

Remarks by Ambassador Kusaka  
at the Welcome Dinner for the Speakers of Japan Update 2016  
Tuesday 20 September 2016

Good evening and welcome to my residence. I am delighted to once again host this dinner to mark this year's Japan Update at ANU as well as welcome the participating academics to this conference. Allow me 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 U.S. It is a great privilege to welcome all of you who are experts in your respective fields. I believe those of you here this evening will engage in candid if not heated debates with a view to finding the best means and direction with which our two countries, Japan and Australia can best ensure and capture future economic prosperity of our region.

In keeping with this year's Japan Update theme of 'Reinventing Japan', I would like to outline some of the strong results Abenomics has produced so far, while also introducing some of the next steps the Japanese government will make in relation to the strategy. Since the launch of Abenomics three-and-a-half years ago, Japan has implemented critical reforms across many areas. These have included: reducing the corporate tax rate; liberalising the electricity retail market; and introducing the first reforms to the agricultural sector in 60 years. Supported by such measures, corporate earnings are now at their highest level in Japan's history and wage increases seen over the past three years have been greater than at any other stage since 2000. From the end of 2012, when Mr. Abe became Prime Minister, to the second quarter of 2016, nominal GDP of Japan has risen by 6.9 per cent and by 2.7 per cent in real terms. It is worth noting that nominal GDP can be at times more important to look at than real GDP, especially in a deflationary environment. Under these circumstances, when nominal GDP is larger than real GDP, this indicates deflation is being overcome.

In addition to these solid GDP results, Japan's gross national income has risen by 7.7 per cent on a nominal basis since the start of Abenomics and by 5.4 per cent in real terms. This is another interesting point. GNI covers income being made by Japanese nationals, both inside as well as outside Japan. Therefore, if GNI is larger than GDP—which only includes production occurring within Japan's national boundaries—this can mean Japanese nationals, or companies, are making a lot of their income abroad. This in turn suggests that Japanese companies and businesses are becoming more globally active, for example, by engaging in mergers and acquisitions overseas.

Building on these outcomes, the Abe government is pressing ahead with the second phase of Abenomics. At the heart of this stage of Abenomics is a focus on structural reforms seeking to boost GDP to 600 trillion yen or around 7.3 trillion Australian dollars. Progress towards this goal will be underscored by a range of strategies that include: laying the

foundations for the fourth industrial revolution, which involves driving economic growth by promoting the use of the Internet of Things, big data, artificial intelligence and robots; as well as positioning Japan as a world leader in healthcare and stimulating investment in the energy market.

Another key component is a renewed focus on tourism and skilled migration. We have already come a long way towards achieving our goal of welcoming 40 million foreign visitors to Japan by 2020—the year in which Tokyo will host the Summer Olympics—and a quite ambitious goal of 60 million by 2030. We will accept more skilled foreign professionals under the new “Japanese Green Card for Highly Skilled Foreign Professionals” scheme. It will be quite a different Japan with 60 million foreigners visiting Japan each year in just over 10 more years. Foreign tourists, including many Australians will hopefully reinvigorate rural and country areas of Japan which have seen a reduced number of Japanese people. Labour market reform will also be driven through measures focusing on reducing overtime; enhancing employment opportunities for women and elderly job-seekers; and improving the treatment of non-regular workers. Boosting economic engagement with Australia and the world

Japan is also seeking to promote domestic reform by expanding its international economic engagement. While working to ensure the TPP comes into force as soon as practicable, Japan is also negotiating a number of bilateral and regional trade agreements. These include an economic partnership agreement with the European Union and the Regional Comprehensive Economic Partnership, or “RCEP” in Asia.

In regard to Australia, since the conclusion of the Japan-Australia Economic Partnership Agreement, Japanese imports of Australian beef, horticultural products and wine have risen substantially. Meanwhile, Japanese businesses, including Recruit, Japan Post, Kajima and Nippon Life Insurance have significantly expanded their presence here by way of M & As. Incidentally we may take note that Japan’s net external asset is well over 3 trillion dollars at the end of 2015, which makes Japan a nation with the world’s largest net external asset - only followed by Germany and China - over the last 25 years in a row. It seems to be in line with the active M&As Japanese companies have been engaging overseas. These trends give me great confidence that the economic ties of our two countries will continue to deepen and expand for many years to come.

Moving on to our regional environment, we cannot avoid discussing regional peace and security, which we all know is inextricably linked to the economic success of our region. How are we going to conduct business in our region? Is it going to be governed by the rule of law or is it going to be dictated by the size of influence, be it financial or military power of a given country? What sort of security-related events or scenarios could dash our future economic hopes in the region, and how should we prepare? Does ASEAN and other regional frameworks really work to meet future challenges the way it is now? All of the issues are valid yet not easy to answer. And we are aware of the precariousness surrounding the

region with the recent and constant missile firing and repeated nuclear testing by North Korea, heightened tensions in the East China Sea and South China Sea to name a few. Obviously in this region China is a rising power, which has a seemingly ever-growing influence over the direction of the future of our region. And it is in this context that I would like to highlight that there is a renewed recognition that we, Japan and Australia, are in it together. Our interests are aligned. Our values are shared. We stand like stable bookends at the northern and southern ends of the western Pacific. Both Japan and Australia have vested interests in: A prosperous and peaceful rise of China which respects rules-based regional order. A peaceful region based on the rule of law and an open economy free of intimidation or coercion. The presence of the United States in the region as an absolute must.

The competition for Australia's future submarine was fierce to the say the least and I for one wish the outcome was in Japan's favour. However at the same time, I do not think this best represents the direction of our ever-growing and ever-expanding relationship. Just this morning, Foreign Minister Kishida and Foreign Minister Bishop met for the 13th time as Foreign Ministers and welcomed the decision by both governments to commence negotiations of a new ACSA, or Japan-Australia Acquisition and Cross-Servicing Agreement. This Agreement sets forth a framework for the reciprocal provision of supplies and services, including exercises and training, UN Peace Keeping Operations, and the transportation of nationals and others in overseas emergencies. It is also worth noting that this is only the second ACSA for Japan after the Japan-United States ACSA. And there is fast-growing cooperation between Japan and Australia in the area of security and defence, with negotiations underway for an agreement concerning the Facilitation of Reciprocal Access and Cooperation. The Japanese Self-Defense Force are involved in more joint exercises, including exercises on a larger scale with their Australian counterparts than ever before. And now our Embassy here in Canberra joins a handful of Japanese embassies in the world that have postings of all 3 services of the Japanese SDF.

Regardless of the outcome of Australia's future submarine, not everything is underwater. In fact, if you look beyond the single headline issues, there are steadily growing winds which I believe will give us the momentum and thrust we need to carry our two countries' relations well into the future.

For now, however, in this room with us are some of the sharpest minds with keen eyes to take stock of our relationship and put where we are into context. I am sure the contributions and recommendations you will make in your discussions tomorrow will be of great value in shaping our thinking of how we can best navigate the future path of our two countries. Please enjoy the evening and I wish you fruitful discussions at tomorrow's Japan Update.

Thank you.