

CHAPTER 9

UNDERSTANDING AND PARTNERSHIP

Introduction

9.1 In this chapter, the Committee draws together some of the broader themes developed during the inquiry. In doing so, it turns its attention to Australia and how Australians can work to improve their relationship with Japan. The Committee looks specifically at the need to develop a strong mutual understanding between the two countries so they can develop a fruitful and lasting partnership.

Commitment to deepening the Australia-Japan relationship

9.2 The Committee does not accept that the Australia-Japan relationship has reached a low point and that the relationship is ‘floundering’. It does, nonetheless, take careful note of the warning given by some witnesses about complacency creeping into the relationship and acknowledges the call for Australia to work harder toward cultivating its relationship with Japan. As a first step, the Committee fully endorses the view that Australia needs to reaffirm its commitment to Japan.¹ But, it also recognises that practical measures must be taken to give substance to any reaffirmation and this means acknowledging any problems in the relationship and cooperating with Japan to reach solutions. It also means accepting that the Australia-Japan relationship must go beyond political pronouncements and diplomatic exchanges and that much work still needs to be done toward further developing the relationship particularly at the business level and in the general community.

9.3 Trade is not solely about economics and, as noted by a number of witnesses, trust and partnership are integral to any trading relationship. Mr Leon Wolff suggested that Australians need to strive for a higher level of sophistication and to achieve a degree of openness and trust in the Australia-Japan relationship.² Professor William Coaldrake made the point:

You may profit more by treating people not as products and as markets but as collaborators in the long term.³

9.4 In reaffirming its commitment to the Australia-Japan relationship, Australia needs to convey a clear message to Japan that it is prepared to stay for the long journey in developing and deepening their association. A number of witnesses submitted that Australians should be ‘patient with Japan as it finds its way through a

1 See Terence White, Australia-Japan Foundation, *Committee Hansard*, 19 February 1999, p. 51.

2 Leon Wolff, *Committee Hansard*, 28 May 1999, p. 647.

3 Professor William Coaldrake, *Committee Hansard*, 17 May 1999, p. 582.

maze of economic, political and social challenges'.⁴ Mr Wolff told the Committee that, 'If we pressure for immediate results, I think we will get band-aid solutions, but if we are prepared to discuss and engage with Japan over the medium and longer term, we will get something far stronger.'⁵ The Committee agrees.

9.5 Indeed, it is in Australia's wider interest to be as tolerant and sympathetic as possible on matters where Japan has real or perceived vulnerabilities. Australia should offer reassurance and show its readiness to assist Japan through this time of economic difficulty and change but at the same time it must show it is prepared to take a firm stand on matters of principle when its own interests are under threat. The recent issue over the tariffication of rice provides an example of the delicate balance required between supporting a trading partner and protecting national interest.

The need for both partners to develop an understanding of the other

9.6 Evidence presented to the Committee overwhelmingly reinforced the view that, to assess accurately the nature of the Australia-Japan association and then to take the relationship forward, both countries must have a genuine appreciation of how the other works. Knowledge of society, politics, economics and of law lay at the heart of developing a greater mutual appreciation between the two countries. Improving diplomatic and problem solving skills, particularly the ability to analyse current issues across a range of disciplines, is also important.⁶

9.7 In turning more specifically to safeguarding and promoting Australia's economic interests, witnesses emphasised the need to be able to comprehend fully what is happening in Japan. Indeed, one of the most consistent messages coming out of the inquiry was the need for Australians to have an understanding of the overarching socio-political architecture that shapes the trade policies of Australia's most important trading partner.

9.8 When Australians become disappointed with Japanese decisions, this reaction often stems from a misunderstanding of how Japanese society works—of unrealistic expectations. According to Mr Christopher Pokarier, Australians do not pay attention to interest group dynamics in Japanese politics. He stated:

If we had watched much more closely just how much their rural interests were hurting and had seen the political vulnerability of the LDP...it would not have surprised us...they would not have dared risk alienating their rural constituencies. If we had that in mind, we would not have been so shocked by the rice tariffication decision.

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4 Christopher Pokarier, submission no. 10, p. 15.

5 Leon Wolff, *Committee Hansard*, 28 May 1999, p. 646.

6 Leon Wolff, *Committee Hansard*, 28 May 1999, p. 647.

...lots of people can understand in a general sense why farmers would want to protect their economic interests, but I do not think there is a broad understanding of how they make their interests politically salient in Japan. I think that is really the crux of it; that we should be better political economists more than anything else.⁷

9.9 The need to be fully aware of developments in Japan and to be able to assess how they will influence Australia is vital to Australia's interests especially at this time of rapid change and economic uncertainties. Professor Drysdale highlighted the importance for Australia to develop a clear understanding of the big changes that are taking place in Japan now, since 'misreading those changes in our largest economic partner would potentially damage our long-term strategic interests in the region and internationally'.⁸ The Australia-Japan Foundation loudly endorsed this view. It believed that Australia has to be very clever about the way it changes its trading relationship with Japan as it moves out of heavy industry.⁹

9.10 As pointed out by DFAT:

We need to continue to review that relationship to ensure that it retains its momentum and grows and develops to embrace new opportunities which come about as a result of change in both our societies. This includes exploring new commercial and other links going beyond the traditional areas to include challenges in IT, financial services, health and medical care and so on.¹⁰

9.11 Clearly, in this environment of change; of restructuring; of shifting trading patterns and economic uncertainties; Australia needs at hand the resources and skills necessary to understand and analyse the nature of the changes in Japan and their ramifications for the Australian economy. DFAT suggested that this level of understanding and analysis can be achieved through 'the maintenance and strengthening of current institutional arrangements and furtherance of high-level political, official, business and people-to-people contacts'.¹¹ The Committee agrees and has made recommendations along these lines in Chapters 6 and 7. A number of witnesses, however, went to the very fundamentals of the relationship—Australia's level of understanding of the culture, traditions and beliefs that shape Japanese society and guide its decision makers.

Understanding through language

9.12 One of the most notable advances that Australia has made in attaining a better understanding of Japan is through the teaching of the Japanese language in Australian

7 Christopher Pokarier, *Committee Hansard*, 16 April 1999, pp. 429–430.

8 Professor Peter Drysdale, *Committee Hansard*, 23 August 1999, p. 763.

9 Terence White, Australia-Japan Foundation, *Committee Hansard*, 19 February 1999, p. 47.

10 Colin Heseltine, DFAT, *Committee Hansard*, 15 February 1999, p. 4.

11 DFAT, submission no. 32, p. 6.

schools. Indeed, the Japanese language has become a popular area of study in Australia.

9.13 Professor Rix told the Committee that Australia has invested an enormous amount in learning about Japan and working with Japan. He drew special attention to the Japanese language programs in Australia's education system, the breadth of the study of Japan in the tertiary sector at universities, and the array of capacity within the government in dealing with Japan. In the last 25 years, he argued, Australia had 'come an enormously long way' in teaching Japanese language. He told the Committee that Australia is well served at the diplomatic level in Japan, noting that the embassy in Tokyo is one of the best embassies in terms of linguistic capacities of any in that city.¹²

9.14 The Japan Foundation told the Committee that there are more than 300,000 students of Japanese language in Australia. A similar survey from 1993 showed that there were around 180,000 students of Japanese. Over this 5-year period there has been a 70 per cent increase in the number of Australian students choosing to learn the Japanese language. As a percentage of the population, Australia ranks second behind Korea in the number of Japanese language students. Korea has more than 940,00 students studying the Japanese language.¹³

9.15 Closer scrutiny reveals, however, that 97 per cent of those studying the Japanese language in Australia are at primary and secondary school levels.¹⁴ According to the Department of Education over 5,000 students a year, or one in 60 of the students who have studied Japanese language at school, go on to take Japanese as part of their year 12 assessment that is at the higher school certificate level.¹⁵

9.16 The Japan Foundation Language Centre was concerned that although the number of students has increased in the primary and secondary levels, the ratio of students to teachers 'indicates that there is room for improvement'. It quoted 1998 figures to show that the increase in teachers of the Japanese language was only 39 per cent as compared with the 70 per cent increase in student numbers. It concluded that there is a shortage of suitably qualified teachers at the primary and secondary schools.¹⁶

12 Profesor Alan Rix, *Committee Hansard*, 16 April 1999, p. 447.

13 Katsumi Kakazu, Japan Foundation, Sydney Language Centre, *Committee Hansard*, 3 September 1999, p. 822 and David Askew, *Committee Hansard*, 17 May 1999, p. 552.

14 Katsumi Kakazu, Japan Foundation, Sydney Language Centre, *Committee Hansard*, p. 822.

15 Robert Horne, Department of Education, Training and Youth Affairs, *Committee Hansard*, 28 May 1999, p. 715.

16 Paper prepared by Katsumi Kakazu, Manager, the Japan Foundation Sydney Language Centre, p. 2.

9.17 The Foundation was also concerned that the high number of students undertaking Japanese language studies at school level are not successfully carrying through to the tertiary sector.¹⁷

9.18 Without doubt, Australia has made great strides in encouraging the study of Japanese language although the problem about the shortage of qualified teachers in Australian schools needs to be addressed. In turning specifically to tertiary institutions, however, the Committee noted that that area of Japanese studies needs careful review.

Understanding through appreciation of society and culture

9.19 A number of witnesses stressed that while language provides a solid base it alone is not sufficient to provide the level of understanding needed to comprehend fully the way a society works. Professor Coaldrake made the point that the very foundation of an enduring relationship rests on understanding and communication, which in turn depends upon speaking a language of mutual comprehension, not just each other's language, but also understanding society, culture and history. The idea of trust and partnership has great meaning for the Japanese so the level of understanding of its society and culture is particularly important. Professor Coaldrake argues that the disciplines of the social sciences and humanities will equip Australia best in the long term, along with strategic investment in science, technology, economics and political science, to analyse and anticipate trends in Japan.¹⁸ But according to him this vital area of study is being neglected and he could see a serious problem in the making. He told the Committee:

Efforts at governmental and university levels to respond to the surge in demand for Japanese language teaching in the mid-1980s addressed the crisis in language but the concentration of resources on language turned the medium into the message. It diverted resources away from teaching and research in the humanities and social sciences and caused a drop in academic staffing in Japanese studies.¹⁹

9.20 This trend away from the social sciences disturbed him. He pointed out that 'the implications of these indicators for the next generation in terms of our ability to position ourselves to understand Japan, are, quite frankly, frightening'. He stated that there were now insufficient new researchers entering the fields even to achieve replacement of the present inadequate numbers when the current generation of academics in the humanities and social sciences in Japanese studies moves on in 15, 20 or so years. He predicted that:

17 Katsumi Kakazu, Japan Foundation, Sydney Language Centre, *Committee Hansard*, 3 September 1999, p. 825.

18 Professor William Coaldrake, *Committee Hansard*, 17 May 1999, p. 574.

19 Professor William Coaldrake, *Committee Hansard*, 17 May 1999, p. 574.

The next 15 years will be spent in increasing intellectual isolation for Australia as momentum is lost. Australia's capacity to anticipate and analyse is crumbling.²⁰

9.21 The Japan Foundation Language Centre was also concerned that the study of Japanese culture was being neglected by Japanese language students. Put bluntly, Mr Katsumi Kakazu from the Japan Foundation Sydney Language Centre, stated: '...it is very important to learn language to communicate smoothly, but the other most important thing is to learn the culture of a country'. He pointed out that Japanese language and Japanese studies should be integrated because the language is inseparable from the culture and suggested that Australia must focus on a combination of study and research of some of the other aspects of the culture of the Japanese people.²¹

9.22 Dr George Mulgan endorsed these views on the significance of Japanese studies and supported other witnesses who were not happy with the level of knowledge and skill in Australia needed to monitor and assess accurately developments in Japan. She stressed the importance of having Japanese language if Australians want to have the quality of expertise necessary to engage effectively with the Japanese. But she went further to emphasise that a lifetime commitment is required to obtain that level of knowledge and understanding which calls for a strong involvement in Japanese studies as well. In considering tertiary institutions, she stated that the right balance was needed between strong Japanese language programs and strong Japanese studies programs. Moreover, that a greater degree of flexibility and encouragement was needed to allow 'some of the academic experts and scholars who work on Japan in Australian universities to go into the bureaucracy, to be seconded in and move back and forth'.²²

9.23 In particular, she felt that more expertise is needed within the Australian bureaucracy. She argued:

We certainly need a greater expertise in the agricultural bureaucracy to understand the nature of the farm lobby in Japan, that politics dictates agricultural policy in Japan.

...

The main problem with people in bureaucratic positions is that they are working very much to immediate issues and immediate questions that have to be dealt with. They do not have a chart; they do not have an opportunity

20 Professor William Coaldrake, *Committee Hansard*, 17 May 1999, p. 574.

21 Katsumi Kakazu, Japan Foundation, Sydney Language Centre, *Committee Hansard*, 3 September 1999, pp. 825, 827.

22 Dr Aurelia George Mulgan, *Committee Hansard*, 28 May 1999, p. 688.

to sit back and do some sort of more reflective work that can take place in academia.²³

9.24 Professor Coaldrake also drew attention to the inadequacy of combined degrees to equip graduates with the high level skills needed to successfully represent Australia's business interests in Japan. He argued that the requirements of combined degrees load the curriculum so that students are only able to achieve an elementary level of language and are not able to proceed beyond that standard to the really professional levels needed. He submitted:

...by creating combined degrees we have sent the signal of the Asian El Dorado. If you combine say, Japanese with economics you can write your own ticket...students do not pursue discipline studies on Japan. They pursue language and then they pursue economics but they do not necessarily combine the two very closely. The result is that we are losing out on both. We are losing out on the language and we are losing out on the disciplines.²⁴

9.25 Professor Yoshio Sugimoto was equally concerned about the failure of Japanese language students to combine effectively their language skill with another discipline. He acknowledged that the Japanese language programs had grown in number and quality over the last several years. He was critical, however, that those who had mastered the Japanese language at a semi-native level remained few and many Japanese language students in Australian universities complete their language course without obtaining another discipline based on professional training. He told the Committee:

...Japanese language programs have produced quite a lot of students with basic proficiency. They may satisfy some demand of the hospitality industry but, for long-term Australia-Japan relations, we need a lot more sophisticated language users among business and labour leaders as well as among technocrats and professionals. It seems to me that a numerical expansion of elementary Japanese language users has not been accompanied by the expansion of the number of Japan specialists equipped with both professional skills and top level Japanese language competency.²⁵

9.26 In other words, those who are capable of speaking the Japanese language after studying Japanese language courses in tertiary institutions are simply language specialists who do not have any other professional skills such as degrees in law, business administration or engineering. According to Professor Sugimoto, such graduates can cater for the low end of the hospitality industry and the tourism industry. On the other hand, those who have studied Japanese business, politics, society and so on may be intellectually quite well equipped in acquiring the knowledge of Japan, but they are not good language users. He recommended that

23 Dr Aurelia George Mulgan, *Committee Hansard*, 28 May 1999, p. 687.

24 Professor William Coaldrake, *Committee Hansard*, 17 May 1999, p. 575.

25 Professor Yoshio Sugimoto, *Committee Hansard*, 17 May 1999, p. 521.

some way be found to ensure that professionally oriented students who seek degrees and qualifications in professional areas can be trained to a higher level of language skills. He submitted:

If Australia can produce not necessarily a large number of experts but a small number of technocrats, business people and labour leaders who can cope with these two dimensions at a very high level of expertise, then we would be somewhere in handling Australia-Japan relations in a very efficient and outstanding way.²⁶

9.27 Mr Leon Wolff, argued that the groundwork that has been done with language is going to help Australians now but he also acknowledged that this is only the beginning. He followed the same argument as Dr Mulgan who highlighted the advantages to be gained by deepening the knowledge and understanding of Japan through a greater exchange of Japanese experts between various sectors of the community. He told the Committee:

If we want more Australians to really penetrate Japan, become critically engaged with Japan and understand and even predict the issues in Japan, we need to combine both the real world experience where they get the skills—where they know how to trade or they know comparative advantage—with them coming back to research. How things work economically in Australia with our distribution system is not necessarily going to translate with the same results in Japan, which has a different system. If they think about that, they will be better equipped to help Australia in the future.²⁷

9.28 Thus, despite successful efforts to encourage Australian students to pursue studies in the Japanese language, Australia is yet to go that step further and produce graduates who are able to combine language skills with expertise in another discipline such as politics, law, economics, or engineering. According to Professor Drysdale, 'Australia has made quite a substantial investment in training young people to do business with Japan, but the reality is that the scale and structure of knowledge required are still inadequate to the task'.²⁸

9.29 The Committee agrees that Australia needs to preserve and improve its institutional links with Japan and to work hard at developing contacts between Australians and Japanese at all levels from the official through to the community. But to acquire the high level skills necessary to assess and forecast trends in Japan, Australia needs to make a serious commitment over many years to train Australian

26 Professor Yoshio Sugimoto, *Committee Hansard*, 17 May 1999, p. 528.

27 Leon Wolff, *Committee Hansard*, 28 May 1999, pp. 647–648. See also Professor Gavan McCormack, *Committee Hansard*, 24 May 1999, p. 625. He stressed it was important to have a small cadre of highly trained and highly competent people who basically function in Japanese just like Japanese people do and that Australia had few such qualified people.

28 Peter Drysdale, Nancy Viviani, Akio Watanabe and Ippai Yamazawa, *The Australia-Japan Relationship: Towards the Year 2000*, Australia-Japan Research Centre and Japan Center for Economic Research, Canberra and Tokyo, September 1989, p. 12.

specialists to a standard that will fully equip them to provide sound advice and to make decisions regarding commercial undertakings in Japan. These researchers need to develop an intimate first-hand knowledge of the domestic socio-political framework in which trade policies are developed. They need to understand the socio-political realities that constrain the trade policies of Japan to be able either to advise on or to negotiate market agreements.²⁹ A real understanding of the sensitivities of operating in Japan is needed to underpin the development and formulation of strategies that will minimise the risk of unfavourable trade policy changes. Such an understanding will allow and encourage Australians to take full advantage of opportunities as they arise in Japan.

9.30 The Committee acknowledges and commends the great strides that have been made to encourage the study of Japanese language in Australia. It accepts, however, that more could be done to encourage students to study the language at the tertiary level and to combine this discipline with Japanese studies and with other disciplines.

Recommendation

The Committee recommends that the Australian Government introduce incentive schemes, such as scholarships, to encourage tertiary students to undertake the study of Japanese language combined with Japanese studies.

The Committee also recommends that the Australian Government offer incentive schemes to encourage graduates with Japanese language qualifications to undertake study in another discipline or graduates trained in disciplines such as economics, science or law to undertake Japanese language and studies.

9.31 The Committee takes note of the importance in investing in the long-term and on-going development and training of Japanese experts in Australia. It recognises the importance in providing opportunities for specialists in Japanese language and Japanese studies to move with greater flexibility among business organisations, public service and research institutions in Australia and to participate in exchange programs with counterparts in Japan.

Recommendation

The Committee recommends that the Australian Government adopt a policy that clearly encourages and facilitates the exchange of academics, business people and public servants with expertise or experience in Japan among business organisations, public service and research institutions in Australia and between counterparts in Australia and Japan.

29 David Longworth, 'Understanding our Customers: Hidden socio-political realities in Japan and China which influence trade with Australia, *Australasian Agribusiness Review*, vol. 1 no. 1, May 1993, p. 27.

Role of government

9.32 The Australian Government has an active and positive role in encouraging trading links with Japan. There is a need for government officials to understand the changes in Japan so they can anticipate and forecast trends to assist exporters in taking advantage of these changes, especially in negotiating market agreements.

9.33 The Committee has detailed in Chapters 6 and 7, the Australian Government's involvement in fostering a close partnership in which commercial life can flourish between the two countries. It has noted the steps taken by the Australian Government to facilitate trade with Japan, such as its contribution to Japan's Deregulation Program and the appointment of specialists to Japan to assist in quarantine matters as well its work at the regional level as a member of APEC.

9.34 This involvement is concerned with removing specific obstacles to trade. The government also has a vital role to ensure that Australian producers are well placed to take advantage of opportunities arising in the Japanese marketplace; to be involved in directly supporting and assisting Australian exporters in their endeavours to gain access to the Japanese market.

9.35 In Chapter 7, the Committee underlined one of the strongest messages coming out of the inquiry—the importance for Australian exporters to know their customers, to be fully informed about developments in the Japanese markets and to be aware of future trends. Many witnesses before the Committee believed that the Australian Government could be a catalyst not only in maintaining information flows but in motivating Australian producers to trade with Japan and in facilitating such trade ventures.³⁰

9.36 Austrade accepts responsibility for being the catalyst for encouraging companies to trade with Japan. Its objective is to convey current and accurate information about developments in the Japanese economy to Australian exporters as quickly as possible; to help exporters establish more direct lines with customers rather than using intermediaries; to keep them informed about their product in the marketplace and the consequences of any change that is taking place there; and to assist and encourage direct investment in Japan. It supports Australian exporters with their work in regional areas and overall acts as a consultant and adviser to Australian companies doing business with Japanese investments and Japanese companies elsewhere in Asia.³¹

9.37 Mr Dodds told the Committee that, together with the Australian Embassy in Japan, Austrade could help companies seeking to improve their profile in Japan

30 Dr Craig Freedman, *Committee Hansard*, 15 April 1999, p. 351.

31 Gregory Dodds, Austrade, *Committee Hansard*, 27 May 1999, p. 642.

because they have considerable access to the Japanese Government and Japanese industry circles.³²

9.38 Austrade is supported in its work with Australian export companies by other Australian and State Government departments. For example, the Department of Industry, Science and Resources has a resource counsellor attached to the Tokyo Embassy, whose role includes monitoring developments in the energy debate. The counsellor also works closely with the representatives of Australian resources companies in Tokyo, so there is both private and public sector examination of developments in Japan to assess their significance, particularly on demand for resources.³³ In the Department's view:

... there is a very wide range of information available about the situation in Japan—economic, political and social. There is a range of mechanisms, in our department alone, for regular dialogue and consultation with the Japanese on a whole raft of areas. We facilitate high level contacts between businessmen in the two countries and that is complemented by the activities of departments like Foreign Affairs and Trade, which also feed into the information networks available to the government and to business in Australia. I would have thought that Japan would be one of the countries that we almost know the most about in terms of their future trends.³⁴

9.39 The Department also felt confident that the Australian Government and businesses draw on a long history of cooperation with Japan and have proven experience in analysing information coming out of Japan.³⁵

9.40 There is the concern, however, that with a number of Australian Government departments and State Governments working to promote and facilitate trade with Japan their work may unnecessarily overlap. The New South Wales Department of State and Regional Development, however, made clear that Austrade complements and does not duplicate the work that they do in promoting trade in Japan.³⁶ A performance audit by the Auditor-General more generally found that coordination between the Commonwealth and States dealing with export development and promotion services to Australian enterprises is working well but there is room for improvement. In turning to cooperation between Commonwealth agencies it concluded that 'while there was little evidence of the duplication of activities by

32 Gregory Dodds, Austrade, *Committee Hansard*, 27 May 1999, p. 639.

33 Barry Jones, Department of Industry, Science and Resources, *Committee Hansard*, 28 May 1999, p. 694.

34 Barry Jones, Department of Industry, Science and Resources, *Committee Hansard*, 28 May 1999, p. 694.

35 Barry Jones, Department of Industry, Science and Resources, *Committee Hansard*, 28 May 1999, p. 695.

36 David McGeachie, New South Wales Department of State and Regional Development, *Committee Hansard*, 15 April 1999, p. 397.

Commonwealth agencies, weaknesses in coordination present the risk of this occurring'.³⁷

9.41 Clearly, Austrade provides services that Australian exporters value. Mr Pokarier noted its move to give greater emphasis to cost recovery for detailed services to Australian firms and acknowledged that this promotes a better allocation of resources and provides incentive for Austrade to develop competencies through serving a paying clientele. He raised concern, however, that much of the market intelligence gathering is still driven by a 'grab bag' of inquiries that are passed onto the Japanese offices by Australia-based staff. He would like to see the Japanese operations given sufficient resources and discretion 'to explore market opportunities, which having the support of an Australia-based operation...adequately filters inquiries and disseminates new intelligence from Japan to potential as well as existing Australian clients.'³⁸

9.42 One of the problems pointed out by Mr Pokarier is that those Austrade officials who are designated as consuls, carry an enormous responsibility and expectations that go beyond their primary role as trade promoters. He explained that the Japanese understanding of a diplomatic official is one that is quite separate from trade. To meet Japanese expectations, he suggested that the consuls need to have better resources.

We have to allow the consul to do the consular kind of activities and we have to give them more support to also do the trade promotion roles.³⁹

9.43 He submitted further:

It is not surprising that various Japanese organisations will approach the consulates seeking to have the consul carry out various ceremonial functions. School ceremonies are but one example. Such situations may be a great distraction from the task of trade promotion but nonetheless provide an opportunity to foster considerable goodwill between the two nations that might even have some economic pay-offs in the long term. If adequate support is not forthcoming for the consuls to be able to carry out those roles then the Australian Government should investigate the question of designating them simply Trade Representative, although it is recognised that this raises a range of protocol and other issues.⁴⁰

9.44 Austrade has a central role in promoting trade between Australia and Japan. It is aware of its responsibility to keep Australian business fully aware of developments

37 Australian National Audit Office, *Coordination of Export Development and Promotion Activities Across Commonwealth Agencies*, Audit Report no. 39, 1999–2000, Performance Audit, Canberra 2000, pp. 13, 16.

38 Christopher Pokarier, submission no. 10, p. 13.

39 Christopher Pokarier, *Committee Hansard*, 16 April 1999, p. 437.

40 Christopher Pokarier, submission no. 10, p. 14.

in Japan. Mr Richard Pomfret, however, pointed out that although Austrade provides services that exporters value, there is a difficulty in assessing the extent to which its activities actually promote exports.⁴¹

9.45 It is often difficult to measure or quantify the contribution that Austrade makes to trade flows between the two countries. In some cases, Austrade's contribution might have been decisive in securing a contract but in others, it might have just facilitated what was always likely to have been a successful outcome.

9.46 There is also the question of whether Austrade is delivering the best possible results for exporters. According to Austrade's 1998-99 Annual Report, based on an external survey of 2,500 clients, it received a client satisfaction rating of 79.5%. Of those surveyed, 6.5% regarded Austrade's performance as poor or very poor and 14% were either neutral or did not know.

9.47 As the government agency responsible for promoting and facilitating trade with Japan (and all other overseas markets), Austrade needs to ensure that it is doing everything possible to help Australian companies take advantage of all the opportunities for trade and investment that arise from the rapid economic and social change taking place in Japan. As a result, the Committee believes that Austrade should regularly reassess its performance in relation to Japan, in consultation with the Australian business community. When reassessing performance, it should include the following:

- the availability and dissemination of market intelligence;
- the assistance provided to SMEs and whether this takes account of the particular difficulties they experience in securing and maintaining a presence in Japan;
- the level of resources devoted to the Japanese market;
- the opportunities that Austrade has to initiate inquiries rather than respond to requests, keeping in mind potential exporters; and
- the duties expected of Austrade officers in Japan, including the mix of consular activities and trade promotion.

Role of business

Australia's business presence in the region

9.48 One of the main lessons to draw from the evidence presented to the Committee is that there are opportunities waiting to be taken up in Japan but that the onus is ultimately on Australian producers to accept the challenge. This is not to downplay the important responsibility of the Australian Government and its agencies

41 Richard Pomfret, 'Australian Experience with Exporting to Asia', *Seminar Paper 96-0*, Department of Economics and Centre for International studies, University of Adelaide, January 1996, p. 18.

such as Austrade and organisations such as JETRO to predict trends, identify and inform Australians about opportunities and to encourage and finally assist Australian business to make a start in Japan and to maintain their presence there. Government has the important responsibility to listen to Australian business and to help them by clearing away obstacles to trade through negotiated access agreements or similar understandings with Japan. Government also has the responsibility to create within Australia an environment that will assist Australian producers improve their international competitiveness. Ultimately, however, Australian business must set their own course.

9.49 This report has stressed the importance of having a clear understanding of the Japanese consumer, the Japanese business environment, and developments underway in Japan, especially the reform process. The Committee again underlines the message that Australian exporters need to be acutely aware of the changes in the Japanese business world and consumption trends. They need to be able to identify opportunities as they start to emerge in order to promote their interests and reap new rewards. Evidence presented to the Committee, however, shows that Australian producers are not taking full advantage of available resources to acquire the knowledge and expertise needed to effectively exploit the opportunities existing and opening up in Japan.

9.50 JETRO informed the Committee that Australia's performance in using its facilities shows that a gap still exists compared to other countries. It cited Australia's poor interest in the import housing materials exhibition centre as an example of the low level of Australian representation in such promotional schemes. There were only four Australian companies out of a total overseas representation of 544 companies that have exhibited since the centre's inception. Australia's representation was dwarfed by New Zealand's 16 companies.⁴²

9.51 JETRO also referred to its Technology Tie-up Program, which encourages linkages between companies in Japan and overseas in a range of technical fields such as biotechnology, environment technologies and medicine. Canada recorded 111 requests compared to Australia's 17. JETRO suggested that Australian companies may well be hindered in their thinking by perceptions based on past experiences and a limited view of Japan as a low-growth economy. As an indication of this short-term thinking, JETRO has experienced a decline in the number of trade inquiries compared with the situation before the economic crunch. JETRO told the Committee that, through information dissemination, seminars and also through invitations to business people to participate in their various programs, they are trying to erase the notion that Japan offers little promise for business at the moment.⁴³ Austrade was also at pains to

42 Hiroshi Nakano, JETRO, *Committee Hansard*, 3 September 1999, p. 790.

43 Hiroshi Nakano, JETRO, *Committee Hansard*, 3 September 1999, p. 793.

point out that despite talk about Japan's slow-growth economy there are significant areas where consumer demand in Japan is very strong and building.⁴⁴

9.52 Another resource that Australian companies are slow to tap is Japanese language experts. According to Professor Rix, some companies have skilled personnel who can deal with Japan linguistically as well as in a professional capacity, such as Australian mainstream commercial exporters as well as the legal fraternity, the accounting and engineering professions. On the other hand, he pointed out that there are companies dealing with Japan which need more help, who dismiss the importance of speaking Japanese in favour of people who understand the business. He told the Committee that part of the problem is that:

...the Australian private sector still is not as multilingual as it should be. We are still basically going overseas and relying on our own language to get us through. We cannot do that in a complicated market like Japan, which is now looking inward and where we have to fight much harder for market share. That is fundamentally the problem... Within the government you can find people with a strong Japan background and language skills, or if you haven't got those you can get them easily. But in the private sector it is much more difficult.⁴⁵

9.53 He stressed the point that a number of companies still take the view that the Japanese speak English and so it is not an issue. But he emphasised that Australian exporters must do much more at the micro level; that they must deal with the Japanese market on its own terms and not assume that they will do anything to assist exporters.⁴⁶

9.54 Mr Larry Crump, who has lived and worked in Japan as a management and training consultant, went further and suggested that Australian exporters need a class of experts that he called 'Australian-Japanese protocol consultants'. He envisaged a defined position within a relevant organisation whose responsibilities would be to serve as an adviser and consultant to people who are trying to create and enhance organisational relationships with their counterpart in Japan.⁴⁷

9.55 It would seem that one of the underlying difficulties in motivating Australian companies to explore the prospect of trading with Japan stems from their lack of confidence in tackling what they perceive as a difficult place to do business—that Japan is 'too hard'.⁴⁸ To repeat, Mr Dodd's words—the Japanese market has 'most people spooked'.⁴⁹ In part, this perception rests on a lack of understanding of Japan

44 Gregory Dodds, Austrade, *Committee Hansard*, 27 May 1999, pp. 636–7.

45 Professor Alan Rix, *Committee Hansard*, 16 April 1999, p. 448.

46 Gregory Dodds, Austrade, *Committee Hansard*, 27 May 1999, p. 635.

47 Larry Crump, *Committee Hansard*, 16 April 1999, p. 475.

48 See comments by Manuel Panagiotopoulos, *Committee Hansard*, 14 April 1999, p. 228.

49 See chapter 7, para 7.80.

and its market place. As the Committee noted earlier, the Australian Government has a vital role in promoting and facilitating trade with Japan but that the decision to trade with Japan rests inevitably with business.

9.56 The Committee believes, however, that the Government may need to step up its efforts to educate and further encourage Australian business to consider Japan as a viable market. The recommendations put forward by this Committee should go some way to achieving this end.

John Hogg
Chairman