

CHAPTER 1

INTRODUCTION

Establishment of the inquiry

1.1 Over many decades, Australia and Japan have forged a close and mutually beneficial friendship. In 1957, they signed a Commerce Agreement, which laid solid foundations on which both countries have built a fruitful and deepening partnership. Twenty years on, the Prime Ministers of Australia and Japan, wishing to place their relations on an even closer and more concrete basis, signed a treaty of friendship.

1.2 Both countries also appreciate their important role in the Asia Pacific region and have a shared desire to see the region prosper. For many years, Australian and Japanese political leaders, academics and business people have worked together with those from the developing nations in the region to foster economic cooperation and to facilitate social progress throughout the Pacific.

1.3 Today, the partnership between Australia and Japan still stands firm but there are challenges ahead for both countries in further developing their relationship. Social and economic changes in Japan, the Asian economic crisis and a dramatically changing global landscape mean that Australia and Japan cannot take their strong and long-lasting relationship for granted. The time is ripe for a review of Australia's relationship with Japan.

1.4 On 31 March 1998, the Senate referred the following matter to the Senate Foreign Affairs, Defence and Trade References Committee for inquiry and report by February 1999:

- (1) Examination of developments in contemporary Japan with respect to:
 - (a) contemporary economic conditions, including:
 - (i) the impact of low and expected continuing low growth;
 - (ii) the effect of the Asian currency crisis;
 - (iii) blockages to economic efficiency and areas of reform in the domestic economy; and
 - (iv) trading patterns and the significance of Japan's growing trade surplus in its relations with its leading trading partners;
 - (b) contemporary political changes, including:

- (i) the changes in the major political parties, the emergence of new parties and the electoral and structural changes that are occurring;
 - (ii) the political significance and power of land-holders and farmers in influencing social and economic progress; and
 - (iii) Japan's view of itself in the world and its role in the Asian region;
- (c) significant contemporary changes in Japanese society;
- (2) examination of the implications of the above matter for Australia.

The reporting date was subsequently extended to 17 August 2000.

Conduct of the inquiry

1.5 The Committee advertised the inquiry in all Australian capital cities and in the *Australian Financial Review* on 8 April 1998 and in the *Australian* on 11 April 1998. The advertisement called for written submissions to be lodged by 12 June 1998. In addition, the Committee wrote to parties with interests or particular expertise in Japanese affairs drawing attention to the inquiry and inviting submissions. In all, the Committee received 64 submissions, details of which are listed in Appendix 1. All of the written submissions were made public documents.

1.6 Public hearings were held in Canberra, Melbourne, Perth, Sydney and Brisbane over a period of seven months from February to September 1999. Witnesses were drawn from federal and state government departments, Australian and Japanese businesses, journalism and academia. Details of these hearings together with a witness list are contained in Appendix 2. His Excellency, Mr Masaji Takahashi, Ambassador of Japan, and Mr Kiyokazu Ota, Minister, Embassy of Japan, kindly accepted the Committee's invitation to appear before it on 30 August 1999. This hearing took place *in camera*.

The Structure of the report

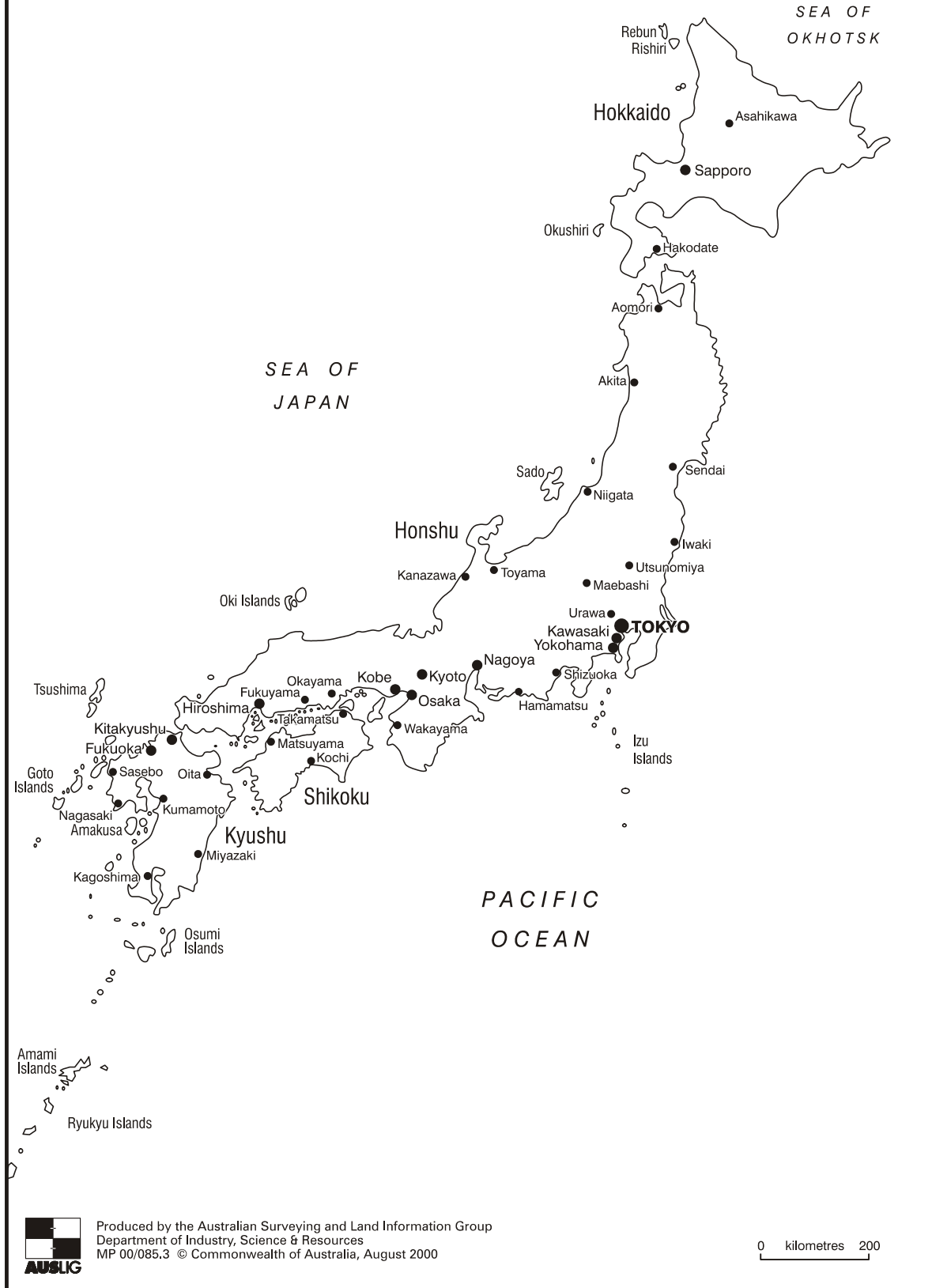
1.7 Because of the wide-ranging nature of the inquiry, the Committee decided that the report would be divided into two separate parts. This report—*Japan's Economy: Implications for Australia*—forms Part One and deals specifically with the contemporary economic developments in Japan and their implications for Australia. The second part will deal with the contemporary political, social and cultural changes in Japan and how they affect Australia.

Acknowledgments

1.8 The Committee wishes to express its appreciation to everyone who contributed to the inquiry by making submissions, providing information or appearing before the Committee at public hearings. The Committee would like to extend a

special thanks to Ambassador Masaji Takahashi, Mr Kiyokazu Ota and the staff at the Japanese Embassy in Canberra for their interest and invaluable assistance throughout the inquiry.

JAPAN



Asia Pacific Region

