



BUSINESS | Issue No. 7 | Update on Free Trade Agreements with China, Japan & Korea

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The free trade deals Australia signed with its Asian counterparts are now the talk of the town and we're excited about the potential benefits they will bring to our economy. Australians will (or at least they should) be paying less for electronic items, cars and clothes.

Let's take a look at the latest status of the free trade or partnership agreements with Australia's key Asian trading partners, China, Japan and Korea, to which over 50% of Australian goods are exported.

China

The China-Australia Free Trade Agreement (**ChAFTA**) was concluded on 17 November 2014 and, after a decade of negotiations, the ChAFTA was finally signed on 17 June 2015.

Based on 2013 statistics, the volume of bilateral trade was in excess of \$150 billion and once the ChAFTA enters into full force later this year, further growth is expected based upon the implementation of the first tariff cuts. Chinese tariffs on Australian beef and most dairy products will be eliminated within nine years. Wine taxes will be reduced to zero over four years.

China granted Australia "most favoured nation" status in the ChAFTA, which will allow Australia to receive the same preferential treatment given by China to other countries granted this status.

Japan

Following the conclusion of negotiations for the Japan-Australia Economic Partnership Agreement (**JAPEPA**) in April 2014, the JAPEPA came into force on 15 January 2015.

The JAPEPA is reputed to be the best ever trade deal Japan has signed with any country. Now, customs duty

free or preferential access will be granted to 97% of our exports to Japan and bilateral trade is likely to well surpass the \$70 billion achieved in 2013. Benefits include the elimination of tariffs on 99.7% of Australian resources, energy and manufacturing exports. A range of Australian agricultural exports will now be able to enter Japan duty free, including macadamia nuts, almonds, asparagus, cherries, grapes, prawns and lobsters.

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Australian consumers will be one of the major beneficiaries under the JAPEPA as the price of imported cars should drop due to removal of tariffs (around 3.5% to 5%) on vehicles made in Japan. Japan exports around \$6.7 billion worth of motor vehicles to Australia each year.

In addition to goods, the Australian service sector will also benefit from the globalisation of services. Japan Post's recent \$8 billion acquisition of Australian freight and logistics giant, Toll Holdings, is a compelling sign showing how JAPEPA is encouraging new investment in the Australian economy based upon deepening trade relations.

Korea

The Korea-Australia Free Trade Agreement (**KAFTA**) was entered into on 12 December 2014. Tariffs have already undergone two cuts. Under the KAFTA, a zero

tariff applies to 84% of Australian exports to South Korea, and for 90% of South Korean exports to Australia. Bilateral trade between Australia and South Korea stood at \$30 billion in 2013 and again, the likely trajectory for this trade figure is up as the KAFTA progresses through the implementation stages.

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As trade prospers and grows between Australia and the economic powerhouses of Asia, it’s only natural that we will see a massive increase in the two-way investment. Either way, more Australian jobs will be created by growing exports and incoming investments. Australian meat, dairy and wine producers went on an agricultural delegation to China early this year to target potential clients in third-tier areas outside major cities.

For the full benefit of the FTA’s, small and medium businesses need to explore the opportunities for business potential in the Asian markets. It’s largely up to business to take advantage of a less costly basis to trade and do business in a low, or no, tariff environment created by the Free Trade Agreements.

We will update you as the facts become clearer. If you require assistance in the area of trade with Asia please do not hesitate to contact us.



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