



## **49<sup>th</sup> Annual General Meeting** **President's Report**

Dear Member,

I am pleased to provide this President's Report for the 2010-2011 year although I commence with a sombre note.

Whether it was the destruction wrought by Cyclone Yarzi in North Queensland, the flooding in south and south east Queensland, the floods in northern Victoria or the fires to the north of Perth in February that destroyed fifty or so farms/homes, or the horrific Tohoku Earthquake and Tsunami in Japan, the memberships of the AJBCC and counterpart JABCC have both been very mindful of the natural disasters affecting the populations in each other's country. Within a month of writing to Mimura-san, my JABCC counterpart, thanking the JABCC for its generous Yen 3,000,000 donation to the Queensland Premier's Flood Appeal, the Tohoku Earthquake and Tsunami occurred. Eighteen Missioners from the Second Australian Infrastructure Mission to Japan 8<sup>th</sup> – 11 March, 2011 were still in Tokyo on that fateful day and were very grateful for the caring attitude by the JABCC and the Japanese that they met, despite their own experiences, about the Australians' welfare. The AJBCC transferred a donation of A\$40,000 to the Japan Red Cross Society. The radiation emissions from the Fukushima nuclear power plant have added an additional factor of uncertainty to the lives of the displaced persons of the north east prefectures and we hope for an early resolution of their plight.

The realities facing business in **both** Australia and Japan are:-

- economies resilient enough domestically to say that they have withstood the Global Financial Crisis and to absorb the impact of the natural disasters, but
- a world still coping with the Global Financial Crisis and desperately hopeful of avoiding a double dip recession, and
- a business community hesitant to commit to major investments although most have healthy balance sheets, and
- a significant dependency on the controlled slowdown of inflation and growth of the Chinese economy whilst its orientation is shifted from exports to domestic based growth.

If we can exclude the unknown impacts of a double dip recession, then I believe we can retain confidence about the Australian and Japanese economies, especially if both continue to undertake restructuring that will improve productivity and competitiveness. The comparative ten-fold GDP per capita differential of Japan at US\$45,659 and China at US\$4,833 and the lesser quadruple purchasing price parity (PPP) differential of US\$34,646 to

US\$8,289 at GDP per capita, still underscores the commercial importance of Japan to Australia. In addition to these statistics I point to three others, namely: -

- Firstly, Japan, China and Korea are either the number one or number two two-way trade partner of each other. Australia has strong political and commercial relationships with each country, so as they prosper from their triangular interaction, the Australian economy will continue to grow.
- Secondly, Australia and Japan are two, well balanced and sophisticated, service dominated economies, therefore, the spectrum of our commerce is broader than that with China. It also retains much potential to grow.
- Thirdly, as Professor Peter Drysdale in his report of September 2009 to Austrade validated, Japan's supply chains and production networks throughout East and South Asia are of enormous value, and there is an increasing focus in our thinking and activity, and that of Austrade, to facilitate an increase in Australia's share. Although it has grown rapidly, Australia's \$6 billion share of the \$750 billion marketplace can be increased even further.

This year's **49<sup>th</sup> Japan-Australia Joint Business Conference**, to be held in Kyoto in just over six weeks, has a very stimulating programme and an excellent faculty of speakers already identified.

The Japanese delegation exceeds 100 persons and we already have 60 Australian registrants and should reach our historic 70 delegates when it is held in Japan. This will gladden the heart of Mr Ohtani, one our longest standing members, whom the Mayor of Kyoto has designated 'Visit Kyoto Ambassador' here in Australia. Given the strong relevance of the topics, I would like to encourage the registration of the next generation of your organisation's leadership so that they learn of the significance and depth of the relationship.

With respect to the **FTA**, now under negotiation, disappointingly there has only been one round of negotiations, namely the twelfth round in Tokyo in February 2011 since the 48<sup>th</sup> AGM. The thirteenth round was scheduled for April 2011 in Canberra but understandably was postponed. Regrettably a resumption date has yet to be determined. This reflects substantial delays in policy decision making in Tokyo consequent upon March's Earthquake and Tsunami's devastation and the determination of restructuring plans for the North-East region. Japan needs a safe and stable supply of energy, food and raw materials and appreciates the value of Australia as such a source. As the world economy improves and demand increases, then that need will come to the fore once again. Australia has agreed to the inclusion of chapters on food security and resources security into the FTA.

The AJBCC and the JABCC look forward to an early signing of the FTA as a means of increasing the integration of the two economies and being one element in the management of the joint relationship with China. We would be very pleased if the negotiations were to be completed in time to become

another element in the 2012-13 celebratory year of the establishment of the AJBCC in August 1962 and of the JABCC in February 1963.

The **AJBCC's Strategic Plan**, that was revised and circulated twelve months ago, has four AJBCC 'Envisioned Futures' to guide our actions and the allocation of our resources, namely:-

1. To be the 'Principal Reference Point' with respect to the views of Australian Business regarding the bilateral commerce.
2. To renew the understanding of the significance of Japan as a commercial partner – ie to make Japan 'Top of Mind'.
3. Develop the bilateral commerce – particularly facilitating its diversification.
4. Facilitate Australian 'intermeshing'/integration with Asia.

Whilst we see fresh opportunities to further the commerce in 'Energy', 'Resources' and 'Agribusiness' which are Australia's dominant exports to Japan, against the Strategic Plan, we have identified significant unrealised opportunities in six areas, namely:

- Financial Services
- Education
- Tourism
- Agribusiness and Food Processing
- ICT
- Health

With respect to these six areas, we are alert to how the AJBCC might leverage off its 49 year history and networks to explore and, if possible, facilitate the diversification of the bilateral commerce.

In **Financial Services** we have an 'Infrastructure' Planning Group that is convened by Bob Seidler. It has undertaken a busy programme since the last AGM. In September 2010 it organised a four day programme of briefings by our PPP Promotions Team in Tokyo which included an in-house workshop for the Ministry of Land Infrastructure and Transport (MLIT) and a Forum attended by a full house of 170 persons from Japan's Infrastructure sector that was hosted by JETRO. In March 2011, I led the Second Australian Infrastructure Mission to Japan which attracted 33 Missioners. Finally, in May 2011, I co-led with Mr Mimura a Joint Australia-Japan Infrastructure Mission to Indonesia which attracted 26 Missioners in the Australian delegation. The Planning Group's work has determined that there are significant complementarities in Australia's and Japan's infrastructure sectors to undertake joint venture work in Japan, in Australia and in third countries.

The level of interest in Japan to learn more about the Australian public-private-partnership (PPP) approach for the provision of public infrastructure is significant. Collaboratively, AJBCC, JABCC, Austrade and JETRO are responding. The Government of Japan being aware that its existing PPP method is failing to meet its needs is instituting changes that we are hopeful will provide opportunities for joint ventures involving Australian businesses.

Whilst not the motivator of the activity, the memberships being gained are an offset to the financial deficit on Infrastructure related activities. Having put in the seed money, so to speak, the AJBCC is increasingly expecting the prospective beneficiaries in Japan and Australia to cover the costs of future activity.

It is our view that via the Infrastructure initiative, the relevancy of the AJBCC to the broader bilateral commerce is being enhanced and our credibility with respect to further initiatives in the financial services area will be readily accepted.

It is important for the membership to know that the AJBCC endeavours to involve the existing sectoral bodies with the assurance that we are not trying to subvert their interests, rather leverage off our history and networks to facilitate the growth and diversification of the bilateral commerce. Similarly, it is important to affirm that the concentration of our financial and secretariat resources over the past year on these activities should not be construed as any lessening of the support of our membership's interests in the energy, minerals, agribusiness and tourism.

The **Education**, the AJBCC will continue to look for opportunities to encourage bilateral cooperation in R&D.

The **Tourism** Sub-Committee is encouraged by Tourism Australia's Japan specific market plan of late 2009 to increase bilateral traffic. We believe the new strategy is the most appropriate for many years. Nevertheless, high fuel costs and the reduction in the number of routes and flights as carriers fine tune their costs will not see numbers increase for some years yet.

There is nothing to report for the moment with regard to **Agribusiness and Food Processing** or **ICT**, however, with respect to **Health**, I wish to advise that at its April meeting, the AJBCC Executive agreed to the establishment of an AJBCC Health Services Planning Group to explore the opportunities that might exist for Australian businesses in Japan and for collaboration with Japanese health services organisations. Members will have received advice of seminars scheduled for Melbourne next Wednesday 31<sup>st</sup> August and for Sydney on Friday 2<sup>nd</sup> September. I commend these to you and your relevant contacts.

Members will be aware that the AJBCC has made a submission to the Joint Houses Foreign Affairs, Defence and Trade Committees "***Inquiry in Australia's Trade and Investment Relations with Japan and Korea***". A copy of the submission was emailed to all members and shortly it is expected to be released by government for publication on our website.

After being under development for a considerable period of time, the **AJBCC's website** has been completely revamped and is recommended to the membership – [www.ajbcc.asn.au](http://www.ajbcc.asn.au)

The Executive wishes to thank all members who availed the opportunity to nominate a representative(s) for consideration under the **'Future Business Counterparts from Australia' initiative** of the Japanese Government. In the fourth, ie 2011 program, many of the successful invitees were associated with AJBCC organisations. The Japanese Government was very pleased with the success of this fourth programme under the initiative and we have an understanding that it will be repeated in 2012. We wish to encourage nominations from members of their staff next year. The feedback we received was that the young business persons built an appreciation of the sophistication of the Japanese economy; the way business is done in that economy; and the benefits of encouraging increased commercial linkages.

As reported to the last AGM, the Executive has concluded that it is prepared to commit \$25,000 for each of four years to fund a **PhD scholarship** for a promising academic economist to be based at the Australia Japan Research Centre at the ANU. As a scholar has now been identified, this AJBCC commitment to a PhD scholarship will be one centre-piece project, marking in 2012, the 50<sup>th</sup> anniversary of the foundation of the AJBCC.

The Secretariat has previously emailed to all members the advice that Sunday 7<sup>th</sup> – Wednesday 10<sup>th</sup> October 2012 have been set as the dates for the **50<sup>th</sup> Australia-Japan Joint Business Conference**. The fourth day increases our conference's planning flexibility. The host city has not been determined. The Secretariat requested ideas for programming throughout the celebratory year in Australia and Japan. We have already received a cultural linkage and other suggestions from Mr Ohtani. We would like to renew that invitation to all AJBCC members to offer ideas for consideration. Discussions with our JABCC counterparts have concluded that it be a year of celebration rather than restricted to the Joint Business Conference timeframe, also that events be held in both countries. We wish to encourage an exchange of visits by the Prime Ministers of both countries. Once again, your Executive would welcome ideas pertinent to the celebratory year.

I welcome all new members to the AJBCC and express the hope that you will be pleased with a long and happy association with our body. We are always interested in your suggestions about making our activities more relevant to your working lives. We thank those organisations which have, for various reasons, decided to relinquish their membership for their past support and wish their revised strategies success.

On behalf of the AJBCC, may I thank Ambassadors McLean and Sato for their own and their staffs' courtesies to myself, the AJBCC membership and our Secretariat. Many members have had the opportunity to meet with Ambassador Bruce Miller during his pre-departure briefings around the Australian states, we look forward to meeting with the Ambassador-in Kyoto at the conference. We thank the Department of Foreign Affairs and Trade and Peter Grey and his Austrade colleagues for similar courtesies. The Queensland Government is particularly mentioned for its great support of the 48<sup>th</sup> Australia-Japan Joint Business Conference held in October 2010 in Brisbane.

Mr Ron McNeilly and Mr Don Voelte resigned from the Executive Committee during the financial year, both are thanked for their contributions to the Executive Committee's deliberations and service to members.

We thank Marcela Bernal de Castro and Paul Gallagher for their work in manning the Secretariat and contributing to the success of AJBCC's activities. The Executive has approved a substantial increase in the Secretariat Fee for the 2011-12 year in order that Ms Bernal de Castro can join the secretariat and will be conducting a thorough review of the secretariat function and resources during the coming months.

Ladies and Gentlemen, I wish you a successful twelve months of bilateral activity.

**Thursday 25<sup>th</sup> August 2011**  
**Melbourne**