



Australia-Japan Free Trade Agreement

Newsletter Update 4

Australia-Japan Free Trade Agreement – Fourth Negotiating Round

The fourth round of negotiations on the Australia-Japan Free Trade Agreement (FTA) was held in Tokyo from 25 to 29 February.

This round marked the commencement of market access negotiations on goods. Australia and Japan exchanged initial **requests and offers on trade in goods** and held preliminary discussion on the requests and offers. While the details of the negotiations are confidential, Japan's offer had many exclusions in agriculture, including on many items of interest to Australia. Japan also argued the case for its sensitivities on a small number of manufactured goods. We made clear to Japan that its offer would need to be improved significantly.

In addition to the market access negotiations we continued discussion on most other areas of the agreement.

At the **trade in goods** session, we discussed our counter-proposals to text Japan had tabled at the previous round. Japan's preference is to wait until market access negotiations are further advanced before discussing some areas of the chapter text, so we will have to wait until Japan is ready before tackling these issues, including possible safeguards provisions.

In the course of long discussions on **rules of origin**, we made some progress on the text of the rules chapter. We had tabled our text at the previous round, and now Japan has tabled its text alongside ours. There are many areas of commonality, but also some significant differences that will be need to be worked through.

Australia and Japan have broadly similar approaches to what we should include in the chapter on **customs procedures**. At the fourth round we discussed Japan's response to proposals we made at the previous round on ways to improve the chapter text that Japan had tabled. We hope at the next round to

reach agreement on most of the text, leaving only a small number of issues still to be resolved.

In the **e-commerce** session, Japan tabled a response to our draft text shortly before the meeting. Discussion at the session focused on developing a better understanding of Japan's proposals ahead of more detailed technical discussions at the next round.

We continued to work with Japan on drafting a chapter on **government procurement**, with the aim of guaranteeing access to each country's government procurement markets. We expect to keep working on the chapter over the next few rounds, and then move to market access negotiations.

We discussed **sanitary and phyto-sanitary cooperation**, based on an elements paper Australia had tabled intersessionally. We had a similar discussion on **technical barriers to trade** based on draft text Japan had provided. We will continue to discuss these issues at the fifth round.

We also had further discussion on the issue of **food supply**. Japan has requested this issue be part of the discussion. At this round we provided a briefing to Japan on the changes to Australia's wheat marketing arrangements and provided updated estimates of agricultural production and the effects of the drought.

We are discussing – at Japan's request – how **energy and mineral resources** might be dealt with in the FTA. At the fourth round, Japan for the first time tabled some text, but it is still working out its proposals for the most important parts of the chapter. We will do some more work with the Japanese on this at an intersessional meeting in Canberra in mid-March.

On **cross-border trade in services**, Australia and Japan continued our discussion of the consolidated text of the services chapter, and cleared away any aspects regarded as necessary to allow a move to an exchange of initial services and investment offers at the fifth round. We also clarified with Japan issues relating to the coverage, format and major elements involved in the exchange of offers. Our broadly similar approach to the services chapter was confirmed, although we still have some key differences to resolve.

On **telecommunications**, intensive discussion was held on the text of a possible telecommunications chapter. Much of the session was devoted to

clarifying each side's understanding of the other's regulatory arrangements. The exchange of information will continue intersessionally.

On **financial services**, Japan tabled new consolidated text at the opening of the session. As in the telecommunications session, discussions centred on clarifying regulatory regimes and approaches to reconciling these in a trade agreement.

On **movement of natural persons** (which covers the temporary entry of businesspeople into Australia or Japan for work purposes), Japan also tabled new consolidated text at the beginning of the session. Both sides advanced our understanding of policy frameworks and areas of sensitivity, while highlighting the challenge of accommodating our two very different temporary entry regimes.

On **investment**, our broadly similar approach to the chapter was confirmed, although policy divergences remain in key areas. Both sides confirmed that we would expedite our work for the next session at the fifth round.

We had productive exchanges on **institutional** and **dispute settlement** provisions, confirming similar perspectives and agreement on key principles, although areas of difference remain. We continue to examine Japan's proposal to include a chapter on **improvement of the business environment** and had a useful discussion on the scope and structure of Japan's proposal.

Further progress was also made in understanding each party's preferred approach to a **competition policy** chapter. Brief discussions were held on **intellectual property** in preparation for substantive exchanges on text at the fifth round.

The **fifth round of negotiations** is scheduled for late April 2008, in Canberra. We will exchange initial market access offers on services and investment at this upcoming round. Discussion on market access for goods will also continue at this round.

For further information, please e-mail JapanFTA@dfat.gov.au.

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