



**Australian Government**  
**Department of Foreign Affairs and Trade**

Secretary

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File Number: 13/7707#1

6 May 2014

Mr Jason McNamara  
Executive Director  
Office of Best Practice Regulation  
Department of the Prime Minister and Cabinet  
King Edward Terrace  
PARKES ACT 2600

*Dear Mr McNamara*

I am writing in relation to the attached Regulation Impact Statement (RIS) prepared for the Japan-Australia Economic Partnership Agreement (JAEPA).

The regulatory burden to business, community organisations and/or individuals has been quantified and offsets have been identified and quantified using the Regulatory Burden Measurement framework. These have been agreed with your office. Consistent with the Department of Foreign Affairs and Trade's (DFAT) view that Australia's trade agreements are a 'whole-of-government' endeavour, the deregulatory offsets arising from JAEPA should not be credited specifically to DFAT.

I am satisfied the RIS addresses the following issues raised in your letter of 2 May 2014. Specifically, the RIS:

- identifies and describes clearly the policy objectives motivating the Government's decision to conclude a trade agreement with Japan;

- examines all the options available to Government to achieve the policy objectives, including the potential outcomes available under a successful conclusion of TPP negotiations;
- provides additional discussion on the operation of quotas and their benefits for Australian stakeholders;
- expands qualitative discussion on the likely impacts on demand for Australian produced goods under JAEPA, noting that increased demand – and Australian producers’ capacity to respond – will differ across sectors and enterprises, and be based on commercial decisions;
- includes Australian dollar conversions of Japanese yen figures;
- provides additional discussion of the practical operation of the Japanese beef safeguard;
- clarifies the beef industry’s modelled estimate of JAEPA’s impact on Australian beef sales to Japan and identifies the key factors driving this estimate, including production and exports;
- expands the analysis of impacts on dairy and sugar stakeholders;
- provides further factual detail concerning crustacean and forestry product exports;
- explains clearly that tariff elimination under JAEPA benefits Australian minerals and resources producers by supporting the price competitiveness of their products, noting also that the Minerals Council of Australia has welcomed JAEPA outcomes as ‘a significant boost’ to Australia’s minerals exporters;
- includes a discussion of impacts on retailing and servicing networks of Australia’s tariff elimination on motor vehicles;
- includes expanded analysis of Japan’s competitive position in the Australian new motor vehicle market;
- highlights Australia is regarded as a competitive manufacturer of manufacturing products on which Japan is eliminating high import tariffs;
- provides further assessment of the effect of JAEPA outcomes on investment, including changes to Australia investment screening thresholds, noting that the extent of any increase in bilateral investment is difficult to quantify given the range of economic and commercial factors that influence investment decisions; and
- clarifies that consumer benefit in particular product categories would depend on suppliers’ and importers’ commercial decisions to pass on tariff reductions through lower prices or through improvements in quality or product offerings.

In addition to these amendments, trade statistics have also been updated in the RIS to reflect the latest available data.

I note DFAT will also release the full text of the agreement, a National Interest Analysis and a range of fact sheets on outcomes around signature.

I have raised separately with the Secretary of Prime Minister and Cabinet (copy attached) my concerns about other issues flagged in your letter of 2 May.

I am satisfied the RIS now meets best practice consistent with the *Australian Government Guide to Regulation*.

I submit the RIS to the Office of Best Practice Regulation for formal final assessment.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter N Varghese', written in a cursive style.

Peter N Varghese AO