA was particularly significant for the agricultural sector as Japan had had high tariffs on agricultural goods prior to JAEPA.<sup>1</sup> The AJBCC made a submission to the Joint Standing Committee on Treaties (JSCOT), some of which was quoted in JSCOT's report "Agreement between Australia and Japan for an Economic Partnership, October 2014".<sup>2,3</sup>

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<sup>1</sup> Japan-Australia Economic Partnership Agreement Post-Implementation Review Dec 2019  
[https://ris.pmc.gov.au/sites/default/files/posts/2020/02/final\\_version\\_-\\_jaepa\\_pir.pdf](https://ris.pmc.gov.au/sites/default/files/posts/2020/02/final_version_-_jaepa_pir.pdf)

<sup>2</sup> Agreement between Australia and Japan for an Economic Partnership - The Parliament of the Commonwealth of Australia Joint Standing Committee on Treaties Report 144  
[https://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Treaties/15\\_July\\_2014/Report\\_144](https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Treaties/15_July_2014/Report_144)

<sup>3</sup> AJBCC Treaties tabled on 14 and 15 July 2014 Submission 9  
<https://www.aph.gov.au/DocumentStore.ashx?id=49ff20a7-4959-4c1b-8e01-52a66e409c23&subId=299067>

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# 1. The main areas and products impacted by JAEPA

## Agriculture

Beef, pork, dairy, grains and oil seeds, sugar, seafood, wine, beer and cider, fruit and vegetables, nuts, processed foods, other meats, etc.

On JAEPA's entry into force, Japan immediately eliminated tariffs for Australian bulk wine, high polarity raw sugar, milk protein concentrates, lactose and casein, wheat and barley for animal feed, some horticulture (asparagus, macadamia nuts, almonds, and mangoes), and some seafood (lobsters, prawns, oysters, crabs and abalone).<sup>1,4,5</sup>

Prior to JAEPA, Australian beef (both frozen and fresh) exports to Japan faced a 38.5 per cent tariff. The tariff for Australian frozen beef immediately fell to 30.5 per cent on JAEPA's entry into force and phases down to 19.5 per cent over 18 years. For fresh beef exports, the tariff was also reduced to 32.5 per cent on JAEPA's entry into force and phases down to 23.5 per cent over 15 years. Under JAEPA, Australian beef will never again be subject to the automatic 50 per cent "global snapback" tariff (Japan's safeguard mechanism in the case of rapid increase in beef imports from all sources).<sup>1,6</sup>

JAEPA provided Australia with preferential access for a large volume of pork through an Australia-only quota. Within the quota, the ad-valorem tariff rate was halved immediately on JAEPA's entry into force.<sup>1,6</sup>

For dairy, on JAEPA's entry into force, Australia gained immediate Australia-only duty free quotas for natural cheese for processing, growing from 4,000 tonnes to 20,000 tonnes over 20 years, and now around half of Australia's cheese exports enter Japan duty-free (previously up to 29.8 per cent tariff).<sup>1,6</sup> The value of Australia's cheese and curd exports to Japan reached \$497.3 million in 2018, up 33.2 per cent on 2014. (\$457.8 million in 2019-2020).<sup>7</sup>

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<sup>4</sup> Japan-Australia Economic Partnership Outcomes at a Glance  
<https://www.dfat.gov.au/trade/agreements/in-force/jaepa/fact-sheets/Pages/jaepa-fact-sheet-outcomes-at-a-glance>

<sup>5</sup> オーストラリアの食品産業と日豪経済連携協定による関税恩恵 - AUSTRADE  
<https://www.austrade.gov.au/ArticleDocuments/3769/JAPEA%20FB%20Info.PDF.aspx>

<sup>6</sup> JAEPA factsheet: Agriculture and Processed Food  
<https://www.dfat.gov.au/trade/agreements/in-force/jaepa/fact-sheets/Pages/jaepa-fact-sheet-agriculture-and-processed-food>

<sup>7</sup> DFAT Trade Statistical Pivot Tables  
<https://www.dfat.gov.au/about-us/publications/trade-statistical-pivot-tables>

## Minerals and Energy

LNG, iron ore, coal, copper ore and aluminium were already duty-free before JAEPA. Upon JAEPA's entry into force, almost all Australia's resources and energy products entered Japan duty-free - the tariffs for coke and semi coke of coal, non-crude petroleum oils, aluminium hydroxide and titanium dioxide were immediately eliminated. The tariffs on unwrought nickel and ferro-manganese are being eliminated in phases.

“Upon full implementation on 1 April 2034, all of Australia's resources, energy and manufactured goods exports will enter Japan duty-free”.<sup>1</sup>

## Manufactured goods

Textiles, clothing and footwear, hides and skins, wood products, plastics, etc.

On JAEPA's entry into force, almost all Australian manufactured goods entered Japan duty-free. The tariffs on paints, key plastic products and pearl jewellery were immediately eliminated. “Upon full implementation on 1 April 2034, all of Australia's resources, energy and manufactured goods exports will enter Japan duty-free”.<sup>1,8</sup>

## Services

Education services, legal services, financial services, telecommunications services, other professional services, travel services, etc. Through JAEPA, Australian service providers are guaranteed improved market access and better treatment in trade in services. “It also includes a framework to advance mutual recognition of services qualifications”.<sup>1,9</sup>

## Investment

Direct, portfolio and other investments.

“Under JAEPA, Australia raised the monetary threshold at which private investments from Japan in non-sensitive sectors are considered by the Foreign Investment Review Board (FIRB) from \$248 million to \$1,154 million”.<sup>1</sup>

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<sup>8</sup> Japan-Australia Economic Partnership Agreement - Trade and Investment Queensland  
<https://www.tiq.qld.gov.au/download/business-interest/export/free-trade-agreements/Japan-Australia-Economic-Partnership-Agreement.pdf>

<sup>9</sup> JAEPA fact sheet: Services and investment  
<https://www.dfat.gov.au/trade/agreements/in-force/jaepa/fact-sheets/Pages/jaepa-fact-sheet-trade-in-services-and-investment>

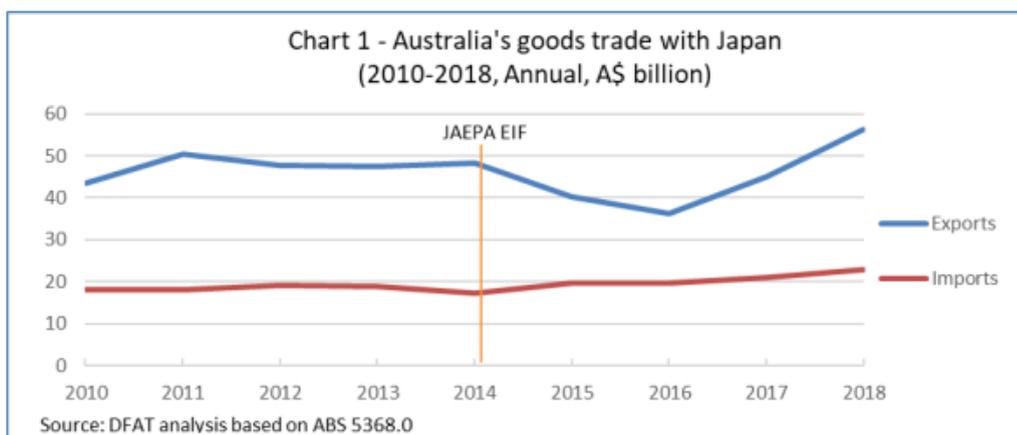
## 2. Trade statistics

### Goods

The chart below shows Australia's goods trade with Japan from 2010 through 2018.

Australia's goods exports to Japan increased to \$56.3 billion in 2018 (up 16.8 per cent on \$48.2 billion in 2014 before JAEPA), and to \$57.7 billion in 2019, then decreased to \$45.1 billion in 2020.<sup>10</sup>

Australia's goods imports from Japan reached \$22.8 billion in 2018, up 32.1 per cent on \$17.2 billion in 2014. "The key drivers have been motor vehicles, gold, engineering equipment and parts, and refined petroleum". Australia's goods imports from Japan decreased to \$21.6 billion in 2019 and to \$17.8 billion in 2020.<sup>1,10</sup>



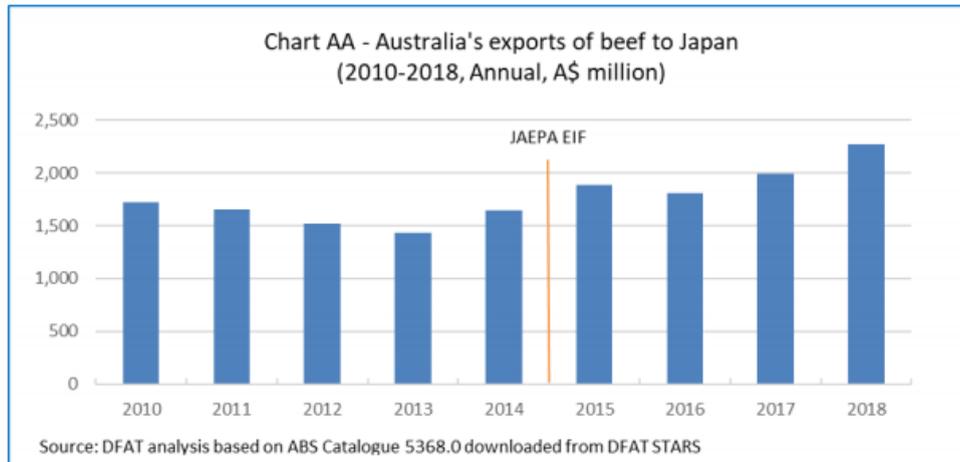
### Agricultural products

Some of Australia's key agricultural export products including sugar, live cattle, nuts, citrus and other fruits have achieved significant growth. The charts below show the changes of the value of certain agricultural exports over the past years before and after the JAEPA's entry into force.<sup>1</sup>

<sup>10</sup> DFAT Australia's direction of goods and services trade calendar years  
<https://www.dfat.gov.au/trade/resources/trade-statistics/trade-time-series-data>

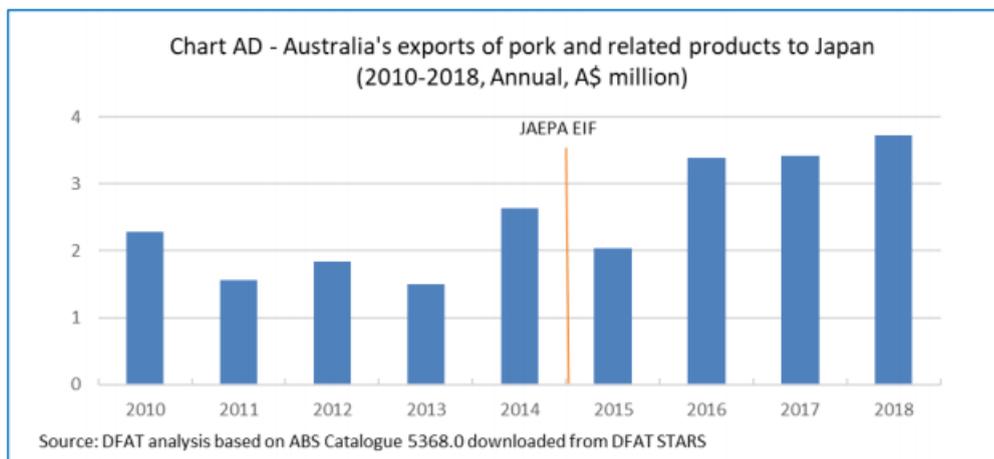
## Beef

Australia's beef exports to Japan have performed strongly since entry into force of JAEPA, reaching \$2.27 billion in 2018 (up 37.9 per cent on 2014).<sup>1</sup>



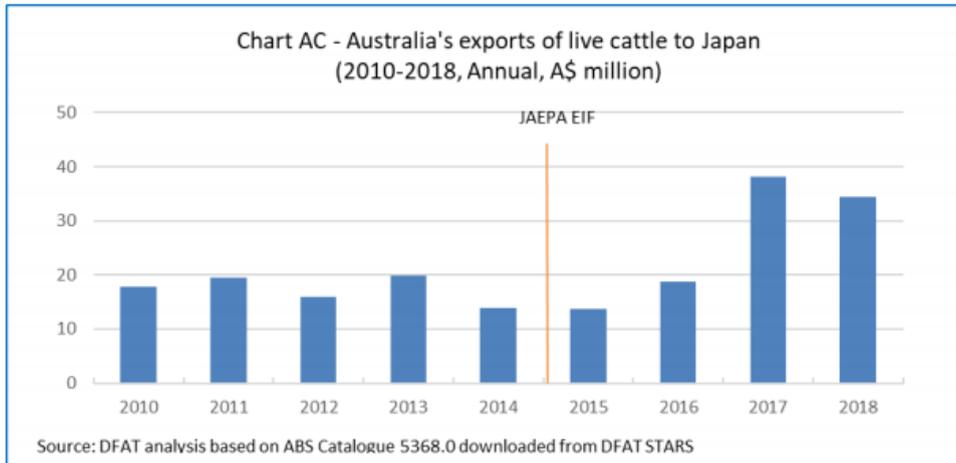
## Pork and related products

The chart below shows the value of Australia's pork and related products exports to Japan have increased to \$3.7 million in 2018, **up 40.8 per cent** on 2014.<sup>1</sup>



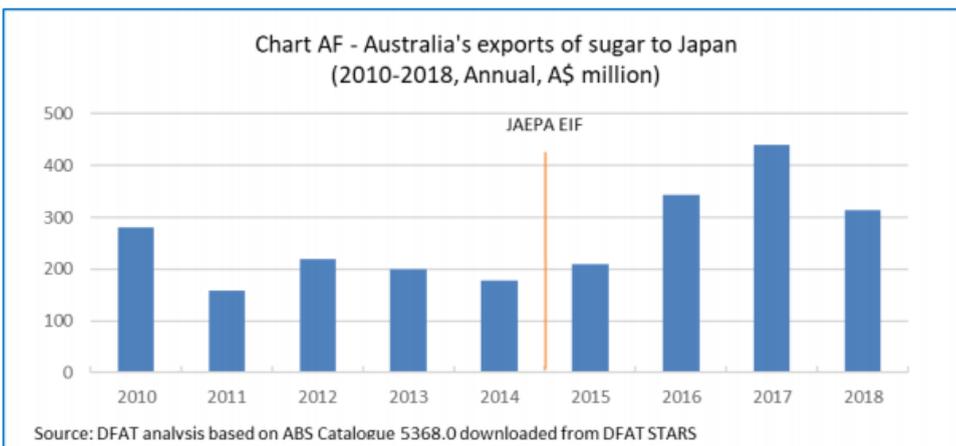
## Live cattle

Australia's live cattle exports to Japan increased strongly to \$34.4 million in 2018, **up 148.9 per cent** on 2014.<sup>1</sup>



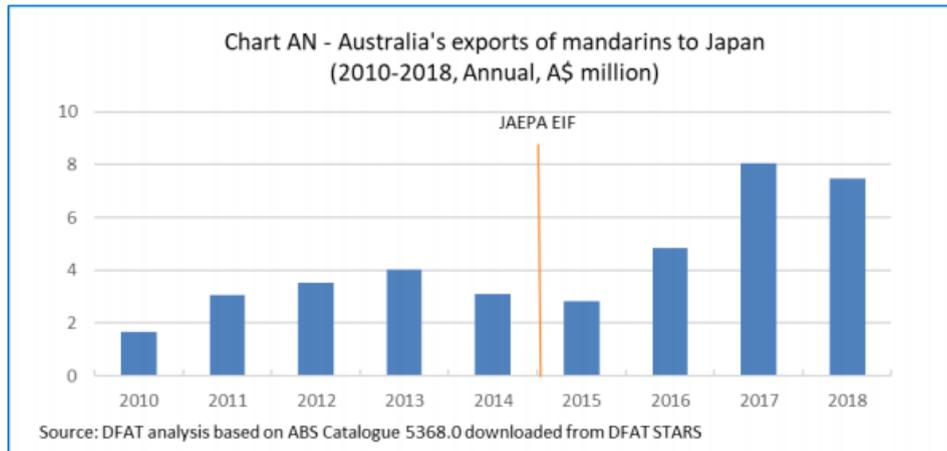
## Sugar

Australia's sugar exports to Japan have grown very strongly to \$313.4 million in 2018, **up 75.3 per cent** on 2014.<sup>1</sup>



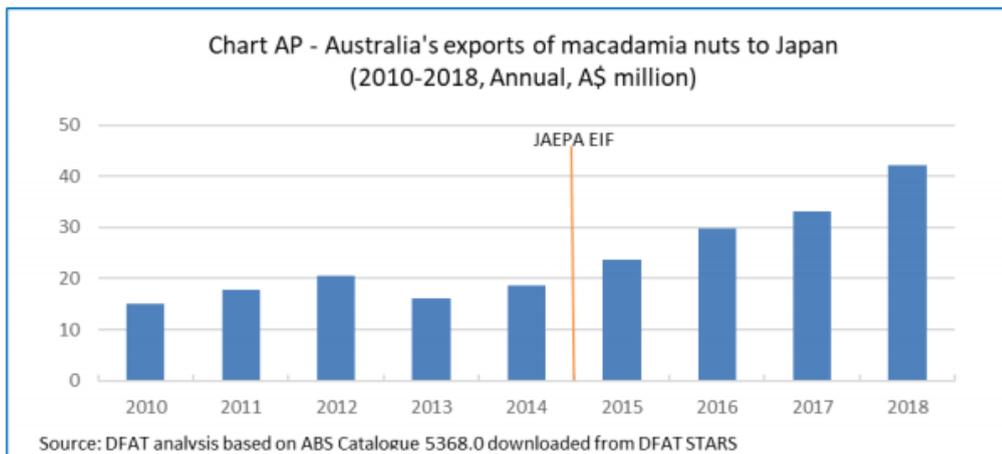
## Mandarins

Australia's exports of mandarins have also performed strongly since JAEPA's entry into force, reaching \$7.5 million in 2018 (**up 141 per cent** on 2014).<sup>1</sup>



## Macadamia nuts

Australia's exports of macadamia nuts increased significantly to \$42.1 million in 2018 (**up 126.7 per cent** on 2014).<sup>1</sup>



## Resources, energy and industrial products

The table below shows a comparison in Australian exports by value for the key resources, energy and industrial products between 2014 and 2018. Almost all exports itemized below have increased since 2014. “The combined value of exports in 2018 for the key products listed was around **\$760 million, up around 86 per cent** on 2014”. “This table does not include mineral and energy exports that already entered Japan duty free before JAEPA, including coal (worth \$11.9 billion in 2014, 19.0 billion in 2018), iron ore (\$8.4 billion and \$5.1 billion), and liquefied natural gas (LNG) (\$16.2 billion and \$18.7 billion)”.<sup>1</sup>

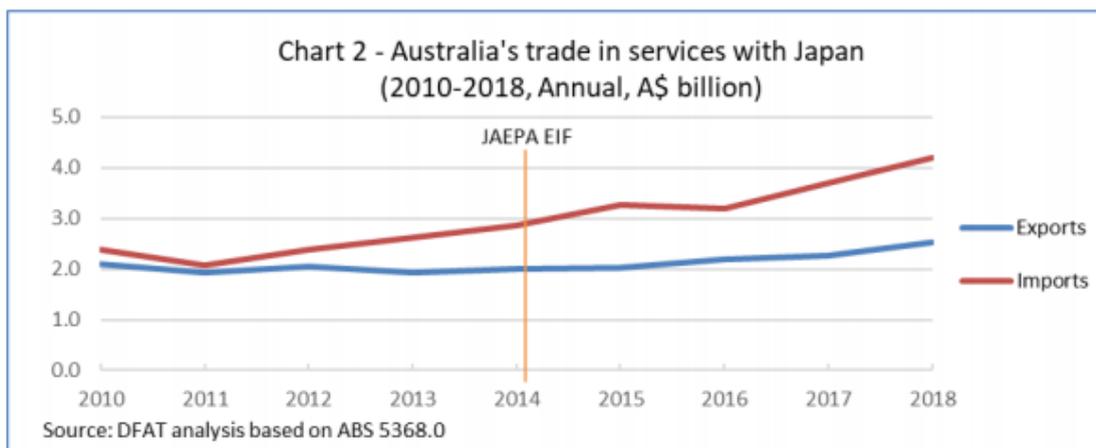
Product	Japan’s MFN tariff	JAEPA outcome (years until tariff elimination)	Australian Exports to Japan (\$ million, 2014)	Australian Exports to Japan (\$ million, 2018)
Unwrought nickel (unalloyed)*	11.7 per cent or ¥44/kg (\$0.46/kg), whichever is less	7	140.2	327.0
Non-crude petroleum oils	ranging up to 7.9 per cent	0	59.9	152.3
Aluminium hydroxide	3.3 per cent	0	111.0	129.7
Ferro manganese*	6.3 per cent	7	35.8	58.7
Ferrosilicon manganese	2.5 per cent	7	15.8	22.8
Titanium dioxide*	3.2 per cent	0	15.8	23.7
Paints and varnishes	Up to 4.0 per cent	0	6.6	2.2
Plastic products	Up to 6.5 per cent	0	8.3	12.5
Sausage casings	4.0 per cent	0	15.8	33.9
Shaving preparations and deodorants	Up to 4.8 per cent	0	1.0	1.9

\*Japanese import data. Sources: Australian Bureau of Statistics, WTO, IHS Markit

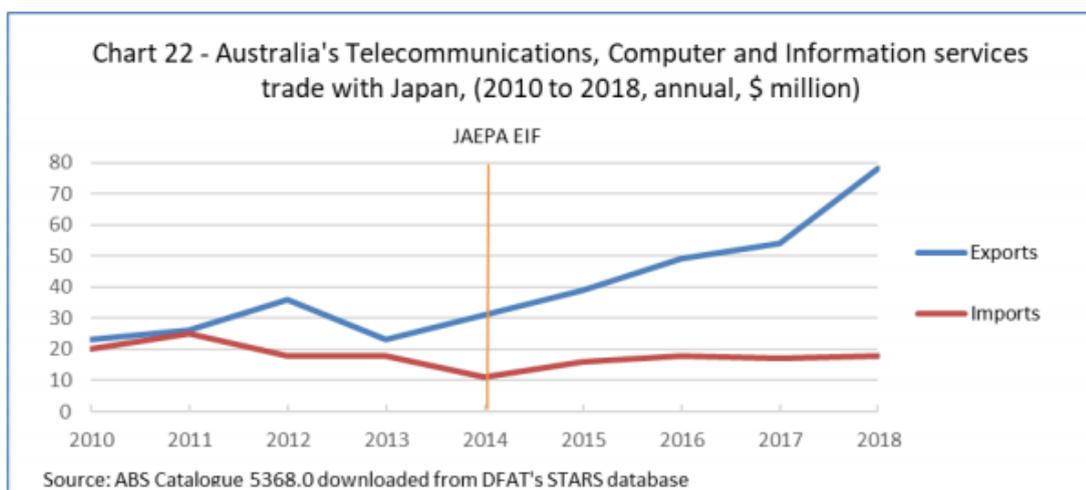
## Services

**Australia's services exports to Japan** reached **\$2.5 billion** in 2018, **up 26.1 per cent** on 2014. "Movements in trade in services have been heavily influenced by personal travel" (exports of travel services accounted for 64 per cent of services exports to Japan in 2018).<sup>1</sup> Australia's services exports to Japan grew further to \$2.7 billion in 2019, then decreased to \$1.4 billion in 2020 with the dramatic fall-off in personal travel caused by COVID-19.<sup>10</sup>

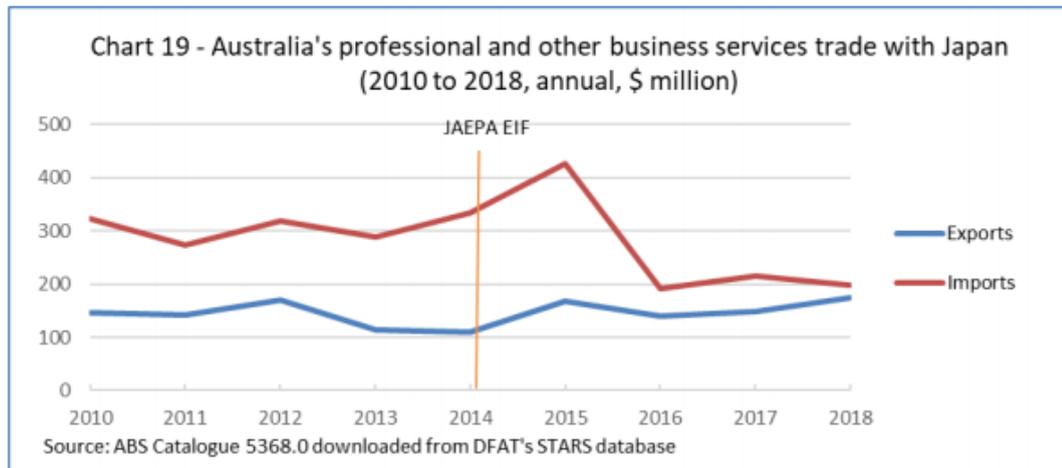
**Australia's services imports from Japan** increased significantly post-JAEPA, reaching \$4.1 billion in 2018 and \$4.7 billion in 2019, but then dropped to \$2.1 billion in 2020, again influenced heavily by COVID .<sup>10</sup>



The value of Australia's exports in **telecommunications, computer and information services** to Japan reached **\$78 million** in 2018, **up 151.6 per cent** on 2014 level.<sup>1</sup>

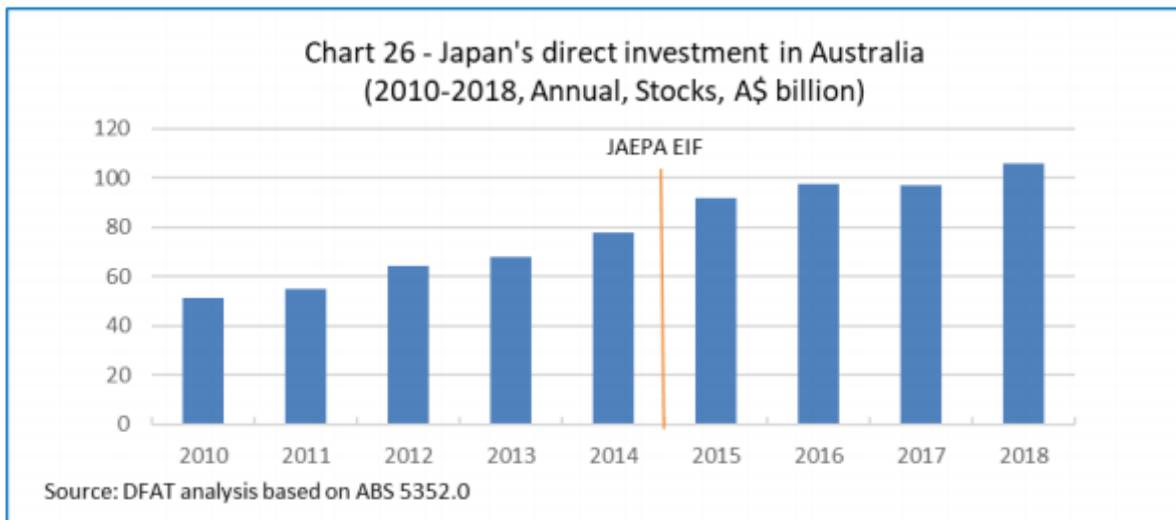


The value of **Australia's professional and other business services** exports to Japan reached \$174 million in 2018, **up 59.6 per cent** on 2014 level.<sup>1</sup>

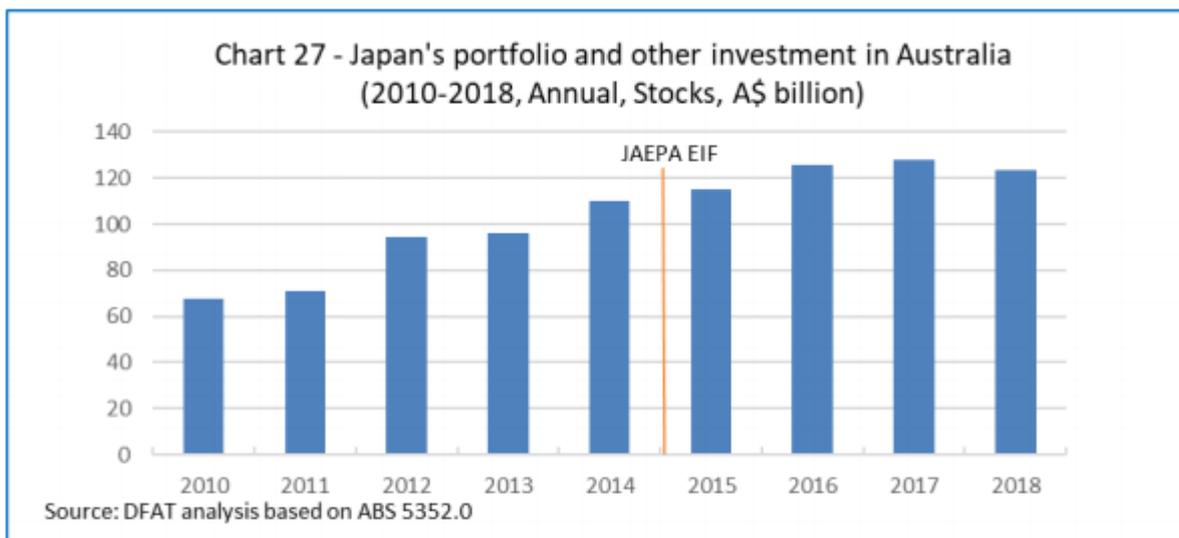


## Investment

The chart below, drawn from the JAEPA Post-Implementation review, shows the value of Japan's **direct investment** stocks in Australia from the end of 2010 to end 2018. Japan's direct investment in Australia stood at \$105.9 billion at the end of 2018, **up \$28.2 billion (36.4 per cent)** on \$77.7 billion in 2014.<sup>1</sup>



The chart below, again drawn from the Post-Implementation Review, shows the value of Japan's **portfolio and other investment** stocks in Australia from the end of 2010 to the end 2018. Japan's portfolio and other investment in Australia was \$123.4 billion at the end of 2018, **up \$13.5 billion (12.3 per cent)** on \$109.9 billion in 2014.<sup>1</sup>



### Australia's direct, portfolio and other investment in Japan

Under JAEPA, Australian investors are not to be treated less favourably than Japanese investors in the establishment, expansion or acquisition, operation and sale of investments in Japan. The JAEPA provides protections for all forms of Australian investment in Japan.<sup>9</sup>

Australia's direct investment in Japan increased from \$0.47 billion in 2014 to \$1.3 billion in 2018. Australia's portfolio and other investment in Japan also grew from \$71.9 billion at the end of 2014 to \$111.7 billion at the end of 2018.<sup>1</sup>

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