

(Webinar) Austrade Update: COVID-19 Impact for Japan

Q&A

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Imports & Exports

- As Japan is a protocol market, will there be any impact on the export of Australian fresh produce/fruit?

To date we haven't heard of any changes or updates to protocol negotiations due to COVID-19 but recommend checking with DFAT for future updates.

- Will there be any review of the tariffs for processed meat products for export to Japan in the short term?

To date, we are unaware of any tariff review. Recommend to check with DFAT for future updates.

- How are the domestic logistics – e.g. ports, airports and local distribution? Has there been any interruption for products exported from Australia?

We are unaware of any major disruptions to in-country logistics, although the situation is fluid given the declaration of a state of emergency. The impact varies depending on the products and transportation method.

As International Passenger flights between Australia and Japan, and Asia and Japan have been reduced, this has also reduced air freight cargo capacity that would usually be carried in the cargo holds of these passenger aircraft. This is leading to a rise in demand for international freight only flights and in response some Japanese airlines have announced an intention to increase air freight cargo capacity in April.

There have also been some reported delays to sea shipment due to delayed port operation and lack of sea containers etc. To deal with schedule delays, some importers are now placing orders earlier than usual. We suggest keeping in touch with your freight forwarders to check the latest flight or sea shipment schedule (although these could change at any time).

If you are an exporter of perishable or high value agriculture and seafood products and need to use air cargo service, we would encourage you to fill in the online form "Have your say" (<https://haveyoursay.agriculture.gov.au/international-freight-assistance>). This is for the International Freight Assistance Mechanism (IFAM) which is the Australian Government's initiative to support delivery of these products to key markets. For details, you can contact the Freight Assistance Team at the Department of Agriculture on 02 6272 2444 or email freight.assistance@agriculture.gov.au

- For Australian exporters of goods and services and for inbound investment from Japan, what are the key steps that these players need to consistently adopt to be more successful in the Japanese market?

Recommending connecting with Austrade, ANZCCJ, State Government offices in Japan, and industry associations as a starting point.

- Our customer in Japan has cancelled their lemon oil order as a result of the border closing and not being able to attend production. This order is worth \$1mill AUD. Does anyone have any ideas if we can do a Government to Government negotiation to find some solution?

The South Australian office in Japan is working on this issue separately.

- Will it be possible for Japan and Australia to negotiate an extended date for the JAS Organic certification requirements? Currently it is July, but with the impact of Covid-19 will it be possible to push the date to later in the year?

The date of implementation is legislated, so this is unable to be changed.

Hospitality & Retail

- Is the Japanese government expected to lock down all restaurants/cafes (as has happened in Australia) and what is the expectation for how long that may last? (Australian government indicates 6 months of restrictions, Is that similar in Japan?)

The state of emergency will last until 6 May and applies nationwide. Please note that the Japanese government is not enforcing closures but requests self-restraint of businesses and individuals.

Restaurants and pubs are requested to shut down by specified times.

- What is the estimated percentage of restaurant and venue closures?

Large restaurant chains are either closed or have shortened opening hours, and restaurants in large shopping malls and department stores are closed. Small independent restaurants are "self-restraining", however as no immediate government monetary support at this stage, they may be still open or changed their service to provide food delivery and take away options.

- Are shopping centres still open in Japan? How this crisis affected retail has stores, the cosmetic industry etc.?

Shopping centres over 1000 square meters have been requested to cease operations until 6 May (or until the government changes its request).

Department stores in metropolitan areas were already voluntarily closing businesses one weekend before the government order came in place.

Needless to say, this has further impacted weak department store sales that were being propped up by inbound tourists.

Supermarkets and convenience stores are considered necessary for day-to-day shopping so remain open.

If they are located in shopping centres, they may be operating shorter hours or closed dependent on the operator's directive.

Employment & Professional Services

- Are major trading companies encouraging workers to go directly home?

Yes. In general the biggest three Trading Houses are implementing this strictly.

- What is the estimated percentage of employees working remotely?
According to Tokyo Shoko Research, 25% corporates have adopted remote work as of 10 Apr. According to the survey by LINE and Ministry of Health, Labour and Welfare, actual remote work ratio is 5% as of 4 Apr.
- What kind of impact on consulting / professional services has been observed so far?
Professional and Financial services business around M&A, project finance, and start-ups have slowed. On the other hand, a lot of the same companies are now marketing “business recovery advisory” and “risk mitigation against corona virus impact” services.

Education

- I understand that AFUEE study abroad fair was recently cancelled. Is there any plan for going online – i.e. a virtual fair?
We are exploring options to hold a virtual Study Australia fair.
- Brett mentioned that Japanese universities are not supportive of online learning for Japanese students abroad. However the school sector is more progressive with online learning. Does this mean that, should Australian schools remain closed after the school holidays and move to online learning, this should be acceptable to most Japanese schools/students/parents? Are there any potential issues with this arrangement that Austrade can anticipate for Japanese students in the Australian school sector?
Considering the circumstance that no one can freely travel neither domestically nor internationally, online delivery are a practical solution. Austrade Japan can help advise on options for expanding business with Japan at this time in the education sector.

Economy & Finance

- What's the predicted economic impact of the Olympic Postponement?
According to a recent article published in the Nikkei Asian Review¹, private economists have estimated that the economic impact of the delay to the Olympics could reach 600 to 700 billion Yen (USD5.42 billion to USD6.32 billion).
- As mentioned, the Yen has rallied against the AUD recently. Is the AUD likely to regain its previous position against the Yen in the near future if the coronavirus situation continues to deteriorate in Japan?
A global recession is JPY-supportive because of JPY's safe-haven status and large current account surplus. It could therefore be expected that JPY outperformance will be one of the main currency trends in the coming months.²

¹*Nikkei Asian Review*, Rurika Imahashi, Francesca Regalado, March 24 2020, 'Olympics delay to cost Japan \$6bn in economic losses'

² *CNBC*, Reuters, Feb 27 2020, 'Virus panic sends yen to seven-week high against dollar'