

Remarks by H.E. Sumio Kusaka, Japanese Ambassador to Australia
at the Reception for the 60th Anniversary of the Japan-Australia Commerce Agreement
The Japan-Australia Commerce Agreement:
A Crucial Turning Point and an Enduring Legacy
8 AUGUST, 2017

1. Greetings

Welcome and thank you so much for joining me tonight to celebrate the 60th Anniversary of the Japan-Australia Commerce Agreement. As I look out into the audience, it gives me great pleasure to see so many friends and leading advocates of the Japan-Australia relationship. I know many of you have travelled a long way to be here, so I would like to express my sincere thanks to you all for the efforts you have made to take part in this historic occasion. I would also like to acknowledge and express my deep appreciation to the eminent speakers who have agreed to participate in tonight's event. Mr Howard, Minister Ciobo, Mr King and Mr Suenaga, it is an honour for the Embassy to host you and your presence is a very clear demonstration of the immense value attached to the Japan-Australia relationship by both sides. I would also like to thank the National Archives of Australia for providing this wonderful display containing the original Agreement and photographs of Prime Minister Kishi meeting with Prime Minister Menzies in Australia. I do hope you will take a moment to look at the display during the evening.

2. Background of the signing of the Commerce Agreement

As you know, the Commerce Agreement removed many of the trade restrictions that existed between Japan and Australia prior to 1957. It also paved the way for Australia to ease and then remove restrictions on the export of iron ore, which occurred in 1960 and 1963 respectively.

From Japan's perspective, the Agreement was crucial for both symbolic and economic reasons. Symbolically, the deal sent a clear signal to the international community that Japan was a trustworthy trading partner. It was also a gesture of forgiveness that built on Australia's earlier efforts to welcome Japan into the United Nations, which occurred one year earlier. Words can hardly describe how much it meant for Japan to be treated with dignity and compassion by Australia, as well as other Allies of World War II, after what was a truly ferocious conflict. In

economic terms, the Agreement afforded Japan non-discriminatory access to the Australian market. Not only did this assist in boosting Japan's exports to Australia, it was also a crucial step forward for Japan to secure the resources and energy needed to rebuild after the War and power the phenomenal economic growth Japan experienced in subsequent years.

3. Economic benefits of the 1957 Agreement

The direct and indirect benefits of the 1957 Agreement were far reaching. Within ten years of the Agreement coming into force, Japan became Australia's top trading partner in 1968—a position it maintained for four decades, until 2008. Aided by the Agreement, in the 1960s, long term contracts from Japanese users of energy and minerals and investments from trading houses such as Mitsui and Mitsubishi enabled the development of major coal and iron ore mines, gas fields and related infrastructure in many parts of Australia. These assets made it possible for Australia to exploit and export these valuable resources, not only to Japan, but also to other Asian countries. To this day, Japan remains Australia's second-largest export destination, with exports exceeding \$38 billion in 2016.

As explained in Austrade's recent and very impressive report on Japanese investment in Australia—which I expect Minister Ciobo will want to say a little more about—Japan is Australia's second-largest source of foreign direct investment, and between 2010 and 2016, Japanese investment in Australia grew by a staggering 78 percent, from \$51 billion to \$91 billion.

More recently, the groundbreaking Japan-Australia Economic Partnership Agreement has provided a major boost to Australian wine, horticultural and seafood exporters. Australian beef producers and Japanese vehicle manufacturers are also benefitting from substantially reduced tariffs.

Moreover, JAEPA has supported a growing trend towards Japanese firms engaging in M&As in new areas of the Australian economy, and particularly in the growing services sector. Moreover, spurred on by the emphasis placed on innovation by Prime Ministers Abe and Turnbull, both the public and private sectors of Japan and Australia are also stepping up their involvement in science and technology-related collaboration. Prime examples of this trend include joint efforts being made to utilise the Quasi-Zenith Satellite System to support the automation of agricultural

processes in remote areas of Australia and cooperative research occurring in the field of regenerative medicine. Scientists from our two nations are also preparing for the commencement of ocean drilling off the coast of Queensland using JAMSTEC's Deep Sea Scientific Drilling Vessel. This mammoth vessel is capable of drilling deeper at sea than any other science drilling vessel and can reach close to the earth's mantle. How exciting it is to imagine what we can discover down there!

More broadly, our two nations are working together to ensure the foundations for promoting international trade and investment remain strong, not just on a bilateral level, but for the region at large. In this connection, it is remarkable to think that 60 years on from the signing of the Commerce Agreement—which occurred in Hakone, Japan in July 1957—the chief negotiators of 11 Trans-Pacific Partnership countries came together in Hakone, the same place, in July, the same month of this year, 2017, exactly 60 years later, to discuss tangible options for bringing about what is undoubtedly one of the most important and advanced economic agreements of our time. While much remains to be done with respect to the TPP—or the “TPP 11” as it might be called at this stage—Japan and Australia are playing a crucial leadership role in regards to the deal, which is a powerful testament to just how far the relationship has come.

4. Wider benefits of 1957 Agreement

Beyond enhancing the trade and investment ties of Japan and Australia, the Commerce Agreement also provided a basis for strengthening all aspects of the bilateral relationship.

Regarding people-to-people links, from the 1980s, Japanese tourists visited Australia in great numbers and helped to develop the Australian tourism industry. On this point, I would also like to mention that based on Japan's figures, an astounding 445,000 Australian visitors travelled to Japan in 2016, which is an increase of as many as 70,000 visitors on the previous year. Meanwhile, as stated in Austrade's report, 380,000 Japanese visitors came to Australia in 2016, and their total spend of \$1.7 billion amounted to a 29 percent increase on 2015 levels. As such, there is no doubt that the mutual interest held by Japanese and Australian people in regards to our respective countries and cultures is very much alive and well, and is indeed growing rapidly.

In parallel with the enhancement of our economic and people-to-people links, cooperation in the area of defence and security has also advanced substantially in recent years. Building on the

Japan-Australia Joint Declaration on Security Cooperation—which was also initiated in 2007 by Mr Howard and Prime Minister Abe during his first administration—Japan has increasingly come to participate in training exercises involving both Australia and the United States, including the major Exercise Talisman Sabre 2017 that took place just last month. Under the leadership of Prime Ministers Abe and Turnbull, our two nations are now working together to conclude a reciprocal access agreement that would further support joint training and exercises, such as the one I just mentioned.

5. Efforts made to realise the Commerce Agreement

The ties of Japan and Australia have become so closely intertwined since the conclusion of the Commerce Agreement that one might think the development of such a relationship was inevitable. However, the political reality of the time meant that signing the Agreement took great courage and demanded that immense, determined efforts were made.

Indeed, in 1970, John “Black Jack” McEwen said that pursuing the Agreement meant “taking (his) political life in his hands,” but also that he was willing to do so because of the benefits that such a treaty could bring to Australia. Similarly, the relaxation of iron ore export restrictions and development of the mines that fed the Japanese market required vision, hard work and enormous mutual trust. In this respect, Mr Sam Walsh—former CEO of Rio Tinto and now Director of Mitsui & Co.—has observed that Japanese businesses had the determination to “buy iron ore from a mine that was yet to be developed, from a rail line that was yet to be laid, from a port hundreds of kilometers away that was yet to be built”.

6. Conclusion

Ladies and gentlemen, the signing of the Commerce Agreement and the development of the economic and broader Japan-Australia relationship that followed has brought transformative benefits to both our nations. However, this was a hard fought outcome that required great efforts to be exerted by both the governments and business communities of our two nations.

As you know, we are now facing a world in which the value of international trade and foreign investment is increasingly being questioned, and pressure is mounting for countries to reconsider

their foreign relations on a fundamental level. In this current climate of international uncertainty, the Japan-Australia relationship is more important than ever, not just in economic terms, but in every aspect.

Accordingly, I urge you all to always remember the courage and commitment of those who repaired and elevated this crucial relationship 60 years ago, and to make every effort to preserve and build on this legacy to ensure the ties of Japan and Australia continue to grow to even higher levels and flourish for many years to come.

Thank you.