

47th Japan-Australia Joint Business Conference
25th—27th October 2009

JOINT CHAIRMEN'S STATEMENT

Sir Rod Eddington,
Delegates

The 47th Japan-Australia Joint Business Conference was held 25th—27th October 2009 at the Four Seasons Hotel Chinzan-so Tokyo, consisting of 131 members in the Japanese delegation and 84 members in the Australian delegation, for a total of 215 participants.

Before the plenary sessions, Professor Shinichi Kitaoka of Tokyo University gave a keynote address titled “Japanese New Government and Australia-Japan Relationship”. Professor Kitaoka analyzed that the LDP's defeat reflected past failures caused by its policy decision system, and he implied the possibility of change under the Democratic Party's policy decision system from a bottom-up basis during the LDP era to a top-down politician lead basis. As for foreign policy, there are innumerable issues to be solved such as U.S.-Japan relationship and various issues with China. He indicated that the relationship with Australia, which is also placed within the East Asia Community Concept, will become more important. He emphasized that while the new government lacks clarity on many policy matters, in order to cope with change, we should rather take a positive view about it.

A total of seven plenary sessions were held featuring lively discussions on future growth prospects in various sectors such as finance, manufacturing, agriculture, tourism, as well as various issues on climate change, and also on some future opportunities in the Australia-Japan relationship.

In the 1st plenary session, I asked Mr. Yorihiro Kojima and Sir Rod Eddington to chair and co-chair the session respectively. In this session,

presentations focussed on the effect of the global financial crisis on the prospects of two key sectors, finance and manufacturing.

Mr. Yasuhiro Sato referred to three future risks, namely “structural change in global demand”, “excessive liquidity in the financial market” and “depreciation of the US dollar”. He also stated that based on the increase in the ratio of regional trade in Asia, it is an important task for Australia and Japan to collaborate and support economic development in Asia.

Mr. Andrew Low demonstrated that the impact of the global financial crisis (GFC) on financial institutions in Asia and Australia was relatively small. He described some of the differences in Japan’s and Australia’s experience as well as comparing the Asian Financial Crisis of 1997-98 and the GFC of 2007-09 experiences of Asia. Mr. Low stated that the center of global financial sector is shifting from North America to East Asia and Australia.

Dr. Hajime Sasaki recommended maintaining macro-economic policy support until the recovery becomes firm. As for the manufacturing industry, he stressed the need to reform its industrial structure to cope with market change, as well as develop new products and services regarding energy-saving, developing nations and social infrastructure investment.

Mr. Ross Adler commented that although the impact from the global financial crisis on the overall Australian economy was small, it impacted negatively on the manufacturing sector where its downward growth trend continued. However, he indicated that Australia’s manufacturing would remain competitive because there will be more weight put on its knowledge component in the future.

The 2nd plenary session was chaired by myself, with Mr. Don Voelte as co-chairman. In this session, the agenda of “the climate change debate and current issues in both countries” was taken up.

Mr. Tsunehisa Katsumata commented that while the Hatoyama government’s target of 25% reduction by 2020 compared with that of 1990 is very tough, in order to cope with global warming and to implement

sustainable energy development, the basis is the balanced achievement between energy/security, economic growth and environment. Furthermore, within the international framework, he stressed three essentials, namely participation by all major countries, securing of an international fair share commitment which takes into account previous reduction efforts, and focus on technology.

Mr. Edwin Mongan commenced with the observation that many decisions remained to be settled in the international policy area including targets, timeframes and the relative contributions of the developed and the developing countries. He outlined the Australian government's plans for an Australian Emission Trading Scheme (ETS) and to increase electricity supply generated from renewable sources to 20 percent by 2020. He compared the Australian and the European ETS schemes and mentioned the concerns of Australian business which sought adequate economic safeguards until it is clear that a "global deal" has been reached.

Mr. Naoki Kuroda emphasized that under the international framework, the balance between economic growth and each country's burden in accordance with its ability, are important points. Also, he requested three "certainties" from the Australian government, namely fair competition terms with other countries' LNG projects, second, implementation of a system and operating principles regarding Carbon Capture and Storage (CCS) throughout Australia, third, firm implementation of international credit purchases and its utilization which will contribute to increase investor options.

Mr. Ken Talbot mentioned the projected 45 percent growth in consumption of all energy between 2006 and 2030 with 90 percent growth required by developing economics. The projection for coal for the same period is 60 percent. With its growing population, the world required a balance between economics, power supply, food supply, and the environment. Despite thermal efficiency and environmental performance improvements made at coal fired power stations, the future of coal generated energy continues to be under pressure. There was a concern whether Carbon Capture and Storage (CCS) could economically offset the future growth of CO₂ emissions. However, he believed that it was vital to verify the performance of CCS at

scale. He urged continued high levels of cooperation between Japan and Australia to develop the appropriate technologies that will reduce the impact of CO2 emissions.

Mr. Takashi Sekita mentioned that it is important for all major emission countries to have ambitious targets in order to grapple with the global warming issue. He also introduced four measures being taken by the Japanese steel industry, namely JISF (Japan Iron & Steel Federation) voluntary initiatives, CO2 reduction through international cooperation, CO2 reduction in steel products and CO2 reduction through technology development.

Mr. Sam Walsh stated that climate change had the potential to change fundamentally the landscape of risk and opportunity in the mining and minerals sector. He observed that there remains continued uncertainty around a clear global framework although the COP 15 meeting in Copenhagen was only a few weeks away. Industry wanted clear signals. He stated that the climate change challenge also presents opportunities for business to take the lead, develop new businesses, products and approaches for a future carbon constrained world.

In the 3rd plenary session, discussions on the issues faced by the agribusiness and tourism took place with Mr. Sumitaka Fujita as chairman and Mr. Grant Crothers as co-chairman.

Mr. Kazuhito Yamashita referred to the occurrence of “unsymmetrical information” between consumers and companies causing uneasiness regarding food security. He also indicated that Japan’s agriculture is already facing a crisis, and as for rice, it is necessary to reform the current price supporting policy, and through the abolition of reduction of the acreage under cultivation and direct payment to the main farmhouse, to secure farmland resources and to increase the competitiveness of the main farmhouse. In addition, he stressed to expand export under free trade and also ensure food security at the time of a crisis.

Mr. Peter Corish mentioned the pressures of a growing population, reduced

acreage for food production and water shortage on supply of food towards 2050. He observed that Australia's food safety standards are "second to none" in the world. The FTA/EPA between Australia and Japan will benefit the Japanese consumers through lower prices, while production constraints will not result in "swamping" of the Japanese market.

Mr. Kazuhiko Nishi and Mr. Stephen Thompson spoke from the aviation industry's viewpoint. They mentioned various issues which are being faced, such as decrease in demand due to the global financial crisis and recession. Further decreases in demand arose from the rapid spread of new types of influenza, continuous high fuel price, fluctuating exchange rates, emergence of new competitors etc. Each spoke of the features of the Australia-Japan route as well as the application of "safety" and "security" measures.

In the 4th plenary session, I asked Mr. Fujita to act as chairman and Mr. Tim Lester to act as co-chairman. Speeches were given by Mr. Gempachiro Aihara and Mr. Geoffrey Brennan on the topic of "APEC, regional integration and the Australia-Japan EPA".

Mr. Aihara explained the activity and the significance of ABAC (APEC Business Advisory Council) and APEC, and he mentioned that in response to the global financial crisis, ABAC appealed to each member economy that they unite and oppose the rise of protectionism. He also expected an early conclusion of the EPA/FTA between Australia and Japan because of the existing very close relationship.

Mr. Brennan recommended that it would be best if the negotiation of all new bilateral/regional agreements promoted not only "market access", but primarily "market integration". Mr. Brennan stated that trade and FDI are perceived as key channels to regional economic integration and that the issues most impacting business were not related to access. He advised that ABAC had already commenced advocacy and work on these priorities.

In the 5th plenary session, I asked Mr. Tatsuo Tanaka and Mr. Ian Williams to act as chairman and co-chairman respectively.

Mr. Michitaka Nakatomi reported on the infrastructure mission to Australia and that there was a mutual agreement on efforts toward bilateral PPP participation as well as on Australia-Japan collaboration toward infrastructure investment in third countries. He also stated that he would like to compile suggestions on how to promote Australia-Japan infrastructure cooperation in the future.

Mr. Bob Seidler also mentioned Australia-Japan collaboration in the infrastructure area in Japan, Australia and Asia. He spoke of issues regarding the Japanese system that deterred institutional investment and desirability of removing barriers to international investors.

Mr. Kosuke Arao explained the transition taking place regarding pension assets in Japan. He also stated that the international accounting standards, which will be implemented compulsorily in Japan in the future, will encourage pension funds to seek lower volatility assets, such as infrastructure investment, because of its expected long term and stable cash flow.

Mr. Andrew Bird advocated the incorporation of retail property (shopping centers) into a balanced investment portfolio, because it historically has the best record of return. He also recommended active asset management through an integrated management model as a means to generate excellent returns.

In the 6th plenary session, Mr. Hiroshi Tada and Mr. Sam Walsh acted as chairman and co-chairman respectively, and discussions took place on productivity and innovation in the automotive sector.

Mr. Yoshio Ishizaka, after looking back upon the history of the automotive industry, explained the unprecedented turmoil which the automotive industry is currently facing. Moreover, he emphasized to go back to the basics of “manufacture goods” and “educate people”, to overcome this difficult situation by creating new innovation, and to continue the challenge toward growth.

Mr. John Conomos explained the current situation of Australia's automotive industry and past measures taken to enhance its competitiveness by structural reform. He also mentioned that new automotive plans toward eco-friendly future will contribute to the transition of Australia's automotive industry into further competitiveness and an environmentally sustainable industry.

The last and the 7th plenary session was a panel discussion on the agenda of "the issues of developed country, Japan and Australia-Japan cooperation", with myself acting as chairman and Sir Rod Eddington as co-chairman. Firstly, Dr. Hiroshi Komiyama delivered a keynote speech, and thereafter Mr. Yorihiro Kojima, Professor Monte Cassim, Professor Jenny Corbett and Mr. Tim Lester provided commentary.

Dr. Komiyama indicated "limited world", "aging society" and "explosive intelligence" as paradigms of the 21st century, and commented on the necessity to start up new industries to cope with these issues. He mentioned that while Japan has acted as a forerunner and tackled these issues, which the whole world will be experiencing, and carried out improvement of energy efficiency, through further cultivation by multiplying structural intelligence and action, Japan will be able to convert itself from a developed country having issues to a developed country solving issues.

Mr. Kojima referenced the government change in Japan and the expectation that the Democratic Party will come out with directions on various issues which Japan is facing, affecting mid to long term growth. Also he touched on arising awareness of changes in U.S. consumption and environmental issues, as well as on change in the global demand structure, such as the rapid growth of the middle class in developing economies, and he stressed that it is possible to further enhance the Australia-Japan collaboration under such circumstances of change.

Professor Cassim expressed the belief that the Australia-Japan partnership is exemplary. Difficult issues have been jointly addressed and solutions found for many and the achievements have built a solid layer of mutual respect, trust and friendship. He noted that the Japan-Australia and

Australia-Japan Business Cooperation Committees are seeking to address a variety of complex issues whose origins lie outside the bilateral realm. He therefore had the confidence that past cooperation would continue and involve the governments and businesses in both countries working towards the solution of the major issues. Professor Cassim also suggested that higher education exchanges and investments in the knowledge infrastructure of the region would benefit the relationship.

Professor Corbett spoke of new complementarities between Australia and Japan for a global economy that is so different from the past. She suggested that these were to be found in services. She noted that Australia's export of services to Japan were not as high as would normally be expected and expressed the belief that Australia's strength in "general process" services could be of value bilaterally and in collaborations in third countries.

Mr. Lester explained the strength of both Australia and Japan lay in their traditions of innovation. He believed that by utilizing such a strength in cooperation, both countries could demonstrate their leadership role toward resolving worldwide issues from energy to the environment and so on, in the future.

Based on the acknowledgement that an early conclusion of EPA/FTA is indispensable to further develop the Australia-Japan relationship, this joint business conference unanimously adopted a joint statement to encourage both countries to act toward the goal of early conclusion of comprehensive EPA/FTA.

As I mentioned, I believe that we were able to deepen our discussions very much on important agendas regarding the Australia-Japan relationship.

Last of all, I would like to sincerely thank all of the members who participated in the speeches and discussions, the chairmen, co-chairmen of all plenary sessions for their efforts and contributions put toward this conference.