



A MESSAGE FROM THE MANAGING DIRECTOR



Shuichi HIRANO
MANAGING
DIRECTOR

Dear readers,

Welcome to the Summer 2014/15 issue of the JETRO Sydney Newsletter.

A lot happened in 2014; at the macro level, Australian and Japan concluded the Japan-Australia Economic Partnership Agreement, JETRO and Austrade signed a memorandum of understanding (MOU) toward strengthening cooperation between the organizations, and JETRO launched its global industry specialist program to help companies in countries like Australia realise the benefits of operating in the Japanese market.

But there have been other developments that are

significant in their own right that show how our two countries are growing closer. From a cultural standpoint, events like 'SMASH!' – the Sydney Manga and Anime Show – and 'Matsuri in Sydney' are growing each year, generating interest in Japanese culture in Australia and broadening the connection between our countries at the micro level. I personally attended the 'Matsuri in Sydney' event in December, and was very impressed by what I saw.

The event began back in 2006 to celebrate the 30th anniversary of Japan and Australia's friendship. The growth of this event since then has been fantastic, with this year recording the biggest attendance rate to date; over 25,000 people came to learn about Japan and Japanese culture in 2014, up from the previous record of 20,000 in 2013, which itself was up from 16,000 in 2012.

Events such as these, whilst smaller and less publicised, compliment the strides our economic relationship has made recently, creating a virtuous cycle that can help benefit Australians and Japanese. They help people from our two countries engage

with each other and participate in meaningful cross cultural learning, which builds the appeal of cultural products and artefacts that can spill over into trade.

A good example of this is how Australian company 'doq' recently took part in our buyer invitation program in the entertainment sphere. With JETRO's assistance, the company travelled to Japan to tie up rights deals with various Japanese movie companies for distribution in Australia.

The success of this venture would not have been possible if it weren't for events like SMASH! and the 'Sydney Matsuri'. But likewise, the greater access to Japanese entertainment doq's efforts will enable will help ensure the continue success of such events in turn, something which benefits the relationship more broadly.

Moving into this year, we at JETRO look forward to helping further such initiatives and business ventures, and continuing to help further strengthen the Australia-Japan relationship.

Happy New Year from all of us at JETRO Sydney! ●

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Future bright for sake in Australia



Andre Bishop
The Sake Samurai

Our trading relationship with Japan has long been one of our biggest and most important, but it is until recently the trade in sake has been minimal. However, this is beginning to change.

In the 15 years I have been involved with sake in Australia it has come a long way; in the late 90's when I started my first sake bar there were around 20 to 30 types of sake available through various importers.

The range has grown significantly since then, and we now we have access to an extensive selection of sake, which is encouraging Australian drinkers to discover more about the ancient beverage. But challenges remain for the Australian market.

MARKET FORCES

In identifying some of these hurdles, it's helpful to first look at the impact of the international economy. A shrinking world in terms of trade has on one hand given Japan the opportunity to introduce sake – or 'Nihonshu' as it's known in Japan – to the world, but on the other it puts it up against the rest of the drink choices from around the planet.

The global economy is delivering an ever expanding list of choices. If you look at the international beverage market and the many types of alcohol people drink there is a staggering array of alcohol competing for the attention of the drinker in every category.

Boutique producers of liquor across the planet can now easily tap into this international market place. They are no longer just supplying the local village, town or prefecture with their artisan beverage; they are selling it to you and me on the other side of the world.

This is a wonderful thing for the consumer, but it creates real challenges for the producers. They need to ensure their product stands out not just against the same market but also against other competing drinks.

PLAYING TO YOUR STRENGTHS

Sake brewers know well that this expansion of choice has had a big impact on sake consumption in Japan over the past 17 years. Sake consumption within Japan is in decline, but



The fact that sake is such a brilliant match with food remains its best weapon. Wine, in all its glory cannot compete with two of foods most wonderful components – salt and fat. Sake can."

trends are always changing and there are a few positive shifts that make me confident the future of sake is bright; the industry just needs to be patient and plan carefully.

The fact that sake is such a brilliant match with food remains its best weapon. Wine, in all its glory cannot compete with two of foods most wonderful components – salt and fat. Sake can. Sake is such a perfect partner for food and it's where I see the biggest potential for growth – competing with wine in the dining arena.

Australia has a diverse multicultural popula-

tion with a good proportion of people with overseas heritage. With these cultures come the food and although we know that sake and the food of Japan is a perfect marriage, we know that sake suits food and flavours from across the globe. Many non-Japanese restaurants in Australia are now adding sake to their drinks list as customers become better informed about how well sake matches with food. Indeed, an encouraging sign has been the adoption of sake onto the menus at some of the best restaurants in Australia.

This growth in accessibility will help to

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Craft beers and exotic spirits; the competition for consumers' attention is more intense than ever. picture: pixabay.

address another of sake's challenges: unawareness. Most people are unaware of the depth and breadth of sake styles, grades, flavours, and aromas. Once discovered, these will only serve to tempt the drinker to discover more. We just need to encourage Australians to take their first steps towards sake appreciation.

LOCAL TRENDS

There is definitely potential for this; as a nation we are consuming less beer and more wine than we used to. This growing wine consumption in Australia holds great promise for sake. In terms of pure alcohol available for consumption, beer was down 2.3 percent in 2011-12 (compared with the previous year) while wine rose 1.9 percent. Ready-to-drink beverages have also seen a drop and were down by .5 percent, while spirits have seen the largest fall, down by a full 4 percent.

But the overall picture is that consumption of alcohol in Australia has fallen for a second year in a row; 2011-12 saw us drink 1.4 million litres less than we did in 2010-11, and 2.7 million litres less than in 2009-10.

This trend is increasingly common across the globe as people make healthier lifestyle choices. However, the important point is that although these consumers tend to be drinking less, there has been a pivotal shift from quantity to quality, which presents a great opportunity for premium quality sake.

GETTING THE RIGHT DEMOGRAPHIC

Lastly, there is the issue of price. Australians are spoilt with a glut of cheap and relatively

good quality wine that they have grown up with and understand. For the same volume of sake we are expecting drinkers to pay three to four times as much for something most people know nothing about. As we know in a restaurant an entry level 750ml bottle of wine may cost around AU\$25 – AU\$35 where an entry-level bottle of 720ml sake will cost AU\$60 – AU\$80.

This goes back to the need - at least initially - to focus on quality over quantity. The comparatively high price of sake isn't an issue in the high end market, and so it is wise to start there. With increased notoriety greater supply and therefore price and brand variation will broaden the market further.

Overall, whilst there are hurdles and introducing Aussie drinkers to the delights of Japan's traditional drink will take time, there is every indication sake is here to stay and will only become more prevalent as time goes by. ●

Andre Bishop is Australia's leading authority on sake. He is the owner of Izakaya Chuji, Sake Bar Nihonshu, and Melbourne's flagship izakaya and sake bar 'Kumo'. Andre studied Sake professionally and was inducted into the sake hall of fame in Japan, earning him the official title of Sake Samurai. He is also an Honorary Tourism Ambassador for Kyoto.

Andre is available for corporate tasting sessions, consulting on sake and venue design, Japanese beverage lists, sake staff training and sake equipment.

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JETRO and Austrade representatives in Darwin

JETRO & Austrade sign historic MOU

2014 marked a number of Japan and Australia milestones, but in addition to the historic trade deal, JETRO and the Australian Trade Commission (Austrade) also signed a memorandum of understanding (MOU) toward strengthening cooperation between the organizations.

The signing of the MOU took place on October 14 in Darwin, Australia between JETRO President Satoshi Miyamoto and Austrade CEO Bruce Gosper, in front of over 100 leading business figures from both countries, on the occasion of the 52nd Australia-Japan Joint Business Conference.

As a direct result of the agreement, both sides have agreed to strengthen their efforts to promote and support mutual business relations between Australia and Japan.

Numerous issues were discussed at the AJJBC, but broadly the following major points were agreed upon to form the basis of the MOU:

1. To continue providing support for individual companies seeking to do business in each other's countries.
2. To strengthen institutional connections through increasing the number of jointly hosted seminars and events.
3. To identifying and seek out opportunities for co-operation in Australia, Japan and third countries.
4. The following priority fields: Advanced services and technologies, agribusiness, biotechnology, creative industries, energy efficiency, environmental industries, food and beverages, health and aged care, tourism, infrastructure development, international education and training, resources, service industries, water management. ●

Needle-free injection gets right to the point



Alice Byron
Research Officer

"Now, this won't hurt a bit..." your doctor tells you moments before you screech: "Oh!"

How many times have you felt betrayed by those words at your GP's office? If you're squeamish about getting shots, you'll be excited to hear about a Japanese invention that offers the possibility of painless, needle-free injections.

According to the News release of the Shibaura Institute of Technology, the device, developed by Professor Youko Yamanishi, could see injections delivered applying a stream of tiny "micro-bubbles" to the skin. Unlike other needle-free injections currently on developed, which can still pose a risk of nerve damage or pain, this device uses the stream of charged microscopic bubbles to make tiny perforations and, delivering pharmaceuticals or gene therapy with high-precision from outside the body.

A REVOLUTIONARY IDEA

The origin of Professor Yamanishi's needle-free injection method lies in a Strategic Basic Research Programs from the Japan Science & Technology Agency. In 2012, she was able to develop new method for delivering gene therapy and other drugs at the cellular level with a "micro-bubble scalpel." The work is very promising, but challenges remain.

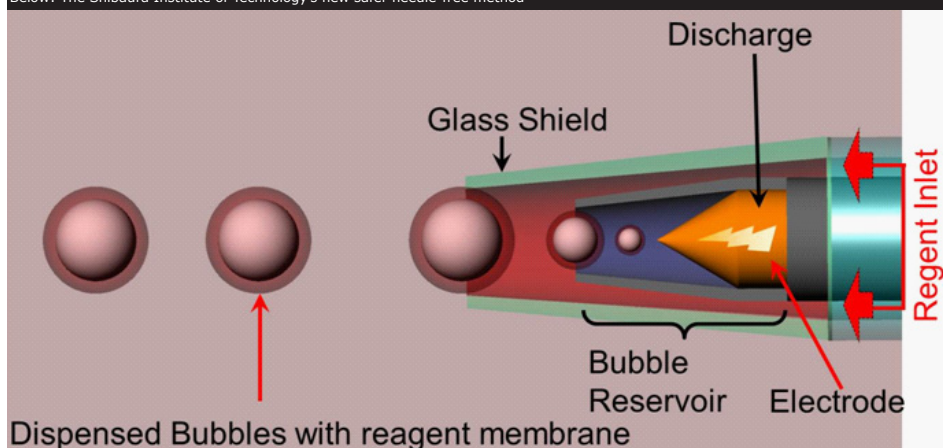
The technology is still being refined, with the team continuing to optimise the device's performance in dosing, pain reduction, and cell perforation, but plans for collaborate with industry in the future are already underway.

SPECIAL ECONOMIC ZONES & MED-TECH

In March 2014, Prime Minister Abe announced that six regions of Japan would be targeted as "National Strategic Special Economic Zones." In these districts, certain business restrictions on areas such as healthcare and education are set to be relaxed or



Above: a traditional needle
Below: The Shibaura Institute of Technology's new safer needle-free method



eliminated. One of these Special Zones is in Kansai, encompassing Osaka, Kyoto and Hyogo.

The Kansai area is well-known as home to a number of leading research centres, as well as the nation's largest share of pharmaceutical manufacturing. Japan aims to use the Kansai Special Zone as an economic laboratory, boosting the area's international competitiveness, and encouraging innovation in healthcare and life sciences.

The Kansai Special Zone provides for two main projects: one providing access to special or specified medical care, and another delivering highly advanced medical care.

RATIONALISING REGULATIONS

Under the new project for special or specified care, certain hospitals designated by the Government will be allowed to provide access to drugs and technologies that have been approved by regulators

in the USA, the UK, France, Germany, Canada or Australia, but not yet in Japan.

The project for highly advanced medical care will provide for a world-class ophthalmological hospital to be opened in 2017 as part of the Kobe Eye Centre. The facility is set conduct research and development using induced pluripotent stem cells (iPS).

The Kansai Special Zone measures are also being supported by local government incentives, such as Osaka City's scheme to allow preferential tax treatments for new life sciences-related companies expanding into the Yumeshima, Sakishima, and Hanshin Port districts.

With each of the Special Economic Zones targeting a particular industry, the reforms are sure to improve the ease of doing business in Japan. For Kansai, this could mean a new wave of innovation in medical science and healthcare. ●



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'We Are Tomodachi' at:

<http://japan.kantei.go.jp/letters/index.html>

Reversing the investment imbalance



Manuel Panagiotopolous
Australian & Japanese
Economic Intelligence

As this column is for the new year period, I want to focus on the three major international commercial agreements that Australia has secured in 2014 and their cumulative impact. The impetus for this focus is a recent report by PWC, "Passing Us By: Why Australian Businesses are Missing the Asian Opportunity".

That report found by survey that only 9% of Australian companies have a presence in Asia. This result largely confirms data that I analysed a couple of years based on ABS data, which showed that only about 6% of Australian FDI stock had been in Asia. What this shows is that Australian companies are missing some very significant opportunities. The Asian economy in its entirety is mas-

sive, but Japan alone also remains very significant; as is shown by the graph below, the Kanto region alone has a bigger GDP than the entirety of the United Kingdom.

But, in spite of this low figure, I am optimistic that over the coming years this situation will change, and a major factor will be the recent FTA agreements with South Korea, Japan and China (and perhaps with India next year). FTAs liberalise investment as well as trade and they include services as well as goods. The key with services is that demand cannot be met simply with arms length trade, but with presence in the market.

The first step will be the increase in investment from these countries into Australia to take advantage of new growth opportunities created by the opening up of goods and services markets. Japanese firms will want to be part of the expanded commercial opportunities between Australia and Japan.

The next step is that Japanese firms will

invest in Australia to supply the Chinese market, due to Australia's FTA with China (something which Japan does not have).

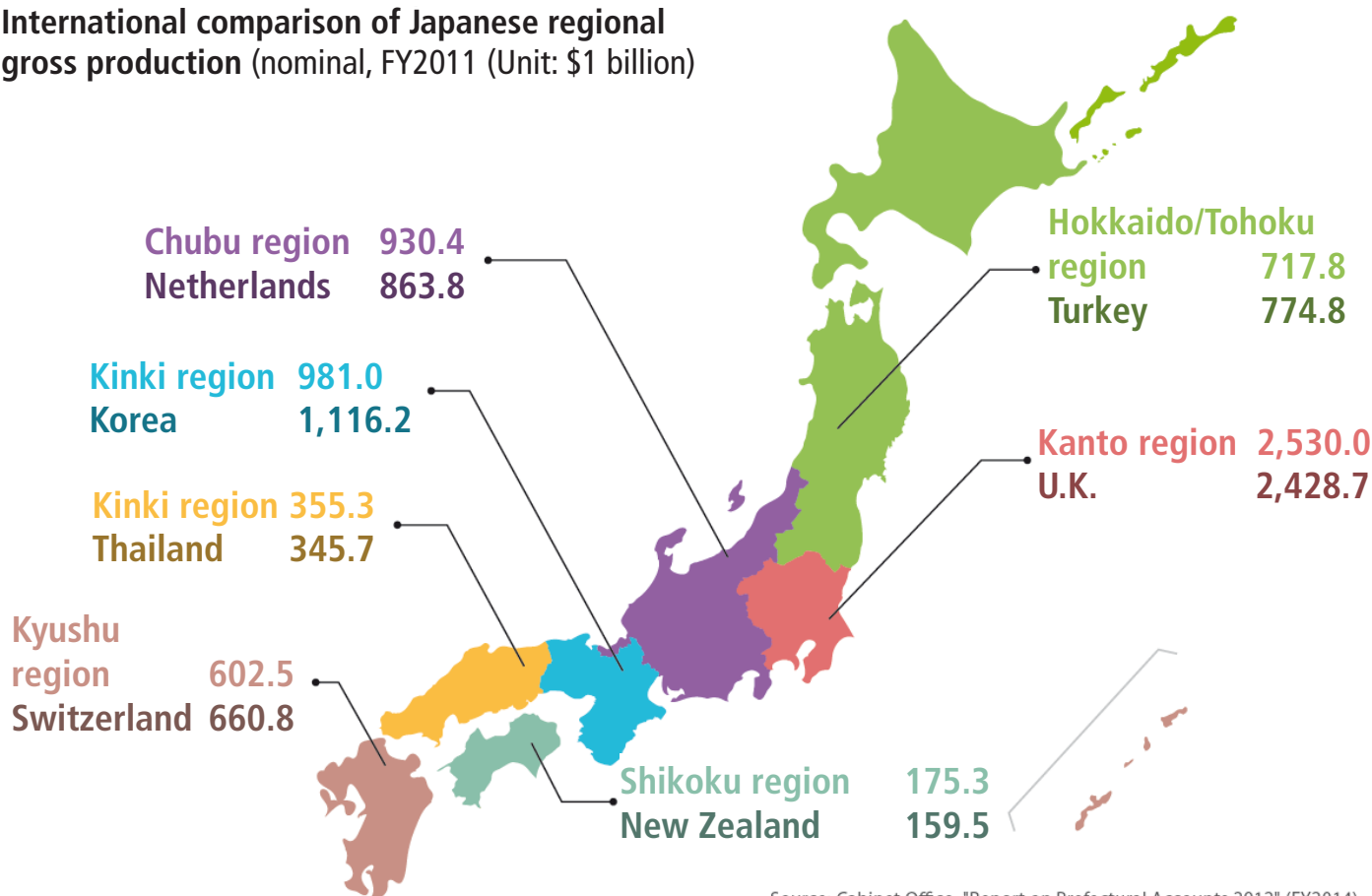
Japanese firms have a large number of operations in Asia, so direct linkages between Japanese-Australian firms with the Asian markets will be encouraged. These same patterns will be found in Chinese and South Korean (and Indian) investments in Australia.

Investment from foreign based firms tends to increase overall business relations between countries. It is no coincidence that Australia's biggest investment destinations are the same countries that invest into Australia.

A further decisive factor is the similarity in rules, regulations and governance between Australia, the US and UK. FTAs encourage convergence in these critical areas and as this convergence occurs in the Asian region, so will the presence of business from Australia, with much Japanese input. ●

Opportunities abound: Japan's regions have GDPs the size of other countries

International comparison of Japanese regional gross production (nominal, FY2011 (Unit: \$1 billion))



Source: Cabinet Office, "Report on Prefectural Accounts 2012" (FY2014)

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Editor's Corner: Japan important for Australia in more ways



Daniel O'Toole
Editor

By any measure, 2014 was a landmark year for Australia-Japan relations. The Prime Ministers of Australia and Japan have developed one of the strongest relationships an Australian leader has had with a regional counterpart. The strength of this played a part in delivery the long awaited Japan-Australia Economic Partnership Agreement (JAEPA).

The initial response to JAEPA was close to universally positive in the Australian press, almost to the point of surprise by some commentators. But as the year has worn on this sentiment has faded somewhat. This is in part due the news of other agreements the Abbott government signed taking the lime-light, but partly also due to some ambiguity over recent economic growth rates in Japan and the decision of the government to hold a snap election two years early.

However, in spite of such distractions the fundamentals of Japan's economy remain strong. For instance, the focus on a somewhat underwhelming

growth rate ignores other important factors like employment. Unemployment in Japan sat at an incredibly low 3.5 per cent in December, continuing the downward trend that began five years ago when it was at around 7 percent. In addition, Japan's for-



Japanese companies invested ¥887 billion in China and a combined ¥2.33 trillion in Singapore, Thailand, Indonesia, Malaysia, the Philippines and Vietnam in 2013"

ign direct investment (FDI) ratio has grown strongly for four straight years.

As a trading partner that has recently concluded a Free Trade Agreement, this is all good news for Australia. But companies investing in Japan must not think the opportunities start and end in Japan.

2014 showed that Australia is seeking greater involvement with all of Asia, something the two

FTAs that followed JAEPA demonstrate. Australia's presence in the region is still somewhat underdeveloped however. Indeed, PwC's recent report - *Passing Us By: Why Australian Businesses are Missing the Asian Opportunity* - calculated Asian based profits to only contributing 12 percent to the bottom lines of the few large Australian companies invested in Asia.

This is quite distinct from Japan, which invests significantly in the region; in 2013 Japanese companies invested ¥887 billion in China and a combined ¥2.33 trillion in Singapore, Thailand, Indonesia, Malaysia, the Philippines and Vietnam.

Our relationship with Japan therefore provides us with greater scope not only to grow in the world's third largest economy, but a an opportunity to leverage the networks and skills of a country far more well established in Asia as a whole so that we in turn can increase our own footprint in the region.

So by looking to Japan first, Australian companies have the opportunity to establish in an Asia literate base from which they can launch further into Asia. ●

Contact Us

THINKING OF DOING BUSINESS IN JAPAN?

Contact the Business Development Team at JETRO Sydney about what you NEED to KNOW and where You can FIND it.

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