

Japan Update Reception

As of Friday 9 Oct 2015

Good evening and welcome to my residence. I am very pleased to host this dinner to mark this year's Japan Update at ANU as well as welcome the participating academics to this conference. I would like to take this opportunity to express my appreciation to those involved in organising Japan Update, and to those who have travelled here from as far away as Japan and the US.

It is a great privilege to speak to all of you who are experts in your respective fields.

1. Introduction

- Please allow me to start with my personal connection to Australia. My first overseas diplomatic posting was actually here in Canberra from 1981 to 1983; yes, a long time ago, 34 years ago. I came to Canberra as a most junior officer. After many years, once again I arrived in Canberra in April this year after serving in NY as Consul General. Some people asked me, "So what is the difference between now and then in Canberra?". In response, I would say Canberra has changed in various ways but the most impressive change for me is how much the Japan-Australia relationship has deepened and broadened.

2. Australia and Japan—key partners in the region

- There is no doubt that Australia and Japan are key economic partners in the region, but in addition to this, geographically the two nations are located in the north and south of the western part of the Pacific, like a couple of "bookends" on both sides. I think Japan and Australia are more than economic partners. We are strategic partners in this region;

a partnership on which we can cooperate in many respects (issues). On 18 September, a few days after the change of government in Australia, PM Abe and PM Turnbull had a telephone conversation where they confirmed to further strengthen the special relationship that exists between Japan and Australia.

- Our two countries have enjoyed a very good relationship supported by our long-standing, mutually complementary economic ties. One remarkable development in our bilateral relationship is the Japan-Australia Economic Partnership Agreement which came into force in January this year. In fact, I was the first EPA negotiator with Australia in 2007 and 2008. This agreement provides fundamental impact for the relations between Japan and Australia.
- Our economic ties have expanded from the traditional trade of energy, mining and automobiles to a much wider one involving agribusiness, transportation, housing infrastructure and M&As.
- Today, I have brought with me some materials for your reference, which show major projects that Japanese companies have been engaged across Australia in various business areas. Since time is limited today, I won't explain these handouts in great detail, but I don't think it is an overstatement to say that Japanese companies are already an indispensable part of your community, more so than most other countries.
- To explain briefly, there are three handouts. The first handout details major projects and investments related to Japanese companies, of varying stages of development. It begins with the most established projects concerning mining and resources; coal and iron ore, and

slightly more recently: LNG, which is covered on the second page. As you will see in these materials, Japan has over 100 years of history of investment in major mining projects, and many LNG projects have in fact been driven by Japanese companies. The third and fourth pages cover the newer, expanding areas of agri-business and infrastructure and urban development projects. Examples include beef, grain, dairy, horticulture and fishery industries, as well as infrastructure developments such as rail, roads, water and urban development.

- The second handout set examines the Japan Australia Economic Partnership Agreement which came into effect in January this year. As outlined here, we can already see tangible results from the reduction of tariffs on beef and wine, for example. Furthermore, we are seeing a growing number of M&As, especially in service industries. Japanese investment is welcomed by Australian companies. Recently, Japan Post purchased TOLL. A Japanese telecommunication company, NTT, purchased Oakton. A Japanese human-resource company, Recruit, purchased Peoplebank and Chandler Macleod. Over the years, but especially since the EPA, Japanese companies have been very keen to find high quality investment opportunities outside of Japan, and Australia is a highly stable and attractive investment destination for them. We are in the midst of a dynamic economic transition in both of our countries and there seems to be great potential for both sides.
- The third and final handout gives a general overview of the Japan Australia relationship, which has been described by our leaders as a 'special relationship'. It includes aspects of our political, economic and people-to-people exchange.
- Allow me to briefly touch upon the Japanese economy. The Japanese economy is now moving in a generally positive direction. We can see

this through the following figures:

- **The real GDP growth rate in the second quarter of this year ending in June was -1.2 per cent at an annual rate which is a slightly disappointing figure but the general trend is still for positive growth.**
- **Corporate recovery is driving wage increases. The average wage increase for the 2015 financial year was 2.3 per cent, up from 2.1 per cent in the 2014 financial year.**
- **Tax revenue is also up and dependency on Japanese government bonds is declining. We are on track to halve the primary deficit to GDP ratio, from negative 6.6 per cent in the 2010 financial year to negative 3.3 per cent in the 2015 financial year.**
- **Furthermore, we saw great news a few days ago that an agreement in principle was made on the TPP at last. This will certainly push upwards the Asia-Pacific economy a great deal, including both Japan and Australia. I believe this is a high-standard, historic free trade agreement. This would also be a much wider 21st Century type of EPA that lays down economic rules for investment, services and I.P. etc. This will be a great game changer.**
- **Moving on, Japan and Australia enjoy dynamic people-to-people exchanges across all walks of life. Australia has 300,000 people learning Japanese, making it the fourth largest number of students in the world. It is also the fourth largest participant in the Japan Exchange and Teaching Programme, otherwise known as the JET Programme, with 4,000 young Australians participating in the program in its 29-year**

history.

- There are over 100 sister-city agreements between our countries, and more than 85,000 Japanese nationals live in Australia. That's the third largest Japanese population outside of Japan itself only after the U.S. and China.
- There are now over 300,000 Australian tourists who visit Japan annually, and about the same number of Japanese tourists visit Australia each year. The Japanese have a very good image of Australia, and I hope that Australian people have a favourable image of Japan too.
- Equally important developments have recently been made in our defense and security fields. In July, I observed a U.S.-Australia joint military exercise called the Talisman Sabre in Darwin. In all of the bilateral training exercises conducted by Australia and the U.S. until now, for the first time 40 Japan SDF personnel embedded with the U.S. forces participated in the exercises. This training exercise is something that will not only strengthen our interoperabilities but make our three nations even closer. And this is only the beginning.

3. Submarines

- Now, please allow me talk about the submarines. I believe that if Japan is chosen as a partner—and we want to be chosen as a partner—it will be a huge step forward for our bilateral defense cooperation, as well as for our trilateral strategic cooperation with the U.S., as Japan and Australia are both allies to the U.S.

- **We will respond sincerely to the Competitive Evaluation Process and the Australian requirement to submit all three options; namely, Japan-built, Australia-built and Hybrid options. Furthermore, in so doing, for each of the three options we will develop a package that will maximise the Australian industry involvement without sacrificing submarine capability, cost or schedule. Japan is fully aware that employment and economy are key issues in Australia at present. If so decided by the Australian government, Japan would be very much prepared to build submarines in Australia. In order to conduct Technology Transfer in the process, Japan would set up design, training and sustainment centres in both Japan and Australia. This will involve Australian industry from the design phase throughout the program.**
- **It is widely known that Japan has a world-class conventional submarine technology, which it has never shared with anyone. Japan's Soryu-class submarines are among the worlds most advanced. They possess the most advanced capability, for example, for ultimate stealth and low noise. Moreover, Japanese submarines have proven their reliability over the past 60 years as no major glitches have ever occurred. We have every confidence in our submarines and their ability to meet the needs of Australia. A copy of a handout on the submarine is also available if you would like to take one.**
- **I want to stress another critical point. In the case of Japan, the whole process to respond to the CEP is managed under a close government-to-government consultation with the Australian side. Therefore, you have the total commitment of the Japanese government. Please note that we are not seeking this for any**

short-sighted commercial purpose. We are thinking of this in a much broader strategic context.

4. Regional environment

- **Now, let me move on to the regional environment. When we say that “We are facing new challenges with dramatic changes in the region’s strategic environment”, what is the biggest issue?**
- **People often say that it is the “rise of China”. In a way this is correct, but in another sense this is not accurate, because there is no denying many countries have benefitted from Chinese economic growth, including our two nations. A country becoming richer and rising to the fore in itself should not be a negative thing. India is a rising country and Japan also used to be one.**
- **I believe the greatest challenge when a country rises up, is in whether that country adheres to the rules of the international community or disrupts the existing rules-based order. Until now, we have taken the rules-based order for granted. However, we have now come to a point where we need to take steps to uphold the rules-based international system.**
- **We have a lot at stake in the Asia-Pacific, which is a growth center of the world. Its peace, stability, and prosperity are of paramount importance to the countries in the region as well as to the international community. That is why we all believe in rules-based order. Without proper guidance based on the rule of law, ongoing political and economic stability and prosperity would not likely be sustainable. There comes a certain responsibility that like-minded, advanced free market economies in this region, namely, Australia, Japan and the U.S. should take on in the Asia-Pacific.**

- **There are a number of countries which are concerned about unilateral actions taken by China and other countries, such as large scale land reclamation and the construction of facilities for military purposes, which increase regional tensions. Therefore, our three countries have taken a common position and declared that we are all strongly opposed to the use of coercion or force to unilaterally change the status quo.**
- **It is also important for us to give appropriate support to ASEAN countries to effectively contribute to maintaining and enhancing the security of the region's international waters and skies. We should provide them with necessary maritime capacity building assistance.**
- **After all, I believe political security is closely intertwined with economic security. Therefore, we place particular importance on achieving high-standard regional economic partnerships through the TPP (Trans-Pacific Partnership), RCEP (Regional Comprehensive Economic Partnership), and FTAAP (APEC-wide free trade agreement) in the longer period because these mega-FTAs will provide a huge impact for the Asia-Pacific. Both Japan and Australia are negotiating parties to all three of these mega-FTAs. We need a strong economic engine as well to ensure regional vibrancy and prosperity. Now that the TPP has been concluded, I believe it will be a game-changer for the regional economy including Japan and Australia.**

5. Japan's own effort

- **Before I conclude, let me briefly share with you Japan's own efforts as well. Last month, the Government of Japan passed its Legislation for Peace and Security. Simply put, it is designed to respond to the**

changing security environment in North East Asia and its wider region, and is based on the underlying belief that 'no nation alone can maintain its own peace and security'. It is about further strengthening the deterrence of the Japan-U.S. alliance.

- Moreover, with Japan's Legislation for Peace and Security Japan will be able to cooperate more smoothly in various Peacekeeping Operations and activities by the United Nations and others. The range of activities in which Japan will be able to engage, will expand significantly. I must emphasize here, however, that there will be no change in the basic position and posture that Japan has maintained over the past 70 years as a peace committed nation. Certainly this is a manifestation of the policy of "Proactive Contribution to Peace" based on the policy of international cooperation. In this regard, please let me extend my gratitude to the Australian Government for its strong support to our efforts.

Thank you very much.