
Chapter One

Introduction



On 16 July 2003, the Prime Minister of Japan Junichiro Koizumi and the Prime Minister of Australia John Howard signed the Australia-Japan Trade and Economic Framework (TEF) in Tokyo. In the TEF, both countries committed to “work towards the liberalisation of trade and investment between Australia and Japan on a balanced and comprehensive basis through various avenues”.

The TEF was the product of consultations between Australia and Japan launched in May 2002 and conducted between September 2002 and June 2003 to explore all options for deeper economic linkages between Australia and Japan.

One element of the TEF was a commitment for both countries to undertake a joint study “to examine the costs and benefits of the liberalisation of trade in goods and services and investment between Australia and Japan”. Annex II of the TEF forms the Terms of Reference for the study (see box).

Another element of the TEF was the formation of the Joint Consultative Committee on Trade and Investment (JCC). This senior-official-level committee is charged with overseeing the implementation of the TEF, including the joint study. At its first meeting on 1 December 2003 in Tokyo, the JCC agreed on an outline for the joint study and the formation of the Joint Study Working Group (the working group) to oversee its drafting.

The main agencies represented on the working group were as follows:

<u>Australia</u>	<u>Japan</u>
Department of Foreign Affairs and Trade	Ministry of Foreign Affairs
Department of Industry, Tourism and Resources	Ministry of Economy, Trade and Industry
Department of the Treasury	Ministry of Finance
Department of Agriculture, Fisheries and Forestry	Ministry of Agriculture, Forestry and Fisheries

Other agencies also participated as required. Agencies across all portfolios on both sides contributed to drafting the study.

Meetings on the joint study were held between December 2003 and April 2005. A full list of meetings is below.

JCC meeting 1	1 December 2003	Tokyo
Working Group meeting 1	1-2 March 2004	Canberra
Working Group meeting 2	3-4 June 2004	Tokyo
Working Group meeting 3	7-8 September 2004	Canberra
JCC meeting 2	9 September 2004	Canberra
Working Group meeting 4	11 January 2005	Tokyo
JCC meeting 3	12 January 2005	Tokyo
Working Group meeting 5	24 March 2005	Canberra
JCC meeting 4	8 April 2005	By video-conference

Annex II of the Australia-Japan Trade and Economic Framework

1. A joint study is to be undertaken at the government level to examine the costs and benefits of the liberalisation of trade in goods and services and investment between Australia and Japan.
2. The terms of reference for the joint study are as follows:
 - (a) to provide an overview of recent trends in bilateral trade and investment, including the key features of the government-level relationship;
 - (b) to assess recent international trade policy developments and the possible implications for Australia-Japan trade and investment flows, with a particular focus on economic integration arrangements in the Asia-Pacific region;
 - (c) to identify and to describe existing barriers to trade and investment between Australia and Japan. This would cover goods (tariffs, tariff rate quotas and non-tariff measures), services and investment (pre- and post-establishment conditions on commercial presence, market access, temporary movement of natural persons) and other relevant issues such as government procurement and competition policy and issues which may arise in implementing the cooperative activities set out in Annex I; and
 - (d) to provide a detailed assessment, at the sector-specific and economy-wide levels, of the implications of the removal, fully and partially, of the barriers to goods and services trade and investment flows. This would include both quantitative data in the form of results drawn from economic modelling and analysis and qualitative material.
3. The joint study will be completed and its findings reported to the Joint Consultative Committee within two years.