

51st Japan-Australia Joint Business Conference

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Speaking Notes

Good morning.

It's a great honour to have the opportunity to speak to the Japan-Australia Joint Business Conference and to follow Tanaka San's thoughtful speech on the Japan-Australia relationship.

I remember an old Roman quote that went something along the lines of: "one of the qualities of true friendship is to understand and to be understood".

Tanaka San's remarks about the Japan-Australia relationship show the depth of understanding that exists between our two countries, and that Australia and Japan are truly friends.

Perhaps that's no surprise to people in this room, after all the Australia-Japan Business Cooperation Council has worked tirelessly to build that understanding and that friendship for over 50 years.

As we have heard, Japan is Australia's second-largest trading partner with total goods and services trade amounting to over \$70 billion in 2012.

It's a relationship born out of economic interdependence, with Australia's strengths in natural resources and agriculture, and Japan's skills in manufacturing and technological innovation.

Australia, for example, is Japan's number one source of coal, iron ore, liquefied natural gas, uranium, beef and dairy products.

Investment from Japan has also played a key role in Australia's economic development with the amount doubling since 2007 to over \$125 billion in 2012.

This highlights that, over time, sustainable relationships balance trade and investment.

I want to make this point because I believe the balanced trade and investment relationship that exists with Japan is a model for Australia's wider engagement in the Asian Century.

In recent months, Australia's national discussion about foreign investment has again become infused with emotion, paranoia and sentimentality.

Perhaps this isn't surprising given foreign investment in agriculture – and sometimes even in mining and manufacturing – seems to be at odds with how we think about ourselves as a nation.

It's almost as though we're abandoning our agricultural heritage or giving up long-loved brands which play so closely upon our memories.

However foreign capital is critical to economies such as Australia.

The truth is, if our national savings had to cover our capital needs, we would not have the capacity for essential investments in areas such as welfare, health, education and housing.

In my view, capital goes where it is welcome and when Australia turns away foreign capital, we turn away opportunities.

There are three important reasons why Australia needs foreign investment:

- First, our most important industries – natural resources and agriculture – rely heavily on capital. And the more capital they get, the more productive they can be.

In natural resources for example, our relationship with Japan has shown the way. Most recently, the \$22 billion commitment by INPEX to the Ichthys LNG Project in the Browse Basin has bought Australia jobs and training, business opportunities, new infrastructure and advanced technology ... and has built capacity for our energy industry.

In agriculture, the concern voiced by some over foreign capital ignores the far greater challenge of solving Australia's stagnating farm productivity, the sector's inability to attract domestic capital and its ageing workforce.

Again, our relationship with Japan shows the way.

For example, last year Mitsubishi's partnership with Murray Golburn saw it acquire a 24% stake in Tasmanian Dairy Products. This investment is supporting the completion of a milk processing plant which will see Tasmania dairy farmers supply rapidly growing markets in Asia and the Middle East.

- The second reason Australia needs foreign investment is, with Australia's population growing faster than most of the developed world, we need more capital for infrastructure than countries with slower population growth.

And the final reason, as Australia's relationship with Japan has shown, is that foreign investment increases competition and brings innovations to our market which boosts productivity and economic growth.

To me, the Japan-Australia relationship demonstrates that foreign investment doesn't have to come at the expense of control of our national assets, our institutions or our identity.

Australia and Japan have a strong friendship based on mutual trust and reliability established through many years of collaboration in trade and investment.

In Australia, we have to recognise the lesson of our relationship with Japan which is that deep and lasting connections with the opportunities of the Asian Century will come through trade and through accessing Asia's growing pools of capital.

Our relationship shows that there's no reason for foreign investment to challenge our national identity. The trick is to deal sensibly with the control questions and to be innovative with funding structures we develop.

Let me say however that despite the noise from some parts of the political spectrum in Australia, I'm more optimistic that our leaders understand the importance of Asian capital to Australia's future than at any time in the recent past.

For example, our new Prime Minister Tony Abbott has already shown a strong commitment to deepening relationships with Asia which is very welcome.

In recent weeks for example, we have seen positive progress with Indonesia; priority is being given to completing free-trade agreements with China, Japan and South Korea; and Prime Minister Abbott has highlighted that Japan is Australia's "closest friend in Asia".

But at a time when enormous economic shifts are underway in our region and new relationships are forming, it's important to remind ourselves that Japan remains Australia's closest and most mature bi-lateral relationship in the region.

Old friendships need to be nurtured with the same care as new ones.

Addressing and examining market-access barriers has to be a major priority for the Japanese and Australian governments.

Businesses in both countries stand to gain significantly from a high-quality, comprehensive free trade agreement. There are significant benefits in completing the FTA for both Australia and Japan.

- Liberalising the trade in goods would increase economic growth, trade, investment and employment in both countries.
- The FTA would assist to strengthen trade in agriculture, helping Japan realise its food security objectives while providing export opportunities for Australia.
- An agreement which liberalised and facilitated investment, including in the energy and resources sector, would attract more investment in both directions and be consistent with Japan's objective of promoting inward FDI and it would contribute to Australia's economic growth.

In a low growth world, this would provide a valuable boost to both our economies and in my view no FTA would be more natural or logical to complete than with Japan which is not just about the existing Japan-Australia relationship, but what it might become in the future.

Prime Minister Abe's economic agenda and its early success highlights that what is good for Japanese economic growth will also be of benefit its economic partners such as Australia.

And with the Japanese economy opening up to greater international competition, consuming more energy, tourism, foreign education and professional services, that growth could be even higher.

As I have already outlined, Japanese investment in Australia is currently significantly greater than any other Asian country, and strong growth in Japan would likely be felt across a range of sectors including finance, agri-business, fisheries, resources, technology, food and beverages, tourism and advanced manufacturing.

So let me conclude by saying that this is a time of enormous opportunity for both Japan and Australia.

While it's become popular in the last decade to refer to this time of opportunity as the "Asian Century", we need to remember that it is a century in which Japan has led the way.

Japan was the first Asian country to urbanise and industrialise, providing an example to the other nations of the region.

My message today however is that I believe Japan has also led the way in demonstrating how sustainable relationships balance trade and investment.

In the same way, this should to serve as an example to Australia of how deep and lasting connections with the opportunities of the Asian Century will come through trade and through accessing Asia's growing pools of capital.

Friends, many thanks for listen to me today.