

Remarks by Mr Sumio Kusaka, Ambassador of Japan

Japan-Australia relations in 2030

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Allow me to begin by saying what a pleasure it is to address the participants in the Younger Leaders Program today. As time goes by, you will take over the stewardship of the bilateral relationship of Japan and Australia, and I hope that each one of you will be instrumental in raising the invaluable ties of our two nations to even greater heights in the years to come.

This year, 2017, marks the 60th anniversary of the Japan-Australia Commerce Agreement. In celebration of this milestone, I hosted a reception at my residence in Canberra on the 8th of August. The reception was extremely well attended, with over 100 leading representatives of the public and private sectors present on the evening. I was particularly pleased that Prime Minister Malcolm Turnbull, as well as former Prime Ministers John Howard and Tony Abbott also attended the event and addressed the audience. The outstanding turnout witnessed at the reception was a tremendous testament to the value attached to the Japan-Australia relationship on both sides.

While bearing in mind the achievements of the past, in keeping with the theme of this session, today I would like to look at some of changes occurring for the relations of our two nations, and consider what the ties of Japan and Australia might look like in the year 2030. In particular, I would like to consider some of the ways in which cooperation between Japan and Australia can help to bolster the security and prosperity of our two nations, as well as

that of the region more broadly.

Looking to 2030, the first thing I anticipate is that Australia will continue to be an indispensable partner to Japan from the viewpoint of energy security. Energy, while vital, is a scarce resource in Japan, which is in stark contrast to the situation in Australia. Today, Australia supplies roughly 65 percent of Japan's imports of coal, and 28 percent of our LNG imports. In total, Australia accounts for around 25 percent of the energy needed by Japan, and is by far our largest supplier of energy. Saudi Arabia comes second with share of around 15 percent of the Japanese energy market.

Until now, Japanese businesses have not simply sought to export the energy and resources they have required from Australia. Instead, they have actively contributed to developing the mines, gas fields and related infrastructure needed to access and export these resources, not only to Japan, but also to other countries in the region. Japanese companies have also tended to enter into long-term contracts with Australian firms, in many cases well before construction of the relevant projects has even commenced. As such, the massive investments and commitments made by Japanese firms in relation to energy and resources in Australia have required great trust to be placed in both the Australian government and the Australian business community.

Accordingly, while Japan's appetite for Australia's high-quality energy and resources is likely to remain strong for the foreseeable future, I hope you will all work to build on the trust that exists between the business communities of our two nations, and help to avoid any policy decisions being taken that might deter Japanese firms from investing further in Australia in these crucial areas. Also in connection with energy, I think there is considerable scope for the businesses of our two nations to engage in more technological cooperation in this area moving forward.

For example, Japan has developed very sophisticated technologies for improving the efficiency of coal-fired power plants, and many Japanese companies are paying close attention to the discussion occurring around energy policies in Australia. While this is a very politically charged topic at the moment, I hope that some of Japan's technologies may be utilised by Australia in future to assist in limiting emissions, while also contributing to increasing the stability and affordability of energy in Australia.

Outside of energy security, another area that holds great potential for the economic ties of our two nations is related to food security, namely the agricultural sector. As you would know, Japan is a major importer of Australian beef, cheese and wheat. Awareness of the "Aussie beef" brand is strong and strengthening even further in Japan, while around 40 percent of Japan's much-loved udon is already produced using Australian wheat. Japanese imports of Australian agricultural products were given a further boost by the entry into force of the Japan-Australia Economic Partnership Agreement (JAEPA) in 2015. Some of the products that have benefited from this agreement include sugar, wine and table grapes, just to name a few.

Moving ahead, as tariffs ratio continue to be reduced year by year in accordance with JAEPA, I am confident that the presence of Australian agricultural products will continue to grow in the Japanese market. I also think there are many opportunities for Japanese and Australian farmers to cooperate directly with each other to their mutual benefit. In this regard, an agreement entered into by JA Biei of Hokkaido and TasTAFE of Tasmania earlier this year is a very promising development.

Under the agreement, young farmers from Japan will travel to Tasmania to gain practical experience and training in Tasmanian farming practices. It is also hoped that the program

will enhance the skills of Tasmanian farmers, while also providing opportunities for JA Biei to export vegetables to the Asian market, and potentially to Japan as well, when they are out of season.

Through such initiatives, I envisage Australia's role in supporting Japan's food security to grow between now and 2030, and over time, our cooperation may also play an increasingly important role in enhancing the food security of the wider region.

Social security is another area in which there remains considerable potential for Japan and Australia to boost engagement, particularly given that the populations of both nations are aging. In this respect, I foresee significant scope for growth in Australia in regards to the development and possibly production of pharmaceuticals and medical equipment. Currently both Japan and Australia import more medicines and medical devices than we export, but both nations have strong medical research capabilities in relation to pharmaceuticals, medical equipment and biotechnology.

For example, I am aware that Relenza—which is a popular drug in Japan used for the treatment and prevention of influenza—was developed in Australia, as was the bionic ear, which has changed the lives of hearing-impaired men, women and children all around the world. As the populations of Japan, Australia and other nations including China continue to age, there is no doubt that demand for high-quality medical devices and treatments will continue to grow.

It is crucial for each nation to meet the demands of an aging society, but this must be achieved without making our budgets unsustainable. From this standpoint, the aging of the populations of Japan and Australia can be seen as a major social security issue for us both. It

is my sincere wish that our two nations will respond to this situation by drawing on our considerable medical research capabilities, and deepen our cooperation in relation to both R&D and manufacturing in this area.

In this connection, it is very pleasing that the governments of Japan and Australia are currently backing collaborative research occurring in the area of regenerative medicine. The research still has a long way to go, but I hope very much that by 2030 our efforts will have brought about tangible commercial opportunities for the businesses of our two nations, while also helping to meet the medical needs of the people of Japan, Australia and other countries around the world.

Looking to the future, the fact that Japan and Australia are increasingly becoming service economies also offers many opportunities for enhanced cooperation. Services already account for the largest portion of both our economies and this is an area where we are already seeing our bilateral engagement deepen quite significantly.

Continuing on the theme of our aging societies, I am aware that Australia has very strong expertise in the area of nursing and one of Japan's largest care providers is conducting ongoing training of their staff in Adelaide. During the training, the Japanese staff members learn new approaches to caring for patients. For example, the extent to which patients affected by dementia can function independently is evaluated and personalised care programs are planned based on the results of the evaluation.

Also, a "no lifting policy" has been adopted that promotes the independence of patients, while also reducing the physical strain on caregivers. As such, it is clear that while our aging societies pose many challenges, they also present opportunities for Japan and Australia to

work together both in regards to R&D and manufacturing as I mentioned a moment ago, and also with respect to the provision of vital services.

International education will undoubtedly be another major contributor to the Australian economy in the years to come. Although we have seen a decline in the number of Japanese students studying abroad in recent years, to counter this trend, the Abe government has announced a policy that aims to double the number of Japanese students studying overseas to 120,000 by 2020. Today, Australia is ranked third after the U.S. and Canada as a destination for Japanese tertiary students studying abroad.

Actually, among English-speaking nations, studying at the tertiary level in Australia tends to be less expensive than doing so in the U.S. and Canada. Australia is also seen as safe and has the additional advantages of being relatively close to Japan and a minimal time difference. Based on these factors, I hope and expect that the number of Japanese students coming to Australia to study will rise significantly in the years ahead.

In regards to tourism, as you know, in the 1980s and 90s, tourists from Japan and related investment helped to develop the Australian tourism industry, particularly in Queensland. Recent years have witnessed a decline in the number of visitors travelling to Australia from Japan, but this trend is being reversed quite rapidly, in part because the Japanese economy is finally starting to overcome its prolonged period of deflation. For example, 2016 saw a 24 percent increase in the number of Japanese visitors travelling to Australia. Just last month, JAL also launched direct flights between Tokyo and Melbourne, adding to their existing Tokyo-Sydney route.

More and more Australians are also travelling to Japan. As you know, skiing in Japan in the Australian off season is fast becoming a national pastime for Australians. It is also noteworthy that last year, Australian visitors spent more per head than those travelling to Japan from any other country. I hope this growing mutual interest in travel between our two nations will further deepen understanding between the people of Japan and Australia, while also paving the way for even greater bilateral economic engagement and cooperation in other areas in the years ahead.

A further area with considerable scope for growth is financial services, and in recent years we have seen more and more Japanese financial service providers establish offices in Australia. Significantly, many of these institutions are not simply seeking to support Japanese firms with a presence in Australia, but are instead reaching out directly to Australian clients. One of Japan's largest banks, Norinchukin followed in the footsteps of Japan's three mega-banks to establish a subsidiary in Sydney just last month. This subsidiary is only the second office of its kind to be founded by the bank outside of Japan. In particular, I am aware that Norinchukin is eager to support Australia's development by providing project finance.

Given Australia's 26 years of relatively high economic growth, the country's expanding population and high levels of GDP per capita, I am sure that many more Japanese service providers will seek to deepen their engagement in the Australian market between now and 2030. In this regard, it is very encouraging that we are seeing a growing trend towards Japanese firms participating in M&As in Australia. In addition to affording direct benefits to Japanese and Australian exporters, I feel that JAEPA is also having a very strong impact in relation to M&A activity as well.

Some of the examples of M&As we have seen take place in Australia since 2015 include Japan Post's purchase of Toll Holdings and the sale of 80% of NAB's life insurance business to Nippon Life Insurance Company. I am certain there will be many more of these prominent examples in the years and decades to come. Just as JAEPA has supported the strengthening economic engagement of Japan and Australia, it is also encouraging to see that our two nations are playing leading roles in promoting free and open trade and investment for the region as a whole, particularly through our close cooperation to establish what might currently be referred to as "TPP 11" as well as our joint efforts to realise a high-quality RCEP agreement. I hope that the US will have returned to the TPP by 2030—although I would like to see this occur much sooner—and I also hope that the TPP will have been joined by other Asian nations, such as Indonesia and Thailand.

Up to this point, I have focused predominantly on economic engagement occurring between Japan and Australia, but as you know, the relations of our two nations are expanding in many other areas as well. In this regard, cooperation in regards to defence and security in the Indo-Pacific has strengthened very significantly in recent years.

In order to ensure the continued economic advancement of Asia, maintaining peace and stability is an indispensable prerequisite. Tensions in the South and East China Seas remain high and the provocative and dangerous actions of North Korea pose a further threat to the region. Japan and Australia are both prominent, advanced democracies in this region, and I expect that it will become increasingly important for us to combine our efforts to support the rules-based international order in the Indo-Pacific.

Illustrating the ways in which defence and security cooperation is already advancing between Japan and Australia, significant developments of late include the signing of a new cross servicing agreement during Prime Minister Abe's visit to Sydney in January this year,

and commitments made on both sides to work towards concluding an agreement that will make it easier for Japan and Australia to participate in joint training exercises. Japan and Australia share many core values, such as support for democracy, basic freedoms and the rule of law, and we also have many common strategic interests.

Accordingly, I anticipate that by 2030, Japan and Australia will have built on our respective alliances with the United States to develop what might best be described as a “quasi alliance”. By that time, I also think Japan and Australia will be playing a major part in supporting the peace and security of the Indo-Pacific—much like bookends in the north and south—while the U.S. will continue play the indispensable role of anchor for the region. Furthermore, I think India also has a crucial part to play in shaping the region’s future.

India is on its way to overtake China to become the world’s most populous nation and by 2030 the Indian economy is likely to be larger than that of the U.K., France and Germany. Some have predicted that India will have overtaken Japan’s economy by that time as well, although we all hope this will prove not to be true. Importantly, I also anticipate that by 2030, India will be cooperating closely with Japan, Australia and the United States to safeguard the peace and prosperity of the wider Indo-Pacific. And what about China? Well, it is my strong wish that in 2030 China will be a responsible regional stakeholder that lives peacefully with its neighbours and contributes to elevating regional prosperity.

Between 1981 and 1983, at the very start of my diplomatic career, I was posted to Canberra. One of the great changes I have observed since that first posting is the increased number of people traveling between our two nations, and especially the number of Australians travelling to Japan. The number of Australians learning Japanese has also risen dramatically, and Australia is now the forth-largest Japanese-learning nation and top nation per capita. In

order to take our bilateral relationship to the next level, it will be necessary to break down language and cultural barriers even further. I am very happy to say that meeting with Australian men and women—both young and old—in cities and towns around the nation, I can see this is already occurring.

As I have touched on today, Japan and Australia face significant challenges in the years ahead, but I think our shared values, interests and long history of trust and cooperation put us in a very good position to effectively respond to these challenges together. Importantly, many of areas in which our cooperation is deepening relate to security of one kind or another.

For Japan, Australia is playing a growing role in supporting our energy security, food security, social security and even national security—all of which are essential for the wellbeing and indeed survival of the Japanese people. This goes to show how much we value the relationship with Australia, and how much trust we place in the government, businesses and people of Australia.

As a final point, I would also like to add that as your involvement in the Japan-Australia relationship grows in years ahead, I hope you will be mindful of opportunities to cooperate both in other states and indeed at the regional level. Our two nations hold immense potential to be very strong strategic partners as well as economic partners, and together we can widen our reach to other states. Australia has a very strong investment and interpersonal links with western nations including the U.S. and the U.K., and Japan has invested heavily in Asia and has developed extensive supply networks in the region. By utilising each other's strengths, Australia can reach more deeply into Asia, and Japan will be able to connect more deeply with key western nations. In particular, I hope to see future

business leaders of Japan and Australia harness our close bilateral ties and mutual trust to establish joint business ventures in Asia.

The road ahead will not be easy, but there is much to be optimistic about. I know you will all have a very big part to play in the future of the Japan-Australia relationship, and I wish you every success in your efforts to advance the ties of our two nations even further up to 2030 and beyond. Thank you very much.