

Speech

Japan and Australia: The Strategic Imperatives for Closer Cooperation and Technological Resilience in the Indo-Pacific

Presented to the Faculty of Engineering, Architecture and Information Technology, University of Queensland

By His Excellency Yamagami Shingo, Ambassador of Japan to Australia

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1. Introduction

Pro-Vice-Chancellor Brett Lovegrove

Professor Vicki Chen

Professor Aleksandar Rakic

Professor Ryan Ko

Dr Greta Nabbs-Keller

Distinguished guests

Ladies and Gentlemen

Thank you for this fantastic opportunity to speak on the timely topic of Japan-Australia cooperation in our region and the importance of technological resilience.

It's wonderful to be here in Brisbane again so soon.

I was here just over two weeks ago, and got more vitamin D in a few days than I have all year in Canberra.

While here, I had the opportunity to attend the UQ Japan Day Reception, held at the Brisbane Consulate, and meet with some of this university's brilliant teaching staff.

I also had the pleasure of meeting with my good friend Chancellor Peter Varghese AO.

He's a man of great wisdom and it is always a delight to see him.

It is a privilege to speak here at UQ today.

This prestigious university has some of the strongest educational partnerships with Japan of any educational institution in Australia

UQ's strong connections to Japanese universities are only natural given Queensland's strong cultural and economic ties with Japan.

Queensland has long been a popular destination for Japanese businesses and tourists alike.

Before the pandemic, almost half of all Japanese tourists stopped by in the sunshine state.

And I know that many Queenslanders love travelling to Japan every year for skiing, sightseeing and of course, the delicious sushi and ramen.

In terms of business, Queensland has long been the heartland of Japanese investment in this country, especially in the mining and resources industries.

Mutual trade relations have helped both our economies to grow together and reach where we are today.

Recently, Japan reclaimed the title of Queensland's number one export destination, with a whopping seventeen billion dollars of goods from this State bought by Japan.

Recent geopolitical issues including sustained unjust trade restrictions from China, the COVID-19 pandemic and Russia's brutal aggression against Ukraine have all made life challenging for Aussie businesses.

They have also demonstrated the need for expanded trade with trusted partners.

Japan is proud to be that partner for Queensland.

I for one am certainly delighted.

Especially if it means that I can get my hands on Queensland's first class seafood and fruits even in Tokyo.

2. Rules-Based Trade and Regional Prosperity

But I'm not here to talk about my love of Moreton Bay bugs, barramundi and pineapples.

Today's topic is of paramount importance.

To say that 'our future rests in the Indo-Pacific' would not be an exaggeration.

For Japan and Australia this is indisputable.

The Indo-Pacific region is our home.

Our future is deeply intertwined with it.

The fact that Prime Minister Albanese's first act as Prime Minister was to attend the Quad Leaders' meeting in Japan is a testament to this.

Just days after the election, he was in Tokyo discussing positive and practical ways to support our region.

In fact, Mr Albanese has been working so hard that Biden asked him to get some sleep.

Like some of you, when I was a university student, I felt tempted to follow Biden's advice.

But I assure you, Japan has been alert and proactive when it comes to our region.

Indeed, Japan has pursued a foreign policy based on a Free and Open Indo-Pacific for more than half a decade.

Through the improvement of regional connectivity, infrastructure development, trade and investment, Japan has been striving to ensure that 'international public goods' bring prosperity to all in this region.

Japan has helped to build medical facilities in the Solomon Islands and the Marshall Islands, roads and bridges in Kiribati and Palau, and climate change and disaster risk management facilities in countries like Samoa and Fiji.

Together with our Quad partners we are also proud to have delivered 265 million doses of COVID vaccines to our Pacific neighbours.

Because there is no doubt that what happens in the Indo-Pacific matters.

The Indo-Pacific accounts for more than sixty-per-cent of both the world's total GDP and population.

It is the epicentre of potential world economic growth.

And the maintenance of peace and stability across the region, particularly the Taiwan Strait, is critical not only for the security of the Indo-Pacific, but for the security of international society.

So let us take a look at what Japan and Australia could do *together* for our region.

Our first priority is to continue to protect the rules-based trading system and push for trade liberalisation.

Historically, we have been and continue to be leaders in this field.

Together, Japan and Australia became the driving force behind the establishment of APEC.

And we are working towards the expansion of the CPTPP.

Having built up our mutual prosperity over decades through trade and investment, both our nations understand how valuable frameworks and agreements with trusted partners are.

The Japan-Australia Commerce Agreement was our first step towards formalising the trade that existed between us as far back as the 19th Century.

It was followed by the ground-breaking Japan-Australia Economic Partnership Agreement, which covered not only the trading in goods but also trade in services and investment.

Thanks to our openness to one another, Japan enjoyed the status of Australia's largest trading partner for over forty years.

Today, goods to Japan account for around ten per cent of Australia's total exports.

Altogether our trade is worth an incredible 90 billion dollars.

In one year, Japan imported an astounding 16.8 billion dollars' worth of goods from this state alone.

Japan has a huge appetite for this state's coal, gas and beef.

At nearly half of Japan's total beef imports, there is now more beef between Australia and Japan than between the NSW and Queensland State of Origin teams.

The liberalization of our trade helped to forge a deep trust between us.

Our business leaders were given confidence in each other's markets and an eagerness to invest.

Indeed, over the past 15 years Japanese investment has increased six-fold.

Today, Japan is the second largest source of foreign investment in Australia, providing a remarkable one-hundred-and thirty four billion dollars' worth of total stock value.

In 2020, despite the advent of a global pandemic, Japan was the top source of new investment in Australia, with an addition of 27.4 billion dollars.

So you can see, through good times and bad, Japanese business is keen to work with Australia.

Significantly, Japanese companies have continued to reinvest earnings from their Australian businesses, contributing to well over 70 thousand jobs.

Here in Queensland alone, hundreds of Japanese companies conduct business, boosting the local economy.

3. The importance of business environment and mutual trust for Foreign Investors in Australia

This is why it is with great concern that I note the Queensland government's recent decision to introduce a huge royalty rate hike on locally mined coal.

In Queensland, as of the first of July, the highest coal royalty rate is now 40%.

This applies to the newly created top tier, for prices above \$300 per tonne.

Previously, the top coal royalty rate in Queensland was 15% for prices above \$150 per tonne.

To give you an idea of the significance of this change, let me remind you that the previous 15% royalty rate was already significantly higher than other coal mining states.

In New South Wales and WA, royalties on coal only go up to 10 per cent.

This will have a huge impact on mining companies' bottom line, including Japanese companies that have operated in Queensland for decades.

The state budget estimates that the new arrangements for coal royalties will add \$1.2 billion in royalty revenues, bringing the total to \$5.5 billion.

This is huge but could be a conservative estimate.

Other estimates suggest that under the new regime, coal royalty revenue could increase further. I understand and an estimate suggests that this could reach \$16 billion in this fiscal year.

Yet the industry feels that they were not consulted on such a significant change and that they were taken by surprise.

Make no mistake, this is a huge shock for Japanese companies.

The future of the successful partnership between Japanese businesses and Queensland, as a competitive investment destination could be at great risk.

This decision takes place within a broader context, against the backdrop of decades of Japanese contributions to the Australian mining industry

4. Japanese Contributions to the Australian Mining Industry

In Queensland coal alone, there's Idemitsu, Mitsubishi, Mitsui and many others.

No other country in Australia's history has been so involved in every stage of the resources supply chain: finding, digging and shipping.

Let me put it this way: we grew together.

These Japanese mining companies and the Queensland coal industry grew together.

The BHP-Mitsubishi Alliance alone has created over 10,000 jobs in Queensland.

They've built airports, sea ports, rail and other mining infrastructure.

And Japanese companies support miners and mining communities in plenty of non-economic ways, too.

For example, Mitsubishi Development recently created a program with UQ for development of the next generation of the mining workforce, and a community mental health service for the Bowen Basin.

Japan have cultivated strong local ties through economic activity across the years.

Some companies have roots in Australia that stretch as far back as the 1960s and have been here for decades.

They didn't come here for short-term profits.

They're in it for the long haul.

Hundreds of Japanese companies are carrying on business here because they see it as a safe place where they want to stay.

You could say that each has their own castle here, down under.

For Japanese companies, Australia is not a house, it's a home.

I'm quoting a classic Aussie film, if you were wondering.

But maybe you are all too young to know "The Castle".

As a reminder, the financial year just ended, so I'm sure you're all doing your tax returns.

And every year, Japanese companies pay their fair share.

According to the ATO, Japanese trading giant Mitsubishi paid one billion Australian dollars' worth of tax in 2018, making them the eighth-highest taxpayer in the country.

And they were followed by Mitsui at number nine.

Let me put it this way: these Japanese companies are good corporate citizens of Australia.

Just like you, your friends, your parents, they are your fellow Queenslanders.

The total tax payments made by Japanese coal-related companies are over 2 billion dollars.

And the coal industry in QLD as a whole has paid a whopping 13 billion in royalties over four years.

The mutual trust between Japanese business and Australia is robust and time-tested.

When Australia started to face economic coercion from China, Japan stood by Australia, and so did Japanese businesses.

Likewise, when Japan was subject to economic coercion from China, and the supply of rare earths from the country was blocked, Australia stood by Japan.

Japanese business is keen to work with Australia during the good times and the bad times.

This brings me back to the coal royalty hike.

What concerns me is the damage that it could deal to this trust and goodwill that Japanese business has built up with Queensland over the years.

Some Japanese companies are already questioning whether Queensland will continue to be the safe and predictable place to invest that they had known for decades.

I fear that this may have widespread effects on Japanese investment beyond the coal industry.

The companies I mentioned earlier are involved not only with minerals, but hydrogen, infrastructure and a variety of cutting-edge technologies.

The success in the partnership between Japanese businesses and Queensland in these crucial areas is contingent upon the strength of mutual trust between both sides.

It is my sincere hope and conviction that through frank and open dialogue between stakeholders this mutual trust develops from strength to strength in the future.

5. New Frontiers

Our strong bilateral ties have strengthened our belief in mutually beneficial trade, investment and joint research initiatives.

There are so many new frontiers where Japan and Australia are collaborating.

Space, hydrogen, and infrastructure, to name a few.

Given the immense possibilities before us, it is critical that we work to maximise our potentials and leverage these opportunities to the fullest.

Japan, like Australia, aims to become an independent space power.

We are currently engaged in strengthening the scientific, technical and industrial foundations of our space activities to improve our space situational awareness.

To make the most of our technology, we need a partner, and what better partner than Australia?

Indeed, you could say we are “Space Brothers”.

As Australia and Japan lie on the same longitude, our satellite information can be shared in real time.

This also makes it easier to monitor space activity, as demonstrated by JAXA’s use of the SSC space tracking station at Mingenew to monitor the Epsilon Rocket Number 5 last year.

The Defence Technology Sharing Agreement that we have already allows us to cooperate on building capability in tandem, and I anticipate more development in this area as we move forward.

This includes responding to the threat posed by ASAT anti-satellite weaponry being developed by countries such as Russia and China.

By the way, I’m a big fan of Hollywood movies.

Top Gun was great.

I watched the first one when I was a grad student.

I saw Maverick the other week and think it’s even better.

But unfortunately, the world of Hollywood sci-fi's such as 'Gravity' or 'The Martian' where China works alongside the US in their military and space programs does not reflect reality.

With the security situation growing more severe in our region, Japan-Australia cooperation in areas such as space will mitigate potential threats by promoting deterrence.

Another area we are readily advancing in is clean energy technology.

In January, I attended a ceremony at the Port of Hastings in Victoria to celebrate the arrival of the *Suiso Frontier*, the world's first liquid hydrogen carrier.

Following the ceremony, this game-changing ship successfully transported hydrogen all the way to Kobe, Japan, where it was received by Prime Minister Kishida himself.

This was a significant milestone for the future global commercial hydrogen industry.

Half a dozen Japanese companies are spearheading hydrogen and ammonia pilot projects in Gladstone, tipped to become one of Australia's first hydrogen hubs.

Queensland has long led Australia in coal and is now making great strides in clean energy, with Japan at its side.

But as I noted earlier, there is fierce competition for foreign investment in these projects.

And this makes it all the more vital for Queensland to maintain business confidence.

Green energy projects like Gladstone are essential to secure economic resilience for our two nations as the world de-carbonizes.

But they are also important for our region, where the impacts of climate change are being felt most keenly.

With regards to infrastructure, it is important to note that Australia is one of the few advanced countries in the world where the population is growing.

Your population is 25.4 million, according to the census data last week.

And predictions are that by 2056, Australia will be home to almost 40 million people.

If you think about it, for Japanese companies, that is like having another consumer base equivalent to the Tokyo Metropolitan Area, but with five-hundred times the space to build on.

It comes as no surprise then that many Japanese companies are investing in Aussie infrastructure.

Last time I was in Queensland, I saw for myself the fruits of such investment when I rode the G Link light rail on the Gold Coast.

But you may not know that Japanese company Marubeni was a key player throughout the construction, launch and expansion of the project.

And speaking of railways: Brisbane 2032 will provide a golden opportunity for Japanese high speed rail technology to transform the way of life in this enormous country.

As you will know, quality infrastructure is essential for our region and is a main pillar in our vision for a Free and Open Indo-Pacific.

The advances we make together in this field could help us to provide more for our region.

Because with improved infrastructure links will come better connectivity and the expansion of trade and investment ties, which in turn will increase prosperity and stability.

6. The Role of Critical Technology

This brings me to another important element of today's talk: technological resilience.

Because everything that I have mentioned so far, including protecting the rules-based trading system, our cooperation promoting deterrence, emissions reduction and quality infrastructure, all hinges on our ability to make use of critical technologies.

This is why at the Japan-Australia Leader's Meeting in January our nations made a bilateral commitment to elevate our cooperation architecture on cyber and critical technology.

This includes promoting the research and development of critical technologies such as AI and quantum.

Our Quad partners understand the importance of this technology too.

At the recent meeting in Tokyo, our nations, along with the US and India, came to agreement on Principles on Critical Technology Supply Chains.

This will advance our cooperation on semiconductors and other critical technologies.

The Principles provide a cooperative foundation for enhancing our resilience against various technology related risks to the region.

In addition, we agreed to advance interoperability and security through a new Memorandum of Cooperation on 5G Supplier Diversification and Open RAN.

Under this, Quad partners will be able to further cooperate on technical exchanges and testbed activity to advance interoperability and telecommunications cybersecurity in our region.

We also formed a Quad Cybersecurity Partnership.

This will help us to take a collective approach to enhancing cybersecurity in the Indo-Pacific.

By sharing threat information, identifying potential risks in supply chains for digital products and services, and aligning software security standards, we will be better placed to defend our critical infrastructure and that of our region.

Outside of these multilateral initiatives, looking ahead there is so much more we could achieve together in this field.

Japanese companies are world leading when it comes to technology such as O-RAN, biometrics, Artificial Intelligence and quantum.

Currently, Japanese telecom companies have a share of around forty percent of the global market for electronic components which are embedded in mobile phones and radio communication base stations.

And take it from me; companies like NEC, NTT and Fujitsu are always on the lookout for opportunities in Australia.

Just a few weeks ago, NEC was chosen by the New South Wales Government to participate in the first phase of its Mobile Coverage Project leveraging Open RAN technologies.

With extensive global experience, including government-led initiatives such as the United Kingdom's pilot of an Open RAN ecosystem, I have no doubt that this is just the beginning for NEC's world-class O-RAN technology in Australia.

I don't want to ruin the plot of my favourite Pixar film, but if Marlin had access to Japan-quality communications infrastructure, I'm certain he would have found Nemo much faster.

With regards to biometrics, many of you may be unaware that Japanese facial-recognition technology is already in use in all of Australia's international airports.

So if you've been overseas recently, Japanese technology helped to make sure there weren't any terrorists or international criminals on the plane with you.

NEC's facial recognition has consistently been ranked number one in accuracy by the US National Institute of Standards and Technology since 2009.

I imagine if he knew that, even Johnny Depp wouldn't be trying to sneak anything in or out of Australia.

On the topic of AI, I'm sure I don't need to convince you of Japan's strength in this area.

Anyone who has been to Japan would have encountered a robot at some stage in their trip.

You may have seen Pepper the white humanoid for example, taking orders in a restaurant or directing travellers at a tourist destination.

While Pepper is the most famous, over thirty-five thousand of Softbank's robots have been used in more than seventy countries in industries such as retail, healthcare, finance, education and cleaning.

The Nomura Research Institute, predicts that by the year 2035, half of all jobs in Japan could be performed by robots.

If I come back for a lecture next year and you experience the uncanny valley phenomenon as you watch my face you'll know I've been replaced.

In terms of quantum, I urge you to watch this space.

Japan recently announced plans for its first domestically made quantum computer by March next year.

Efforts are underway to promote the widespread use of this technology by the Japanese private sector, with a goal of 10 million people using it by 2030.

This aligns with Australia's goal of growing their quantum technology industry and create around sixteen thousand new jobs in the area by 2040.

In addition to traditional fields such as minerals and resources, these exciting new areas of cooperation offer vast opportunities for future graduates such as yourselves.

7. Conclusion

To conclude, I would like to emphasise that Japan and Australia remain natural economic partners and allies in supporting our region.

Our shared values, strategic interests and goals in areas such as trade, defence, emissions reduction and critical technology, place us in a prime position for meaningful cooperation.

The ever-changing geopolitical environment of our Indo-Pacific region also demonstrates the need for diverse and robust trade relations with *trusted* partners.

To make the most of the opportunities for Australia-Japanese cooperation, we need to maintain this shared relationship of trust, and a strong mutual understanding.

I therefore sincerely hope that the Queensland government will consult more extensively with Japanese companies, its close partners and allies, as part of its economic decision-making in the future.

I for one am determined to do my utmost to uphold our shared values in order to promote further Japan-Australia cooperation and a Free and Open Indo-Pacific which benefits us all.

As the future leaders of tomorrow, I do hope that you will join me in this endeavour.

Thank you

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