

(Tentative Translation)

Report on Japan-Australia Stronger Economic Relations

(Japanese side report)

(Summary)

This report presents the recommendations arising from the study undertaken by the Japanese side study group (chaired by Professor Motoshige Itoh of the University of Tokyo) which comprised experts from academia and industry in Japan, on the basis of the October 2000 agreement between the Japanese Minister for International Trade and Industry, Takeo Hiranuma, and the Australian Trade Minister, Mark Vaile which called for parallel studies. The report is notable for the specific nature of its content, which is based on a true picture of the situation as drawn from an extensive survey of businesses and other organizations and 25 case studies involving 67 companies and organizations.

Japan and Australia must be “partners with the potential to develop” in global “mega-competition ” by sharing experiences and advantages with each other (without becoming like “long-term partners in a marriage ”).

Realizing a free trade bilateral economic agreement would be difficult at the present time. Proposals are made for areas with the potential for cooperation at an early stage.

It is necessary to re-acknowledge the importance of the trade in goods and services and to make further efforts in this area. There remains great and important potential for the cultivation of distinctive Australian goods and value-added products.

The many successful examples include: processed foods for Japan’s family restaurants, building materials such as bricks and terracotta, hay, Aussie Beef and cheese.

Organizations such as the Japan External Trade Organization (JETRO) also need to be even more exploited. Australia must make further efforts in terms of exporting.

The key to strengthening economic relations and mutual trust is the exchange of people. A variety of strategies must be put in place to increase the number of “Japan lovers” and “Australia lovers” in our respective countries.

Factors such as the exchange of professor-level academics, the acceptance of university credits from universities in the other country and further penetration of Japanese language teaching would provide a boost for such cross-fertilization.

Business relationships in the “new economy”, including the IT sector must be strengthened and revitalized.

The indifference of companies in both Japan and Australia to their counterparts in the other country means that the creation of a gateway for partnering up businesses is a challenge that must be met.

Examples include:

Spike Serverworks breaking into the Japanese market after enhancing its reputation by building the website for Toyota Australia

(Tentative Translation)

A new influenza drug developed at the Australian National University being launched in Japan

Much is expected of Japan and Australia in Asia and other regions in the world. The two countries must work together to meet these expectations through participating actively in international organizations such as the World Trade Organization (WTO) and Asia-Pacific Economic Cooperation (APEC).

I. Introduction

1. The character of the report

A series of proposals for Japan and Australia based on a full picture of the situation obtained through an extensive business survey and numerous case studies carried out by a private-sector study group made up of experts. (Interviews with companies: 34 Japanese companies and organizations in Japan, 16 Japanese companies in Australia, 1 Australian company in Japan, 6 Australian companies and organizations in Australia, 10 Australian Government organizations, and 25 cases).

2. The significance of improved economic relations between Japan and Australia <Partners with the potential to develop>

- (1) Complementary economic relations that are stable and successful have been sustained. The image of Australia as a “sunny and plentiful country” is established. In a mature relationship such as that of “long-term partners in a marriage”, however, there is a concern that awareness of one another could be on the wane.
- (2) On the other hand, Japan and Australia are partners with the ability to seek a (win-win) relationship that they can develop jointly in the context of global competition by sharing and learning from their respective experiences and advantages. The fruits of discussions in which the two countries in the North and South of Asia would also contribute to the development of other Asian countries.

II. Recommendations of the Study Group (requests for both countries)

The aim of these recommendations is to revitalize relations between Japan and Australia and preserve the importance of the bilateral relationship. The study looks at the potential for Japan and Australia to “work together”.

A WTO-compliant Free Trade Agreement (FTA) involving reductions in customs tariffs is worthy of investigation in the long-term, but would be difficult to achieve at the present time. The four recommendations below result from studies into areas of cooperation that could be implemented at an earlier stage.

1. Further efforts to facilitate and revitalize trade in goods and services

(Tentative Translation)

- (1) The importance of trade in goods and services must be re-acknowledged and further efforts pursued

There is still great promise for the cultivation of distinctive Australian goods and value-added products. Follow on from the record of successes should appear.

Ex. The successful strategy of cultivating the export to Japan of processed foods (cheese) by the Australian government and business sector since the mid-1980's

The substantial increase in the export of hay to Japan (from 160,000 tons in 1985 to 2,020,000 tons in 2000)

The success of the "Aussie Beef" campaign

The growth in processed foods for Japan's family restaurant market (Australia has gone from being just a "supplier" to a "partner" to its Japanese clients)

Australian wine failed to capitalize on the wine boom to the same degree as Chile (Growth in market share - Australia: 2.2% in 1997 4% in 2000, Chile: 0.5% in 1997 6.6% in 2000)

The growth in exported bricks for external house walls kick-started by the visit to Australia of a house-building mission (as also seen in the example of building materials such as terracotta tiles)

- (2) The increasing importance of the patronage and support from organizations such as JETRO

It is important that companies in both countries, including those in the small and medium companies, should take a greater interest in one another and build relationships in which "each is visible to the other". Indirect support is required in the cultivation of new products, the creation of systems for partnering up businesses.

JETRO has an important role to play in services such as market surveys and the provision of information. Projects with special characteristics such as support for economic cross-fertilization between the respective regions of Japan and Australia help the seeds of business to grow.

Ex. The exchange of new technologies in magnesium casting and processing between Chiba Industrial Development Center and the University of Queensland

Planned exchanges in the area of biotechnology between Osaka Prefecture, which has a large number of pharmaceuticals manufacturers, and the State of Queensland, with its advanced research facilities

It is hoped that Austrade will make further improvements and become more active in terms of follow-up work, for example.

- (3) Australian companies are urged to be enthusiastic in their businesses to succeed

(Tentative Translation)

There is still a lack of effort and enthusiasm on the part of Australian business. Even in cases of success, Japanese companies often speak of difficulties. Japanese companies pass on the needs of the market and provide detailed instructions as a matter of course. It is important that Australian companies change their business approach to one of creating “psychological appeal” by broadening their export horizons, offering ways of selling that take account of the position of the importer, and so on. Australian companies must also concern themselves with products sold in small lots and for small amounts.

Ex. A campaign to market automotive components featuring an Australian hybrid car was run in 1999, but the failure to follow this up meant that no results were generated.

Problems such as the quality and packaging of bricks were finally sorted out after great pains on the part of the importer. The settlement terms are still unreasonable. There are complaints about the lack of meticulous responses. At the same time, the settlement terms for terracotta tiles and other imported products are sensible and reasonable.

Australian manufacturers do not make sales calls to even the biggest of Japan’s major furniture chains. This is in sharp contrast to furniture manufacturers of other countries, who often do visit Japan.

(4) Others

The study group is surprised by Australia’s failure to participate in the WTO Agreement on Government Procurement. Australia should increase the transparency of its regulations and implementation arrangements in relation to government procurement and join the WTO Agreement on Government Procurement as a matter of course.

It is also important for Japan to set about working more closely with Australian state governments.

Other key issues are to boost trade in IT-based business-to-business (B to B) and business-to-consumer (B to C) transactions, achieve mutual recognition in the area of quarantine, and align the Trade Electronic Data Interchange (TEDI) for trading procedures with the Australian system.

2. Streamlining the transfer of personnel and increasing cross-fertilization at all levels

(1) Increased cross-fertilization among people of all types including researchers and business people will naturally contribute to the strengthening of economic relations and help to build a relationship of mutual trust. We must bring about closer relations between the two countries by increasing the number of “Australia-lovers” in Japan and “Japan-lovers” in Australia. Activities that will make this happen must be enhanced.

Ex. The exchange of first-rate professors and other academic staff. This will have the

(Tentative Translation)

effective of attracting first-rate students.

Encourage the acceptance of credits from universities in the other country (as successfully implemented by Keio University).

The importance of learning each others' language. (The increase in the demand for native-speaking English teachers in public schools provides Australia with a perfect opportunity). The "Business Japanese Courses" held in Sydney by the Japan-Australia Business Co-operation Committee and the invitation of English language teaching consultants from Japan to the University of Sydney by the Australia-Japan Foundation are valuable initiatives. The level of the foreign language-teaching assistants on the JET Program also needs to be improved.

(2) Simplification of the visa process, mutual recognition of professional qualifications, and the improvement of the transport infrastructure

Ex. Is an ETAS (electronic VISA) necessary for entering Australia on a short-term stay? (such a visa is not needed in Japan)

International airfares between Japan and Australia are expensive (the lowest fare for a discounted economy class tickets (return): Narita–Sydney: 59,000 yen, Narita–Los Angeles 34,800 yen)

The system of mutual recognition such as that started between Japan and India for IT qualifications would not be possible with Australia due to the lack of such a system of qualifications in Australia.

3. Strengthening and revitalizing business relationships in the "new economy", including the IT sector <The challenge is to establish a gateway for partnering up businesses>

(1) IT sector

Australia has virtually no hardware industry and we were unable to identify any major concentration in the software industry. The realities of the IT sector in Australia are largely unknown to Japanese business. In addition, businesses on both sides are indifferent to their counterparts in the other country. There is, however, potential for the two countries to work together in the software sphere, where revolutions happen on a daily basis. It is first essential to establish a gateway for the two sides to make contact with and become aware of one another (the exchange of experts and missions, homepage-based virtual missions, the creation of a directory of companies).

As far as software is concerned, Australia must at the same time recognize that it has numerous competitors in the shape of India and other countries.

Ex. Spike ServerWorks (based in Sydney) succeeded in breaking into the Japanese market

(Tentative Translation)

after enhancing its reputation by building the website for Toyota Australia. The company adopted business methods suited to Japan (Japanese-speaking staff, cold-calling).

A subsidiary of Canon Australia, Canon Information Systems Research Australia (CISRA) was established to comply with obligations relating to Australian government procurement, and employs Australian technologists, focusing on Canon's image-processing-based technology.

The Australian approach to e-government is also very interesting, and its development must be closely observed from now on. Innovations in the areas of video and image-processing technology are also of interest.

(2) Biotechnology sector

Specific examples of great interest in relation to Australia crop up occasionally.

Ex. The successful development of a blue carnation in Melbourne using an international capital fund involving Japanese companies

An alliance in gene-decoding between Takara Shuzo and Nucleics Pty, a biotechnology start-up at the University of New South Wales

The use of Australian fungus in new drug development

The launch in Japan of a new influenza drug, "Zanamivir", developed in Australia

Itochu Corporation has teamed up with the three leading research institutions in Australia, the Commonwealth Scientific and Industrial Research Organization (CSIRO), Australian Institute of Marine Science (AIMS) and Institute for Molecular Bioscience (IMB) for the joint promotion of biotech business aimed at Japan

The above examples provide evidence of the potential for cooperation between Australian fundamental research and Japanese manufacturing industry. The setting up of a working group under the Japan-Australia Business Co-operation Committee is also beneficial, as is the promotion of cooperation at government level through the Agreement between Japan and Australia on Cooperation on Research and Development in Science and Technology.

(3) Environmental sector

Australia takes a proactive stance on greenhouse gas emissions trading and is forging ahead with preparations for the establishment of the market.

Ex. Chubu Electric Power Company and Tomen have taken preliminary steps for the purchase of CO₂ emission reduction credits from Australia's largest power generation company.

(Tentative Translation)

The trailblazing stance of the State of Western Australia in itself carrying out afforestation work before handing the projects over to the private-sector once their feasibility has been established is highly evaluated.

Although there is a need to follow the 6th Conference of the Parties to the UN Framework Convention on Climate Change (COP6) debate closely, it is expected that Australia will play a major role as a provider of CO₂ emission reduction credits.

(4) Services sector

(i) Transport and tourism

The comparatively high cost of international airfares between Japan and Australia acts as a barrier to the movement of people. The Australian tourism industry has a large number of competitors and needs to reach a level where it can compete with other countries in terms of infrastructure, and there is also a need to accentuate the distinctive attractions of the country itself. In addition, Australia will be able to expand its market once it becomes possible for Japan's public junior high and high schools to take their pupils overseas on school trips. Effective promotion of tourism is required.

Australia might also scrap visas themselves.

(ii) Telecommunications

The construction of a high-volume fiber-optic cable is in progress between Japan and Australia, and there is potential for business opportunities to increase if the creation of the infrastructure pushes ahead.

(iii) Education, medical care and welfare

Structural developments in terms of the exchange of people - researchers, educators, and students - and the acceptance of university credits from universities in the other country are hoped for.

We were unable to get a proper picture of the advantages of Australia in medical care and welfare, but the exchange of information is important for fostering business.

4. Hopes for the role of the partnership between Japan and Australia in Asia and other regions in the world

(1) One proposal is to establish a forum for discussions linking from the north to the south of Asia, which runs from Japan to Australia, as part of the responsibilities of both Japan and Australia as developed nations.

(2) It is hoped that both countries will fulfill the role of players with a responsibility to understand

(Tentative Translation)

the position of the developing countries of Asia and to speak for them and support them in the WTO and APEC scheme.

Examples of cooperation between the two countries

WTO capacity building in APEC

The creation of arrangements backing the implementation of systems of economic law

(Reference)

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