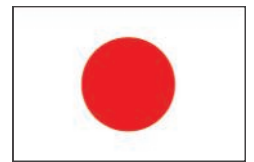




# 2014—an important year in Japan-Australia relations



The signing of the Japan-Australia Economic Partnership Agreement (JAEPA) by Prime Ministers Abe and Abbott on 8 July in Canberra was the culmination of seven years of negotiations. It was also a highpoint of several particularly active months of top level visits and meetings between Japan and Australia.

### Accelerating the liberalisation of trade

The Japan-Australia economic relationship has long been a very fruitful one and its highly complementary nature has proved a boon to both parties over decades. So why the need for an EPA?

In short, the JAEPA will make trade between Japan and Australia easier, and this will be to the benefit of both countries. Speaking at the Asia Society in Canberra (8 July), Prime Minister Abe said, "With a Japanese-Australia EPA put in place, the two countries' economic relationship will be enhanced to a new dimension."

Two-way trade in 2013 was \$70.8 billion. (This represents more than 10% of Australia's total trade.) When JAEPA enters into force, there will be immediate reductions to certain tariffs, with others decreasing over time.

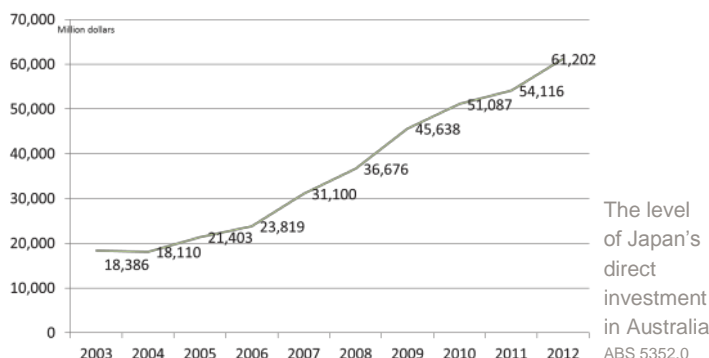
For example, currently the automotive sector accounts for almost half of all Japanese exports to Australia. Approximately 75% of vehicles from Japan will enter tariff free, with all abolished in the third year. Not only cars will be cheaper, tariffs will be eliminated from white goods and electronics.

For Australia there will also be greater access and preferential treatment for exports into Japan. Japan is well known as a market for Australian energy resources, but perhaps less known is the fact that it is Australia's largest food market. This is despite the hitherto high tariffs on agricultural products. Agricultural tariffs will be cut or eliminated on a wide range of products. There is likely to be more and more Aussie food and wine on the Japanese table.

### Increasing direct investment

The past decade has witnessed a significant increase in the amount of direct investment from Japan into Australia as the graph below shows.

There have been several large investments by Japanese companies that have made the headlines of the business



### Top level visits and meetings in 2014

This year has seen multiple top level visits. The visit to Japan of Prime Minister Tony Abbott (5-8 April) was regarded as highly successful, and the JAEPA negotiations were finalised during this visit. Security and defence results from the same visit were followed up during the Fifth '2+2' Joint Foreign and Defence Ministerial Meetings between Japan and Australia on 11 June. The Japanese Prime Minister's visit to Australia in July was significant not only for the JAEPA signing; later the same day, Prime Ministers Abe and Abbott signed the 'Agreement between the Government of Japan and the Government of Australia concerning the Transfer of Defence Equipment and Technology'. Most recently a meeting between Foreign Ministers Kishida and Bishop was held on 9 August.

For meeting outlines, images and related documents, see the Ministry of Foreign Affairs website: [www.mofa.go.jp/region/asia-paci/australia/index.html](http://www.mofa.go.jp/region/asia-paci/australia/index.html)

Prime Minister Shinzo Abe's historic address to the Australian Parliament can be read at [http://japan.kantei.go.jp/96\\_abe/statement/201407/0708article1.html](http://japan.kantei.go.jp/96_abe/statement/201407/0708article1.html) or viewed at <https://www.youtube.com/watch?v=XluYBfunMF8&feature=youtu.be>

### High awareness of people-to-people ties

Those at 'the top' are very much aware of the benefit of strong people-to-people ties to the greater Japan-Australia relationship. With more than 100 sister-city relationships, there is ongoing, active exchange at the local level, fostering great mutual understanding.

Both countries also recognise the importance of encouraging young people to live, study and work abroad. The New Colombo Plan includes Australian university students going to Japan. Japan continues to support exchange programs such as JET and JENESYS which see hundreds of young Australians work in and visit Japan.

Strong Japanese language education in Australia, particularly in NSW, continues to make a significant contribution to people-to-people ties.

pages in recent years. The 2012 \$34bn Ichthys LNG investment in the Northern Territory by INPEX is the largest ever Japanese investment overseas. Another significant investment is the 2012 \$2bn Japan Australia LNG (MIMI) Browse Pty Ltd investment in Woodside Browse in Western Australia. Beyond energy resources, 2011 saw a \$1.2bn investment by Dai-ichi Life Insurance in TAL (Tower Australia Group). Kirin Holdings, the owner of Lion Nathan National Foods, has continued to increase its stake in Australian dairy and beverages since acquiring National Foods in 2007, and today holds some of the best known brands in Australia.

Under the JAEPA, the threshold at which Australia's Foreign Investment Review Board must approve private Japanese investment in non-sensitive areas will rise from the current \$248m to \$1.078bn.