

Reimagining the Japan Relationship

A call to action for Australia's business community

Key Areas of the report

- Understanding Japan
- The opportunity of Japan's energy transition
- Demography, investment and technology
- Institutional infrastructure
- Exchanges and getting Australia on the education map
- Arts and cultural exchange at the centre of Australia-Japan relations
- Sports diplomacy
- Comprehensive regional security and strategic cooperation

Current state of the relationship

Strategic and security relationship

- Australia's relationship with Japan has never been more close.
- The partnership between the two countries is built on deep economic complementarity, shared strategic interests and trust and familiarity.

Investment

- Japan is the second largest investor in Australia, with an estimated stock of A\$131.8 billion in 2020.
- For Australia, Japan will continue to be an important source of investment.
- However, Japan is only the 17th largest destination for Australian investment.
- The potential of Japan's market is largely untapped, due to the various barriers to entry for investing and operating in Japan.

Trade

- Australia supplies two thirds of Japan's key industrial materials and around one third of its entire energy needs.
- The structure of this trade will have to change fundamentally as Australia and Japan decarbonise their economies.

Demography

- Japan's ageing and shrinking population presents challenges and opportunities for Australia as it deals with its own demographic challenges.

Understanding

- Japan-knowledge and Japan-literacy exists within the community but has depreciated over time.
- Australia attracts a large number of Japanese students on short term high school or university exchanges but few for full university degrees

Institutional Infrastructure

- The connection between Australia and Japan is too narrow and top-heavy.
- The existing infrastructure lacks a broad and deep network of institutional links and understanding befitting the importance of the Japan relationship in Australia.

Key mutual challenges and drivers

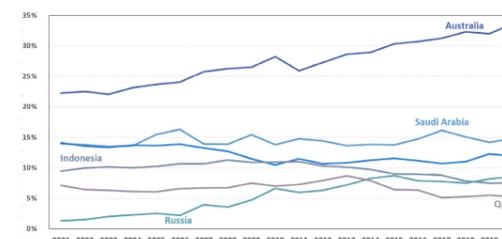
Changes in regional strategic and security landscapes

- Changing geopolitical environment poses a risk to the region's prosperity, security and stability.
- Promote free trade and multilateral rules to diffuse economic and political power for regional stability.

Energy transition

- Australia is both the largest supplier of fossil fuel energy as well as total energy to Japan, creating a track record of cooperation, and mutual trust.
- Japan's investments in low emissions technologies will change this relationship, and provides opportunities for Australia to partner with Japan and engage in this decarbonisation together through close cooperation.

Figure 1: Share of Japan's total energy imports (gigajoules)



Competition for attention and priority

- Challenges are not unique to Australia and Japan but are global.
- Competition for opportunities is intensifying.
- Global war for talent and educational opportunities.

How can business help?

Business-level initiatives

- Invest in capital and human networks to support the bilateral energy relationship.
- Introduce and reward qualifications in Japan-knowledge and experience, that can be replicated in the public service.
- Work with universities to recruit and create internship opportunities for Japanese postgraduate students in Australia, and Australian postgraduate students in Japan.

Participate in Industry

- Initiate dialogues on the agenda for Comprehensive Security in the region, including economic as well as sustainability as crucial elements in overall security.
- Launch a joint Australia-Japan Energy Initiative that brings together government, industry, experts and stakeholder groups to accelerate and facilitate the energy transition.
- Initiating Dialogues for Change that involve business, government, academia and community leaders focused on gender diversity and the movement of people.

Lobby Government to set up frameworks

- Lobby to multilateralise ASEAN's Treaty of Amity and Cooperation principles as core to economic, political and strategic engagement and comprehensive security in the region.
- Lobby for a bilateral framework for the trade of carbon credits to accelerate investment in renewables, technology and development of carbon capture use and storage.
- Lobby for government leadership and required public resourcing to upgrade investment in getting close to and understanding Japan.