

Address by His Excellency Mr Takaaki Kojima,  
Ambassador of Japan to Australia

## Japan-Australia Relations

IN THE ZONE  
(Plenary Session 2: Australia in the “Asian Century”  
and strategic role in the zone)

9 November 2009

His Excellency Dr Ken Michael,  
The Honorable Chris Evans,  
Professor Kim Beazley,  
Dr Michael Chaney,  
His Excellency Ambassador Zhang Junsai,  
Distinguished guests,  
Ladies and Gentlemen,

#### 1. Introduction – Comprehensive Strategic Partnership

It is a great pleasure for me to be given an opportunity to speak at this inaugural international public policy conference, IN THE ZONE, organized by the University of Western Australia.

I am delighted to have come back again to this beautiful city. As a matter of fact, immediately after I assumed the present post, I did visit Western Australia for my first official state visit in Australia as ambassador. The reason is obvious. Western Australia is most important for Japan.

In this session, following the excellent tone-setting address by Minister Evans and the speech by Ambassador Zhang, I would like to speak about the bilateral relationship between Japan and Australia, focusing on recent developments, referring to the strategic importance of Western Australia.

As you are all aware, the Democratic Party of Japan gained a landslide victory at the last general election and the new government led by Prime Minister Yukio Hatoyama came into office in September. Prime Minister Hatoyama and Prime Minister Rudd have already met in New York at the United Nations General Assembly and at the G20 Summit held in Pittsburgh last September.

They also met at the East Asia Summit meeting in Thailand late October and will meet again at the APEC leaders' meeting in Singapore later this week. The two leaders jointly reaffirmed that it was important to further strengthen Japan-Australia cooperation in various fields not only at bilateral but also at regional and global levels.

The Japan - Australia relationship is a “comprehensive and strategic partnership.” Why is it comprehensive? - because we have a close relationship in every field; we have strong economic ties as well as people-to-people links and also growing security and political cooperation. Why is it strategic? – because we share strategic interests, in particular in peace and prosperity in our region and beyond. We should be reminded that we also share basic values such as freedom, democracy, a market economy, rule of law, and respect for human rights.

## 2. Japan-Australia Economic Relations

Now, let me briefly explain current characteristics of our economic relations.

-First, Japan has been Australia's largest export market for nearly 40 years. In 2008-9 Japan accounted for over 20% of Australia's exports. The share is almost the same for West Australian exports.

-Second, Australia's trade surplus with Japan is larger than any other country. It was A\$ 34.8 billion in 2008-09, the largest ever bilateral merchandise trade surplus.

-Third, from the Japanese stand point, Australia is a large and stable supplier of various strategic goods such as energy, mineral resources and food stuff. Indeed, Australia is the largest energy supplier to Japan, accounting for 21.5% of Japan's total energy import in terms of coal, LNG and uranium combined. As for Western Australia, Japan relies on the state for half of its iron ore imports and around 20% of its LNG imports. These two figures alone show how strategically important Western Australia is for Japan.

-Fourth, our bilateral economic relationship is not limited to trade. The volume of investment by Japanese companies in Australia is the largest among Asian companies in 2008.

In this regard, it is important to remind ourselves why Japan and Australia could enjoy such an excellent economic partnership.

Our economic relationship has been steadily developed over the last five decades since the signing in 1957 of the Japan-Australia Commerce Agreement. As Mr. Ferguson, Federal Minister for Resources, observed, "Japan has been with Australia from the beginning in developing the Australian resource sector". Premier Barnett stated "the Japanese were the first customers of iron ore and natural gas, and were also foundation investors". Japanese companies have over many years collaborated closely with the Australian side from exploration to exploitation as well as trade of resources, and financial and technical co-operation. We have seen plenty of such examples in Western Australia, especially in the iron ore sector. The economic relationship has become a solid and reliable partnership built upon mutually complementary and collaborative relations. Through business

partnerships, our two countries have, over the years, built strong ties and bonds of mutual trust and respect.

Another point which we should not overlook in terms of business is that both in Japan and Australia contracts are generally honoured in good faith. In case of disputes, rule of law is ensured.

In October last year facing the global financial crisis, I attended the Japan-Australia Joint Business Conference which took place here in Perth. That was the 46<sup>th</sup> annual conference which also symbolizes the long-established business relationship between our two nations. At that conference participants on both sides reaffirmed the importance of reliable and stable business relations between our two countries. Recently I attended the 47<sup>th</sup> Joint Business Conference held in Tokyo and felt our bilateral business relations of mutual trust had been further strengthened.

Last but not least, our overall bilateral relations have developed into a “comprehensive strategic partnership” as I have mentioned earlier. We are reliable and trustworthy partners.

Thus, Japan has been, and shall remain, a stable and reliable economic partner for Australia including Western Australia.

### **3. Economic Relations-New Opportunities**

However, as I have said on many occasions, we should not take our excellent relations for granted. We should explore new opportunities in our fields of cooperation.

It is encouraging to witness, as in the article in the Weekend Australian a couple of months ago which says “a great wave of Japanese investment is reaching every sector of Australia’s economy.” The Australian Financial Review last September reported that Japanese companies provided the largest share of the investment by value among Asian companies in 2008, in particular across the food and beverages sectors. Australia will become an even more attractive destination for Japanese direct investment, not just in raw materials and energy but also in food, beverages, financial services, pharmaceuticals, renewable energy and life sciences.

With regard to Western Australia, the recent active investment by Japanese companies such as LNG purchase in the Gorgon project last September, and the participation in a feasibility study for a uranium development project in Lake Maitland last July are encouraging signs in terms of the acquisition of low-emission energy. The Japanese Government as well as businesses welcome the decision by the Western Australian Government to allow uranium mining in Western Australia.

Furthermore, Japan and Australia have great potential to develop their economic relationship beyond bilateral trade and investment. Professor Peter Drysdale wrote in a report published recently, “The Japanese market is no longer confined to Japan itself. It is a huge international market generated by the activities of Japanese business and investors, especially via production networks in Asia.” “The stock of Japanese investment in Asia amounted to A\$180 billion” and “the procurements through Japanese corporate subsidiaries in Asia amount to A\$1.2 trillion annually.” “Japanese business

has now established a platform for export to Asia from Australia that already delivers A\$6 billion in Australian sales to Asian markets other than Japan.” For Australian companies’ success in Asia including China, India, South Korea as well as ASEAN, it seems important for Australian businesses to be engaged in the production and supply chain in Asia where Japanese companies have strong presence. Japan and Australia can develop their new cooperative relationship in the world market, especially in the Asia-Pacific region. Western Australia which is located in the same time zone as major Asian countries is in a unique position to do this.

At present, both governments are engaged in negotiations on a bilateral Economic Partnership Agreement in order to formulate a framework for further enhanced economic relations as the Commerce Agreement has to the present day.

Once completed, this agreement will strengthen our economic ties, including the stable supply of resources and energy, and thus will become an important pillar of our strategic partnership.

#### 4. Political/Security, People-to-People exchanges

Now, I would like to turn to the other aspects of our bilateral relations. The long standing trade and investment relations have been the backbone of mutual trust in other fields such as political relations and grassroots exchanges. In more recent years, we have cooperated in the field of national security. This is relatively new but has been progressively expanding.

Based upon close cooperation between Japan's Self Defence Force and the Australian Defence Force since the 1990's, such as that in Cambodia, East Timor as well as in Iraq, the two countries signed the Joint Declaration on Security Cooperation in 2007 as a framework agreement for security and defence cooperation. Now, we regularly hold Foreign and Defence Ministerial Consultations, or what we call "2+2 meetings." Australia has similar 2+2 meetings only with the US and the UK, as does Japan with the US. Second consultations were held in Tokyo last December where Foreign and Defence Ministers of both countries discussed regional and global issues as well as specific ways to enhance security cooperation between Japan and Australia.

Our strategic partnership does not only apply in a bilateral context. We also hold Trilateral Strategic Dialogues with the United States. Both Japan and Australia have a strong track record in cooperating on regional architecture, which was made apparent when Australia and Japan worked together with other regional partners to launch APEC in 1989. Next year Japan will host APEC following Singapore's leadership this year and we look forward to working closely with Australia and other key players to strengthen regional cooperation in the context of APEC.

Japan and Australia also have excellent working relations in the East Asia Summit. When discussing the idea of launching an East Asia Summit meeting four years ago, Japan insisted, despite considerable opposition from some major countries in the region, that Australia should join in view of our strategic partnership.



As for people-to-people exchanges, which represents the 3<sup>rd</sup> pillar of the Japan-Australia relationship, statistics indicate that our relationship has, in this context, strengthened; Australia hosts 66,000 Japanese residents, the 3<sup>rd</sup> largest number in the world (after the US and China). From a tourism perspective, Japan is Australia's 3<sup>rd</sup> largest inbound tourism market (457,000) only after NZ (1,113,000) and the UK (672,000). We are also seeing more and more Australian tourists visiting Japan including skiers to Hokkaido (240,000 Australian tourists (6<sup>th</sup>) out of total 8,350,000).

It is indeed at the grass-roots level especially among the younger generation that the future of our relations can be further strengthened.

## 5. Conclusion

As I have emphasized so far, our bilateral economic relationship is based on mutual trust in business on both sides formulated over many years, together with sound overall bilateral relations and active people-to-people exchanges.

I would like to add that, recent polls undertaken in both Japan and Australia have confirmed Australian and Japanese people alike share positive feelings and perceptions about each other and that in public opinion, our bilateral relationship continues to be significant. Therefore, I am confident that economic relations between Japan and Australia as well as between Japan and Western Australia will continue to enjoy stable and steady development, even if they may be temporarily affected by the current global economic downturn.

However, it goes without saying that we should not be complacent about the current good and matured relationship. In terms of our economic relations, we need to strengthen them further in promising new areas such as the environment, financial and service sectors, and in exploring new opportunities including business cooperation in other Asian countries. We should also encourage “new blood” to harness opportunities in order to carry on our tradition of strong bilateral ties.

Thank you.

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