



## Australia-Japan Free Trade Agreement

### Newsletter Update 2

Australia-Japan Free Trade Agreement – Second Negotiating Round

The second negotiating round for the Australia-Japan Free Trade Agreement (FTA) was held in Tokyo from 6 to 10 August. As with the first round, the talks were positive and constructive.

The round commenced substantive discussion on all areas of the FTA that we agreed at the first round. Eighteen sessions were held over five days. Good progress was made. In all of the areas we agreed next steps with Japan which will see text tabled on many of the possible chapters of the FTA at the third round.

Discussion on aspects of **goods market access** began in a preliminary way. We discussed with Japan the kinds of things we will want to include in the trade in goods chapter, which sets out some of the key elements relating to trade between FTA partners. We also exchanged views on trading arrangements for some agriculture and non-agriculture products. We will continue this exchange at the third round.

Our discussions on **rules of origin** and **customs procedures** confirmed our impression that we share with Japan broadly similar views on how to approach these two key issues. We will, nevertheless, need to spend quite a bit of time in coming rounds to work out the details, for example, on rules of origin methods, where our discussion last week did not entirely clarify how the Japanese see this working. We will be providing a detailed paper on rules of origin for the next round and Japan will produce draft text on customs procedures.

We held discussions on **sanitary and phyto-sanitary** and **technical barriers to trade** based on papers Australia had provided inter-sessionally on what could be included in these chapters. We will discuss these issues further at the next round.

At Japan's request we discussed **energy and mineral resources**. This is a subject of

considerable importance to Japan, given its concerns with energy and resource security. We pointed out to Japan that Australia has not covered this as a stand-alone chapter in any of its previous FTAs, and would not be able to consider any provisions that interfered with the normal working of the market. Japan assured us that this was not its intent. It is still thinking about the kinds of things it might want in a possible chapter, and will provide us more detail at the next round.

We also discussed ways that an FTA could help ensure Japan's **food security**, such as by making it easier for Japanese to invest in Australia's agricultural sector. We indicated that we were willing to discuss this issue as part of a comprehensive FTA and on the proviso that any measures reinforce the role of the market. Japan agreed we should proceed carefully on this issue, since it is potentially a new area for FTAs to cover.

We had a constructive discussion with Japan on the draft text for a **government procurement** chapter. We and the Japanese have a broadly similar approach. We pointed out to the Japanese some areas where Australia takes a different approach from the WTO Government Procurement Agreement (of which Japan is a member but Australia is not). We will make some formal counter-proposals to Japan for discussion at the next round. At a separate session, we explained to Japan our ideas for a chapter on electronic commerce. This is a new issue for Japan in an FTA context, but it has indicated a willingness to consider dealing with it in the FTA.

Useful progress was made in the second round on **services and investment**. Drawing on several elements papers provided by Australia and Japan inter-sessionally, there was a strong convergence on basic principles to be applied in the negotiations, as well as substantive elements to be included in the Chapters on Investment, Cross border Trade in Services and Financial Services, and provisions relating to Telecommunications Services and Movement of Natural Persons, without prejudice to the final architecture.

In some areas such as Movement of Natural Persons, the two countries have differing FTA approaches and we will need to focus on addressing these in future rounds. We will continue consultations with Australian stakeholders on the merits of including investor-state dispute settlement (ISDS) in an FTA with another developed country.

There were also substantive exchanges on the regulatory environments of both sides in investment and a range of service areas, including sector-specific regulations in finance, maritime transport, mining services, telecommunications, construction and related engineering and architectural services, energy services, and education. In several areas, further information follow-up is required, but both sides agreed to commence drafting

text across the range of chapters.

Discussions on the possible scope and content of chapters on **intellectual property** and **competition policy** confirmed that our preferred approaches were broadly similar in these areas.

We held useful discussions on **institutional and framework issues**, including provisions on **improvement of the business environment** and **dispute settlement**. We will discuss these issues further at the next round.

The third round of talks is scheduled for early November in Australia.

For further information, please e-mail [\*\*JapanFTA@dfat.gov.au\*\*](mailto:JapanFTA@dfat.gov.au).

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