ROSSMOYNE SENIOR HIGH SCHOOL

HUMANITIES AND SOCIAL SCIENCES

YEAR 12 MODERN HISTORY

AUSTRALIA’S ENGAGEMENT WITH ASIA

CASE STUDY

**Case study of trade relations with japan**

**Historical Knowledge and Understanding**

* The changing nature and ongoing importance of Australia’s trade with Asia
* The political impacts in Australia as a result of international relations, formal alliances and forums, immigration policies, cultural and economic ties
* The role of significant individuals during the period
* How trade relations reflect the changing nature of economic development in Japan and its impact on Australia
* Divisive debate in Australia around recommencement of trade with Japan
* 1951 – Japanese Peace Treaty
* Shift towards more Japanese trade began after 1954
* Growing willingness to see Japanese industrial development as an opportunity rather than a threat (help of ANZUS)
* April 1957 – Menzies’ visit to Japan
* Japanese trade agreement 1957
* Australia-Japan Foundation 1976
* 1976 Basic Treaty of Friendship and Cooperation and Protocol [PDF], also known as the NARA Treaty (Nippon-Australia Relations Agreement)
* Changing nature of the trade, significance to Australia’s economic development

**Historical skills**

* Chronology, terms and concepts
* Historical questions and research
* Analysis and use of sources
* Perspectives and interpretations

Explanation and communication

“As early as the 1960s, Japan began to economically absorb Australia into Asia … Japan by the 1980s had made Australia an Asian economic state” – Michael Byrnes, Journalist

1930s

Trade with Japan growing from the 1910s, 1920s and early 1930s (much smaller than in comparison to Britain)

* By 1932, 10% of Australian exports went to Japan
* Relationship so optimistic that there were talks of trade treaty from 1934

1936 Tariff Policy

* Collapse of wool trade with Japan
* Trade continued to deteriorate
* Militarism
* 1931 –Invasion of Manchuria
* 1937 – Invasion of China

1940s

* No trade with Japan during WWII 1941-45
* Divisive debate in Australia around recommencement of trade with Japan
* 1947 – “It seems to me quite clear that there is a division in Cabinet opinion in Canberra between those who are mostly concerned with the political and psychological opposition in Australia to trade with Japan and those who recognise the importance of the Japanese market to the future of the Australian wool industry” – MacMahon Ball
* August 1947 – private trade resumed
* Concerns about renewed militarism
* “Trade should not be resumed at an early stage, and should certainly await a peace treaty” – Evatt
* 1949 – Chinese Revolution compounded fears

1950 to 1954

* 1951 – Japanese Peace Treaty

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| * **Treaty of Peace with Japan** * **Signed at San Francisco, 8 September 1951 Initial entry into force**[**\***](http://www.taiwandocuments.org/sanfrancisco08.htm)**: 28 April 1952** * Note: Neither the Republic of China nor the People's Republic of China were invited to the San Francisco Peace Conference, and neither were parties to the San Francisco Treaty. The Republic of China concluded a separate [Treaty of Peace](http://www.taiwandocuments.org/taipei01.htm) with Japan in 1952. * FPT signing * **Prime Minister Yoshida Shigeru of Japan, surrounded by senior members of the Japanese delegation, signs the peace treaty on 8 September 1951.**   **reen_line.gif (209 bytes)** |
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* US approach/Australia approach
* 1952 – Ratification of Treaty
* Article 12 – Japan had to preference Australian imports for four years
* Continued concerns over resumption of trade
* White Australia. “If we are to preserve this white bastion in the Pacific we must be realistic to the point of cruelty”
* Trade crisis developed which frustrated the Japanese
* Australia was now privately exporting again to Japan, but Japan was unable to export goods to Australia due to continued import restrictions
* Vocal opposition to Japanese imports in Australia
* Australian manufacturers
* Concerns about offending British exports to Australia (loyalty to Britain)
* 1953 - Import restrictions loosened slightly
* 1954 – Japanese purchased less of Australia’s wool
* Australia fearful that we would risk losing our export income

Statistics: 1951 - Exports to Japan 6% - Wool, wheat, barley

1953 - Exports increase to 10%

1954-57

* Shift towards more Japanese trade began after 1954
* Australia began to see Japan as a potential ally
* Continued concerns about Australian wheat market losing business to Japan
* Anti-Japanese feeling relaxed mid 50s (Indochinese crisis)
* Growing willingness to see Japanese industrial development as an opportunity rather than a threat (help of ANZUS)
* “It is a mistake to suppose that we can live in the same world as the Japanese, and yet completely cut ourselves off from them in trading” – Gullet
* Informal talks began in October 1955 to reach a trade agreement

**Japanese trade agreement 1957**

“The present trade balance between our two countries is far too unnatural and unreasonable, and that no one can expect such a state of things to last long” – President of Japan-Australia Society letter

* Extremely controversial
* April 1957 – Menzies’ visit to Japan

Japanese Trade Agreement signed 6 July 1957 Trade Minister John McEwen

* + - Duty-free wool imports for three years; end discrimination on Japanese imports
    - Equality established in Australia-Japan trade. Position still worse than Britain
* British exporters not happy
* Australian industry not happy
* Significance

‘A watershed in the nature and conception of the relationship’ between Australia and Japan – Peter Drysdale (economist at the time)

This was extremely positive for overall relations with Japan. Helped to break the ice and move on from post-war animosity.

## Australia-Japan Foundation

The [Australia-Japan Foundation](http://dfat.gov.au/people-to-people/foundations-councils-institutes/australia-japan-foundation/pages/australia-japan-foundation.aspx) or (AJF) was established by the Australian Government in 1976 to expand and develop contact and exchange between the peoples of Australia and Japan and to help project positive images of Australia and Japan in each other's country.

Since its creation, the Foundation has worked to promote the people-to-people links across a diverse range of sectors. The current objectives of the Foundation are to:

1. Increase awareness and understanding in Japan of shared interests with Australia;
2. Increase awareness and understanding in Australia of the importance of Japan to Australia as an economic and strategic partner; and
3. Increase recognition in Japan of Australian excellence and expertise.

Eminent Australians, appointed to the AJF board, provide a range of expertise and input to Australia’s foreign policy and economic diplomacy priorities through the Department of Foreign Affairs and Trade.   
The AJF provides grants to projects aligned with the Australian Government’s priorities with funding from the International Relations Grants Program (IRGP). The AJF expands people-to-people and institutional links through programs and partnerships on contemporary issues including in economic diplomacy, the arts, media, education, business, science, technology and sport. The AJF has its headquarters in Canberra and is supported by an office at the Australian Embassy in Tokyo.

# Japan country brief

## Overview

The Australia–Japan partnership is our closest and most mature in Asia, and is fundamentally important to both countries' strategic and economic interests. The relationship is underpinned by a shared commitment to democracy, human rights and the rule of law, as well as common approaches to international security. Australia's stable political, business and investment environment makes it a critical supplier to Japan of minerals and energy, as well as high-quality food products.

In 2015-16, Japan was Australia's third-largest trading partner and second-largest export market. Japan was also Australia's second largest in-bound direct foreign investor in 2015. The [Japan Australia Economic Partnership Agreement (JAEPA)](http://dfat.gov.au/trade/agreements/jaepa/Pages/japan-australia-economic-partnership-agreement.aspx), which entered into force in January 2015, further strengthened the bilateral economic relationship.

## Political overview

## System of government

Japan is a democratic, constitutional monarchy with a parliamentary government headed by a Prime Minister. Japan maintains an Imperial Family, headed by the Emperor, currently Emperor Akihito. Universal suffrage is limited to citizens of Japan aged 18 years or older. Voting is not compulsory and voting rates vary widely.

Japan's parliament comprises a House of Representatives (Lower House) and a House of Councillors (Upper House). The Lower House has 475 members who are elected for four-year terms, although political conditions frequently see the House dissolved earlier. The Upper House has 242 members who are elected for six-year terms, with 146 House members elected in prefecture-based constituencies and 96 by proportional representation at the national level. One half of the Upper House is dissolved for election at regular three-year intervals.

Executive power is vested in the Cabinet, which comprises the Prime Minister and ministers of state. The Prime Minister is selected from among members of parliament through a vote by both houses of the Diet (parliament). The Prime Minister submits bills to the Diet, reports to the Diet on domestic and foreign issues, and supervises and controls administration.

The Japanese Constitution specifies that the majority of Cabinet members must be elected members of parliament. However, the Prime Minister can appoint non-politicians to the Cabinet and as Special Ministers of State. There is no term limit for prime ministers, although individual parties often have term limits in place under party rules.

Japan's governmental structure has three tiers: national, prefectural and local. There are 47 prefectures and 1,741 other local municipalities. Each tier is governed by elected assemblies. Japan does not have a federal system and the two lower tiers of government are to a large extent fiscally dependent on the national government.

## Economic overview

Japan's highly industrialised market economy is the third largest in the world (GDP at market exchange rates).  It was the world's second largest from 1968 until 2009, when it was overtaken by China. Japan has a well-educated, industrious work force and its large, affluent population makes it one of the world's largest consumer markets.

From the 1960s to the 1980s, Japan achieved one of the highest economic growth rates in the world. This growth was led by high rates of investment in productive plant and equipment, the application of efficient industrial techniques, a high standard of education, good relations between labour and management, ready access to leading technologies and significant investment in research and development, an increasingly open world trade framework, and a large domestic market of discerning consumers, which has given Japanese businesses an advantage in their scale of operations.

Manufacturing has been the most remarkable, and internationally renowned feature of Japan's economic growth. Today, Japan is a world leader in the manufacture of electrical appliances and electronics, automobiles, ships, machine tools, optical and precision equipment, machinery and chemicals. However, in recent years Japan has ceded some economic advantage in manufacturing to China, the Republic of Korea and other manufacturing economies. Japanese firms have countered this trend to a degree by transferring manufacturing production to low-cost countries. Japan's services sector, including financial services, now plays a far more prominent role in the economy, accounting for about three quarters of GDP. The Tokyo Stock Exchange is one of the world's foremost centres of finance.

### Foreign Relations

Japan's foreign policy aims to promote a peaceful and stable international community to support an economy highly dependent on international trade and investment, while contributing to international solutions to shared challenges such as environmental protection, terrorism, poverty and infectious diseases.  Japan is currently a non-permanent member of the UN Security Council (2016-2017) and is the second-largest contributor to the UN budget. Japan's official development assistance (ODA) plays an important role in many countries, including in the Indo-Pacific region.

While Japan's constitution limits its military role in international affairs, Japan's Self-Defence Forces contribute actively to UN peacekeeping operations and disaster relief including to Pacific Island Countries.  In September 2015 the Diet passed security reform legislation to give the Self-Defence Forces greater flexibility to contribute to international peace and stability, including by exercising its UN Charter right to collective self-defence.  Japan is also actively engaged in nuclear disarmament and non-proliferation efforts, including its co-development with Australia of the [Non-Proliferation and Disarmament Initiative](http://dfat.gov.au/international-relations/security/non-proliferation-disarmament-arms-control/nuclear-weapons/Pages/non-proliferation-and-disarmament-initiative-npdi.aspx) founded in 2010.

The Japan-US alliance is the cornerstone of Japan's foreign policy and national security. Japanese cooperation with the US through the US-Japan Security Treaty has been important to maintaining stability in the region. The US military maintains a presence of approximately 50,000 personnel in Japan under the US-Japan Treaty of Mutual Cooperation and Security of 1960. The US Seventh Fleet is based in Yokosuka and the 3rd Marine Expeditionary Force (III MEF) is based in Okinawa. Plans for the relocation of the Futenma US marine air base in Okinawa have been a longstanding bilateral preoccupation.

**Japan describes Australia as its second most important security partner. The Australia-Japan-United States Trilateral Strategic Dialogue is a key security policy mechanism for Japan, Australia and the US.**

Good relations with its neighbours are of vital interest to Japan. After the signing of a peace and friendship treaty with China in 1976, bilateral relations developed rapidly. Japan supported China's membership of the World Trade Organization (WTO). Cooperation between Japan and the Republic of Korea (ROK), including over the threat posed by the Democratic People's Republic of Korea (DPRK), is important in ensuring regional stability. A trilateral summit process established in 2008 provides Japan, China and the ROK with a forum for leaders-level dialogue – the sixth such meeting was held in November 2015. Japanese and Chinese leaders last met in Lima in November 2016 in the margins of the Asia-Pacific Economic Cooperation Summit. However, Japan's relationships with China and the ROK are complicated by territorial and historical issues.  A breakthrough deal was reached on the issue of 'comfort women' with ROK on 28 December 2015.

Japan and India elevated their bilateral relationship to a 'special strategic and global partnership' in December 2015, and Prime Minister Modi travelled to Japan to meet Prime Minister Abe and hold a three-day bilateral meeting in November 2016.  The two countries cooperate in many areas in the security field.

Japan has been a member of the Six-Party Talks aimed at de-nuclearising the Korean peninsula, and continues to seek the return of and further information on Japanese citizens abducted by the DPRK.

Reflecting the importance Japan places on the Asia-Pacific region as a source of economic opportunities, its other priority relationships include those with ASEAN members and other regional countries. Japan also supports multilateral initiatives for enhanced dialogue and cooperation in the Asia-Pacific region, including Asia-Pacific Economic Cooperation (APEC), the East Asia Summit (EAS), the G20, the ASEAN Regional Forum (ARF) and ASEAN+3 (Japan, China and ROK). More broadly, Australia and Japan work closely in the United Nations.

Each year, Japan's Ministry of Foreign Affairs produces a '[Diplomatic Bluebook](http://www.mofa.go.jp/policy/other/bluebook/)' that summarises its foreign policy over the past year.

## Australia – Japan bilateral relations

There have been three major phases in the development of the post-war Australia-Japan relationship:

* The establishment of a major trading relationship with Japan shortly after World War II, formalised by the [1957 Commerce Agreement](http://www.info.dfat.gov.au/info/historical/HistDocs.nsf/(LookupVolNoNumber)/20~222);
* A process of broadening the relationship (particularly at the cultural level) reflected in the [1976 Basic Treaty of Friendship and Cooperation and Protocol [PDF]](http://yoe.australia.or.jp/english/docs/friendship_and_cooperation_basic_treaty_e.pdf), also known as the NARA Treaty (Nippon-Australia Relations Agreement); and
* In the last decade, the emergence of a more fully rounded and diverse partnership including on important political and security objectives, highlighted by the [2007 Joint Declaration on Security Cooperation](http://www.mofa.go.jp/region/asia-paci/australia/joint0703.html) and the [Japan-Australia Economic Partnership Agreement](http://dfat.gov.au/trade/agreements/jaepa/Pages/japan-australia-economic-partnership-agreement.aspx), which entered into force in January 2015.

### Political and security relationship

Australia and Japan have a strong and broad-ranging security partnership. The United States is both Australia's and Japan's most important strategic ally, and the three countries progress cooperation on strategic issues through the Trilateral Strategic Dialogue mechanism. A trilateral leaders' meeting was held in the margins of the Brisbane G20 Summit in November 2014, and foreign ministers met in Laos in July 2016. Australia and Japan consult regularly on regional security issues, such as the DPRK's nuclear activities. The growing Australia-Japan defence relationship includes regular bilateral and trilateral exercises with the United States.

The [2007 Joint Declaration on Security Cooperation](http://www.mofa.go.jp/region/asia-paci/australia/joint0703.html) (JDSC) provides a foundation for wide-ranging cooperation on security issues between Australia and Japan, including in law enforcement; border security; counter-terrorism; disarmament and counter-proliferation of weapons of mass destruction; maritime and aviation security; peace operations and humanitarian relief operations (the two countries have worked closely together in Iraq, East Timor, Pakistan and elsewhere).

The JDSC also established regular '2+2' talks between foreign and defence ministers. At the [seventh 2+2 talks in Tokyo on 20 April 2017](http://foreignminister.gov.au/releases/Pages/2017/jb_mr_170420.aspx), Ministers welcomed the closer engagement between Japan and Australia and reaffirmed their commitment to further enhance both bilateral cooperation and trilateral cooperation between Australia, Japan and the United States. Previous outcomes of the 2+2 process include an [Acquisition and Cross Servicing Agreement](http://www.mofa.go.jp/region/asia-paci/australia/pdfs/agree1005.pdf) (ACSA) on defence logistics cooperation, which entered into force on 31 January 2013, and an [Information Security Agreement](http://www.austlii.edu.au/au/other/dfat/treaties/ATS/2013/15.html) on the sharing of classified information, which entered into force in March 2013. A revised ACSA was signed in January 2017.

In 2014 then Australian Prime Minister Abbott and Japanese Prime Minister Abe decided to elevate the security and defence relationship to a 'Special Strategic Partnership'.  In December 2015 [Prime Minister Turnbull visited Japan](http://www.malcolmturnbull.com.au/media/joint-statement-next-steps-of-the-special-strategic-partnership-asia-pacifi) and in January 2017 Prime Minister [Abe visited Australia](https://www.pm.gov.au/media/2017-01-14/visit-australia-japanese-prime-minister-abe).

Foreign Minister Bishop and Defence Minister Payne visited Japan in April 2017 for the 2+2. Trade, Tourism and Investment Minister Ciobo also visited in April 2017 to lead a business delegation meet with government and business representatives. Ministers Bishop and Ciobo celebrated the 60th anniversary of the signing of the Australia-Japan Agreement on Commerce during their visit.

Australia and Japan closely cooperate on nuclear non-proliferation and disarmament issues. The two countries have jointly led efforts in support of the Nuclear Non-Proliferation Treaty, including [International Commission on Nuclear Non-Proliferation and Disarmament](http://icnnd.org/Pages/default.aspx) (ICNND) established in 2008, and the cross-regional [Non-Proliferation and Disarmament Initiative](http://dfat.gov.au/international-relations/security/non-proliferation-disarmament-arms-control/nuclear-weapons/Pages/non-proliferation-and-disarmament-initiative-npdi.aspx) (NPDI) established in 2010. Australia and Japan are also co-Chairs of the [Friends of the Comprehensive Nuclear Test-Ban Treaty (CTBT) group](https://www.ctbto.org/the-treaty/ctbt-ministerial-meetings/).

Australia and Japan are close partners in regional forums such as APEC and the East Asia Summit. Australia supports Japan's aspiration to become a permanent member of the United Nations Security Council and Japan's efforts to reform the Security Council. Australia cooperates closely with Japan in its current role as a non-permanent member of the Security Council.

In the aftermath of the Tohoku earthquake and tsunami in Japan March 2011, Australia provided extensive support to Japan, including a 72-person urban search and rescue team; a team of Defence operations-response officers; C17 aircraft for use in relief operations; and a donation of $10 million to the Australian Red Cross Japan and the Pacific Disaster Appeal. Then Prime Minister Gillard was the first foreign head of government to conduct an official visit to Japan following the earthquake, announcing a [program to help fund university students, academics and professionals](http://www.pm.gov.au/press-office/remarks-australia-japan-goodwill-dinner-tokyo) from those areas most affected by disasters to spend time in Australia. There was also significant grass-roots support for Japan in Australia and from the Australian community in Japan.

Australia and Japan signed a [Memorandum of Understanding on International Development Cooperation between Australia and Japan](http://dfat.gov.au/geo/japan/pages/memorandum-of-understanding-mou-on-international-development-cooperation-between-australia-and-japan.aspx)(MOU) to cooperate closely in development assistance and disaster relief in Tokyo in December 2011. The MOU committed the respective parties to work more closely together to increase aid effectiveness and help developing countries lift their people out of poverty and share the benefits of economic growth. Through the partnership, the parties have agreed to increase the exchange of information, and to enhance cooperation in sectors such as education, health, food security and infrastructure.

Australia and Japan have both consistently agreed not to let our differences over whaling affect the broader bilateral relationship. We discuss our differing perspectives on whaling through our engagement in the International Whaling Commission (IWC). Our wide-ranging common interests include cooperation in Antarctica and safety-at-sea issues.

## Trade and Investment

The important Australia-Japan economic relationship is underpinned by complementary strengths and needs. Australia is a safe, secure and reliable supplier of food, energy and mineral resources and a world-class centre for financial and other services. Japan was Australia's third-largest goods export market by 1924-25**. Following the signing of the landmark Commerce Agreement in 1957, Japan became Australia's largest trading partner in the early 1970s—a position it maintained for 26 years. Japan is a reliable customer of Australian resources and Japanese investment has played a significant role in the development of the Australian economy.**

### Trade

Japan was Australia's third-largest trading partner in 2015-16. Japan is Australia's second - largest export market, and should remain so for the foreseeable future. Two-way goods and services trade between Australia and Japan was valued at $60.3 billion in 2015-16. Goods exports to Japan in 2015-16 were $35.9 billion, representing approximately 15 per cent of Australia's total goods exports.

In 2015-16, Australia's major merchandise exports to Japan included LNG, coal ($11.2 billion), iron ore ($4.7 billion), beef ($1.8 billion), and copper ores and concentrates ($1.4 billion). Japan was Australia's largest merchandise export market for coal, LNG, beef, , liquefied propane and butane, wood in chips or particles, pet food, cheese and curd, fish, and several other goods.

On the other side of the trade ledger, in 2015-16, Japan was Australia's third-largest source of imports. Major merchandise imports from Japan included passenger vehicles ($6.6 billion), refined petroleum ($2.6 billion), goods vehicles ($1.4 billion), and gold ($1.1 billion).

Total bilateral trade in services in 2015-16 was valued at over $5 billion, mostly in the recreational travel, transport and education sectors. Services exports were worth $2.1 billion and services imports were valued at $3.1 billion.

### Investment

Japan is Australia's largest source of investment from Asia and fourth-largest overall, with an investment stock of $213.5 billion in 2016. Japan was the second largest direct foreign investor in Australia ($90.9 billion) in 2016, accounting for 11.4 per cent of total foreign direct investment. This has been essential in the development of many of the export industries that have driven Australia's growth, including in large-scale projects to meet Japanese demand for resources such as iron ore, coal and motor vehicles. Japanese investment has enabled the rapid expansion of Australia's LNG capacity, which could see Australia become the world's biggest producer in 2017. The $34 billion Ichthys project near Darwin, headed by Japan's INPEX and scheduled to start production in 2017, will be the first Japanese-operated LNG project anywhere in the world. Japan's major trading houses continue to make multi-billion dollar investments in Australian resources.

Japanese investment has recently extended beyond the traditional areas of natural resources to sectors such as financial services, infrastructure, information and communications technology, property, food and agribusiness. JAEPA will further boost Japan's diverse and growing investment in Australia, generating employment growth including in regional Australia.

Japan was Australia's third-largest destination for foreign investment in 2016 (stock of investment in Japan was $108.3 billion).

### Bilateral and regional trade agreements

Australia and Japan are natural partners with highly complementary economies.

The Japan-Australia Economic Partnership Agreement (JAEPA) entered into force on 15 January 2015.  The agreement has already delivered significant benefits to Australian farmers, manufacturers, exporters, service providers and consumers.

From 2014 to 2016, fresh or chilled boneless beef exports to Japan grew by 1.2 fold to almost $1.1 billion, and exports of table grapes grew 51.2 fold, to over $30 million. Japan's sugar imports from Australia grew 2.2 fold, to almost $416 million.

The fourth round of tariff cuts was implemented on 1 April 2017, and more than 97 per cent of Japan's goods imports from Australia now enter Japan duty-free or under preferential tariff rates. When fully implemented more than 99.5 per cent of Australia's exports to Japan will receive preferential access or enter duty-free.

To date, JAEPA is by far the most liberalising trade agreement Japan has ever concluded.

More information on the [Japan-Australia Economic Partnership Agreement](http://dfat.gov.au/trade/agreements/jaepa/Pages/japan-australia-economic-partnership-agreement.aspx)

### Doing business in Japan

The [Australian Trade Commission](http://www.austrade.gov.au/) (Austrade) is the Commonwealth Government's agency that assists Australian companies to build and implement their export strategies. Austrade offers practical advice, market intelligence and ongoing support (including financial) to Australian companies seeking to grow their business in Japan. Austrade also works to promote the Australian education sector within Japan and attract productive foreign direct investment into Australia. Austrade has offices in Tokyo, Osaka, Fukuoka and Sapporo.

[More information on doing business and opportunities in Japan](http://www.austrade.gov.au/Export/Export-Markets/Countries/Japan/Market-profile)

## People to people links

Early Japanese settlers started the pearling industry in Australia. Larger-scale migration began after the Second World War, and Japanese continue to settle in Australia today. According to the 2011 census, more than 50,000 residents claimed Japanese heritage. Data suggest that there are approximately 82,000 Japanese nationals living in Australia (for a period of 3 months or longer) ([Japanese Statistics Bureau](http://www.stat.go.jp/english/data/nenkan/1431-02.htm)). There were 14,698 enrolments by students from Japan in 2016, ranking Japan as 14th overall by volume of enrolments for student visa holders. The English Language Intensive Course for Overseas Student (ELICOS) sector was the most popular sector for these enrolments (50.1 per cent). A further 28.1 per cent of Japanese enrolments were in Vocational Education and Training (VET) and 10.2 per cent in higher education. Students from Japan also travel to Australia on other visa types.

Since 2014, Japan has participated in the [New Colombo Plan](http://dfat.gov.au/people-to-people/new-colombo-plan/Pages/new-colombo-plan.aspx), a signature initiative of the Australian Government that aims to lift knowledge of the Indo-Pacific in Australia and strengthen people-to-people and institutional relationships through study and internships undertaken by Australian undergraduate students in the region. In the first three years of the program, more than 10,000 students are being supported to study, live and undertake work-based activities in the Indo-Pacific, with more than 1,400 New Colombo Plan students are being supported to study and undertake work-based learning activities in Japan between 2014 and 2017. Japanese remains the most widely studied language in Australian schools and universities, enhanced by over 650 sister-school relationships. Around 370,000 students study Japanese from primary to tertiary level, which ranks Australia fourth in the world in terms of the number of Japanese learners (Japan Foundation).  Japan was the fifth most popular destination for Australian university students studying abroad in 2015.

People-to-people links are supported by several Japan-Australia societies that provide grass-roots community support to the relationship, as well as 100 sister city and six sister state-prefecture relationships. Most Japanese come to Australia on short-term visits as tourists and businesspeople. Japan is Australia's sixth-largest inbound market in terms of short term arrivals, with over 382,000 visitors from Japan in 2016.  Some 358,600 Australians are estimated to have visited Japan in 2016.

## High-level visits

Since 1957, when then Prime Minister Sir Robert Menzies visited Japan (the first Australian prime minister to do so) there have been 25 prime-ministerial visits to Japan, the most recent being Prime Minister Turnbull’s visit in December 2015. Since the first post-war visit to Australia by then Prime Minister Nobusuke Kishi in 1957, 11 Japanese prime ministers have visited Australia.

**To Further Develop Relations between Australia and Japan**

Below is a Speech by Akio Mimura, a prominent Japanese businessman notable for his positions at the head of Nippon Steel and Sumitomo Metal Corporation, and as Chairman of the Japan-Australia Business Cooperation Committee. circa 2009  
  
Today, the subject given to me is what tasks lay ahead in securing the mutual growth of our two countries through the resource trade. So, I would like to first look back on the significant history of the trade between Australia and Japan, and then, based on the recent structural changes in the global economy, express my personal thoughts about some of the tasks ahead and suggest what future action should be taken - bilaterally - to further develop this important relationship, chiefly in the resource trade.   
**1. History of the trade between Australia and Japan**   
First, let us briefly examine the history of trade between Australia and Japan.

Fifty-two years ago, in 1957, the Australia-Japan Trade Agreement was signed, paving the way for the post-war development of trade between the two nations.

At the time, the total import-export trade volume between the two nations was about 400 million US dollars. During the period of fiscal 2007 to 2008, this trade amounted to about 54.6 billion Australian dollars, or around 50 billion US dollars at the current exchange rate. In just over half a century, trade has rocketed about 120-fold, a spectacular increase.

Even during the past decade, Australia’s exports to Japan increased from 17.5 to 34.9 billion Australian dollars, while Australia’s imports from Japan rose from 12.6 to 19.6 billion Australian dollars, twice and 1.5 times, respectively. The driving force behind this growth is Australia’s iron-making raw materials and steel-related products in which Nippon Steel has been deeply involved.

Australia mainly exports natural resources like minerals and energy sources as well as agricultural produce to Japan. Of these, the largest export commodity is coal, including metallurgical coal, followed by iron ore from Western Australia, comprising 31% and 14% respectively of total Japan-bound exports. In other words, coal and iron ore, when combined, represent almost half of the total exports to Japan.

On the other hand, Japan’s exports of steel products to Australia are modest, amounting to about 500 thousand tons in fiscal 2008. However, if we include industrial products using steel — for example, automobiles, motorcycles, and construction equipment such as power shovels and large trucks, as well as home appliances and so forth - these products represent a substantial 57% of the total exports from Japan.

In other words, Australia exports iron-making resources to resource-poor Japan, and Japan, exploiting its abundant human resources and technology, makes steel-related products which, in turn, flow back to Australia. This chain of steel supply has been expanded over the past half century, thereby boosting the economic development of both countries.

In summary, there is a natural complementary trade relationship between Australia and Japan, both of which are also blessed with relative geographical proximity.

**2. Historical inevitability of the development of Australia-Japan trade**

However, in a careful retrospect of this history, I feel very strongly that Australia and Japan go beyond this natural complementarily and are really tied together through a strong ideology that might be termed a “Strategic Trade Alliance.”

In the 1940s, an unfortunate period in history saw the two countries exchanging fire. Subsequently, however, sharing a firm commitment to respect freedom and democracy, the two countries have built and shaped this long-term, stable relationship, through combined efforts in both public and private sectors, in order to solve problems that have emerged periodically.

A representative example of those endeavours would be the lifting of the embargo on iron-ore exports. Amid the very tense international situation on the eve of the outbreak of World War II, and also with the aim of conserving iron-making resources, the Federal Government of Australia declared a full embargo on iron-ore exports in 1938.

For the succeeding 22 years, Australian iron ore remained dormant. Even at that time, however, the Government of Western Australia asserted, with determination and conviction, that the development and export of iron ore would boost the development of the regions and contribute to the finance of the nation. Since 1958, the Government of Western Australia aggressively lobbied the Federal Government, urging the lifting of the embargo.

In those days, Japan started rising from the wartime ruins, with the prospect of a dramatic expansion in steel production, and, accordingly, the need arose to secure Australia as a main source of iron ore supply. Thanks to the sustained efforts of both the Governments of Western Australia and Japan via diplomatic channels, the Australian Federal Government finally decided to remove the embargo on iron-ore exports in December 1960.

The existing state of development and export of iron ore business in Western Australia might be taken for granted now, but we should never forget that we owe all this to the efforts of our predecessors in both countries.

Another notable movement in Australia has been the reform of industrial relations. From around the 1970s up to the early 1990s, Australian mines were prone to strikes and labour disputes, and despite the country’s God-given iron-making resources, there was a time when the international competitiveness of the Australian mining industry seemed significantly undermined by management instability. However, following a radical revision of labour-related laws in Australia, and serious efforts for reform on the part of both management and employees, relations between the Australian workforce and management have improved and stabilized dramatically, with the result that the Australian iron-making resource industry is now the most competitive in the world.

Japan’s steel industry also contributed significantly for the Australian mining companies to develop iron-ore and coal mines. In the development and expansion of new and existing mines, we have supported the mining companies for their execution of “bankable” development and expansion plans by entering into long-term agreements for taking deliveries, synchronized with the pace and phase of the steel production expansion. The phrase “the same boat, the same crew” describing the iron ore trade between Australia and Japan reflects these histories.

Also, as the need arose, we have sought to further strengthen the ties with our suppliers by holding interests in the same. In seeking these interests, it has been our consistent policy that the Australian suppliers should remain at the centre of the mine management, with support provided from us as minority equity-holders. I think that in this process, it has become clear that holding interests has helped tremendously in establishing the strategic, long-range and forward-looking relations between the Australian suppliers and the Japanese mills because we have gotten involved in production more closely.

In the case of Nippon Steel, which came into the equity participation in Robe River in 1977, we have now come to hold interests in a total of eight iron ore and coal mines in Australia. Let me say that we take pride in having been the forerunner in structuring such strategic relations.

Earlier, I mentioned a “crisis” in Australia, so I should also touch on the “crisis” experienced by the Japanese steel industry. Just like the crisis experienced by Australians, Japan has also experienced a series of nasty jolts such as the two oil crises in the 1970s, the yen appreciation in the 1980s, and the collapse of the bubble economy in the 1990s. However, we have overcome them all by vigorously pushing through drastic rationalization and technological innovation, and regaining and enhancing our international competitiveness. In this sense, I view the current crisis triggered by the monetary crunch as just another surmountable crisis and also as an opportunity providing the impetus for us to become even more competitive.

Today, ladies and gentlemen, when we look back at such a history of the Australia-Japan chain of steel supplies, I would say that this all-important bilateral relation goes beyond the framework of the “trade relations” of just selling and buying alone and should be re-defined as an “alliance” in which an indomitable will towards the free market, free trade and a long-range vision combined with the ability to execute such a will is strategically shared by both partners, namely, in the form of the “Strategic Trade Alliance.”

**3. Structural changes in the global economy during the past several years**

Now, I turn to the changes in the global economy. Over the past several years, structural changes have occurred in the global economy, at breakneck speed never previously experienced.

Of the structural changes currently unfolding, three points should be noted.

**First:** The economic development of East Asia, including the rapid expansion of the presence of China.

**Second:** The current economic crisis and the widening volatility of industrial activities.

**Third:** The worldwide progress of oligopolies. Since the industrial revolution, the global economy has evolved around the Atlantic sphere, namely, Europe and North America.

Naturally, the economic power of Europe and North America combined is enormous even now. However, economic development in the East Asian sphere in recent years, mainly in China, has been simply spectacular. Since the economic crisis last year, in particular, China has been the driving force behind the recovery of the global economy. This economic development in East Asia represents a tremendous opportunity to the countries located in this region including Australia and Japan.

Nevertheless, the rapid and substantial expansion of the presence of China seems to have the potential to create intense strain. One of the reasons is the fact that China is based on a system unlike those of Australia and Japan, namely, the mixed economy. Already, the state-owned enterprises of China have been, and still are, obtaining interests in Australian resources. We, purely working in the market economy, must monitor with great concern how the Australian Government and the industrial community in Australia intend to handle these cases and how the global economy might consequently be affected.

Next, the details of the current economic crisis are already familiar to you, so need not be repeated here. The only thing I would like to emphasize here is the fact that the crisis this time is characterized by the speed of spreading and the breadth of volatility for the industrial activities. Of the factors contributing to this crisis, one is the fact that the Internet and other advanced means of communication enable the whole world to share the same information simultaneously and take similar actions all at once.

Needless to say, advances in communication methods are wonderful, and this trend is sure to further accelerate in future. Now, what is required of us in the business world is not to avert our eyes from these realities but to devise ways to deal with them, or somehow ease them, assuming the inevitable continuation of great speed and great breadth of volatility in future business and economic environment.

Perhaps, in attempting to respond to the expansion of volatility in the economy, there will be a need for industry to seek yet greater efficiency, and, as one of the best available prescriptions, individual enterprises will inevitably be required to resort to international integration and reorganization. In the steel industry, reorganization is an unavoidable and ongoing process, as already evidenced by the emergence of Arcelor Mittal. Likewise in China, with the rough-and-tumble of a great many steel mills, without reorganization and integration, the future of the steel industry not just in China but in the world has to be viewed as considerably doubtful.

Thirdly, as discussed here, corporate integration provides the advantages of greater efficiency and profitability on a microscopic level of individual enterprises; however, if taken too far, integration might trigger the development of oligopolies, which have a negative impact on the market mechanism; becoming an impediment to the macro-level economic growth.

This is the so-called “fallacy of composition.” In the natural resource industries, particularly since the 1990s, due to the continued depressed state of the economies in developed countries, compounded by the Asian crisis and other adverse factors, a bleak period has persisted. As a result, the past two decades have seen global reorganization and integration in these industries.

However, in my view, many of the global resource industries have already long reached the oligopolistic stages. To my mind, this situation makes it necessary for those responsible in both public and private sectors to mutually execute their respective responsibilities in a carefully balanced way in order to maintain a healthy market mechanism. In other words, it is vital to ensure that self restraint is exercised by resource companies and that the monitoring and regulatory responsibilities are taken on by the governments of the relevant countries.

**4. Main issues in the development of the Australia-Japan relationship and action priorities**

Finally, in the context of the future development of relations between Australia and Japan, please let me highlight some important issues I need to address and some measures we would need to take regarding resource industries and trade.

As I see it, there are currently three grave risks lurking behind the resource trade.

**First:** “Resource Nationalism”, with resource countries going to pursue their self-interests alone.

**Second:** what is termed Resource Enclosure, with resource-using countries, in the sole pursuit of their own interests, taking to enclosing resources overseas - a risk that may be described as “Resource Colonialism.”

**Third:** Resource Oligopoly, which I touched on earlier, with resource industries, based on the strength of oligopolies, continuing to siphon off the world’s wealth. It may also be termed “Resource Imperialism.”

History has taught us the words “nationalism, colonialism and imperialism”. However, these words do not belong to the past, but are very much part of the present and future.

Needless to say, these behaviours will impede the rational distribution of resources within the framework of the global economy, accelerate the mal-distribution of wealth, and lead the global economy to uncertainty and instability.

I myself am a firm believer in the market economy and place my trust in the fairness of the redistribution of wealth through the market mechanism. At the same time, I adopt the position that behaviours in this market should be guided by strong discipline in the order of the market. From this standpoint, the parties concerned in the public and private sectors in both countries must deal with such risks by upholding the clear principles of the free and fair market and by combining our collective wisdom to benefit the global economy and the sound development of the Australian and Japanese relationship. Despite the obstacles that may lie ahead, I would like to suggest some working approaches.

First, in the public sector, the Japanese and Australian governments need to accelerate action to expedite the signing of the Australia-Japan EPA/FTA. There are areas in which mutual concessions might be called for, but I am certain that both countries’ moves toward further liberalization, perhaps in progressive stages, will be of tremendous benefit to both countries. In addition, as I mentioned earlier, it is a sensible time for me to stress here the term “Fair Trade” in the segment of resources in particular, and expect the fair trade authorities to strongly crackdown against behaviour inclined toward excessive oligopoly with a view to maintaining the open and competitive market.

Secondly, in the private sector, particularly in the steel supply chain from iron-making raw materials to steel products, I have a feeling that we should perhaps refresh our memories back to when our trade relationship first started. Both seller and buyer must engage in discussion in a sincere and serious manner as to the desirable nature of the Strategic Trade Alliance, which is mutually beneficial on a long-term and stable basis, without being dazzled by short-term or one-sided profits. Furthermore, I consider it very useful and important for both seller and buyer to enhance the perception that structuring strategic relations, including investments by buyers, is a useful tool to mitigate mutual risks.

So, here in Western Australia, the birth place of iron-ore on which we have been deeply dependent for so long, I have discussed my views about how the economic relations between Australia and Japan could best develop in future, chiefly in the segment of resources.

Needless to say, my interest is not confined to the resource sector alone. Australia and Japan hold real and enormous potential for an extension and enhancement of the Strategic Trade Alliance, far beyond resources and steel products.

We should not remain static. Yes, until now, we have constructed the firm infrastructure of the Japan-Australia Strategic Trade Alliance through resources. However, the infrastructure will be easily deteriorated if we simply enjoy the present and don’t make any effort to maintain and improve it. Only by challenging the new frontiers, will our infrastructure be strengthened.

However, to enhance relations even in the new areas, there should be a firm discipline that needs to be commonly recognized. This is the “free and fair trading” in business behaviour that I mentioned previously.

To enhance the Australia-Japan Alliance in resources and further establish it beyond the resource segment in many other areas, I would like to continue in-depth cooperation with the people of Western Australia and the leaders of the business community in Australia.

I am a businessman, not a scholar. I need to provide answers. I need to get results. It is my responsibility. I would like to contribute, in however small a way, to ensuring the optimal state of this Alliance at the earliest possible date. And to do so, I need your cooperation.