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The dawn of a new era in Japan-Australia relations (picture: pixabay)

A welcome from our New Managing Director



Shuichi HIRANO
MANAGING
DIRECTOR

Dear readers,
Welcome to the latest issue of the JETRO Sydney Newsletter.

My name is Shuichi Hirano, and I am JETRO Sydney's new Managing Director.

To begin with, I wish to offer my gratitude to our former Managing Director, Mr Takashi Tsuchiya, who is retiring now that his tenure at JETRO Sydney is over. Mr Tsuchiya has done an excellent over the last three years, and I wish him all the best in his retirement.

This will be the first time I have worked in Sydney, but not my first time working in Australia; I served as the Director of Research at the JETRO's now closed Melbourne Office from 2001 till 2006.

Upon returning to Japan, I headed up the 'New Market Development Program for Japanese Products with Global Potential', which included a number of industries.

But my interest in Australia started earlier still. Growing up in Nagoya, Sydney's sister city in Japan, my school was host an Australian exchange student from Sydney, from who I learned much about Sydney and Australia. Needless to say, when the opportunity to come and work in the harbour city arose I jumped at it.

I look forward to meeting and working with many of you in business and government over the next few years to help continue strengthening Australia and Japan's great partnership. ●

The Making of JAEPA



Murray McLEAN
Former Ambassador to
Japan 2004 - 2011

The conclusion of the Japan-Australia Economic Partnership Agreement (JAEPA) in April this year, during Prime Minister Abbott's visit to Tokyo, was rightly heralded as a major achievement. But as is often the case, the deal has not completely satisfied certain interest groups that feel their particular industry or sector isn't going to go to benefit in the way they had hoped.

Nevertheless, when viewed as a whole, the agreement is a huge step forward in significantly liberalising bilateral trade and investment access. It will provide a platform for further growth and cast a spotlight on the potential for business in new areas.

But with details still limited, a more thorough review of the deal's outcomes will have to wait until after the formal signing, which is scheduled during Prime Minister July Abe's visit to Australia in July.

Until then, with this article I'd like to offer a brief glimpse into how the process started and was then sustained.

LONG IN THE MAKING

Ideas about a new arrangement to build on the Australia Japan Commerce Agreement of 1957 had been aired for some years.

However, soon after my arrival as the new Australian Ambassador to Japan in late 2004, the Embassy was unexpectedly asked to persuade the Japanese Government to consider a feasibility study on the possibility of negotiating a comprehensive free trade agreement (FTA). The move was made in anticipation of a visit by then Prime Minister John Howard to Japan in April 2005.

Many people, not just hard-bitten sceptics coloured by bad experiences in WTO agricultural trade negotiations with their Japanese counterparts, openly scoffed at the idea. Others cynically suggested the Embassy had been "set up" to fail. Needless to say, the enormity of the task was not lost on any of us in the Embassy.

Professional trade negotiators are responsible for the specific give and take leading to an agreement. But before those negotiations can start - and even after they are underway - progress is materially influenced by the political climate in which they are operating.

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The Making of JAEPA

Long standing areas of contention, such as high tariffs on agricultural products, need to be addressed before agreements can be reached. The Embassy's task is therefore to advise on, as well as to influence, this climate and help smooth the lines of communications.

CHANGING THE ENVIRONMENT

The Embassy developed and executed an extensive plan to lobby Japanese politicians, senior officials and the business community about the idea. In the four months or so before Prime Minister Howard's visit literally hundreds of meetings took place.

Coalitions of supporters and opponents quickly formed. Most politicians were wary of antagonising the powerful Ministry of Agriculture (MAFF) and JA (the agricultural peak body) and their redoubtable agricultural protectionist colleagues in the Diet.

However, a small and growing number of influential Diet-members privately lent their support, including assisting our lobbying of government Ministers and even the then Prime Minister, Junichiro Koizumi.

In addition, we coordinated closely with

certain key senior officials in the Foreign Ministry and the Ministry of Economy Trade & Industry (METI) and also with the most senior members of the Japan Australia Business Cooperation Committee (JABCC) and their counterparts in the Australia Japan Business Cooperation Committee. We discussed tactics, regularly shared information, and placed news articles where possible.



once it is formally signed and brought into effect the JAEPA will greatly bolster the business vitality between our two countries"

THE PUSHBACK

Meanwhile the agricultural protectionists amassed their forces to oppose the developing mood favouring a feasibility study. Outrageous claims were circulated which vastly overstated the so-called destruction that an FTA would cause to Japan's agriculture.

This is but a taste of what took place before PM Howard's visit, and so when the two Prime Ministers sat down it was not clear they would be able to agree.

THE FIRST BREAKTHROUGH

In spite of a tense opening exchange, the feasibility study was confirmed, a decision that began nine years of negotiations.

The ultimate success of the negotiations owed much to the fact that the coalition of likeminded supporters stayed closely in touch throughout the entire period emboldening the two governments to carry through to the ultimate agreement.

Much ongoing and well-targeted lobbying was necessary throughout my nearly seven years in Japan, including visits to every prefecture in an effort both to understand Japan's agriculture at the grass roots and to explain to farmers that an FTA should not be feared. But those are stories for another article.

What's important now is that the deadlock has finally been broken, and I am confident that once it is formally signed and brought into effect JAEPA will greatly bolster the business vitality between our two countries.●

Murray McLean was Australia's Ambassador to Japan between 2004 and 2011. He is currently the Chair of DFAT's Australia Japan Foundation.

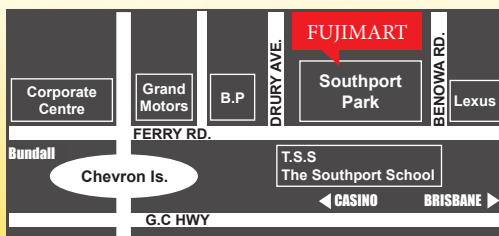
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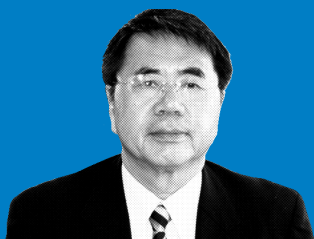


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A "True Blue" Goodbye



Takashi TSUCHIYA
- Outgoing Managing Director -

This will be my last contribution to JETRO Sydney's newsletter, and so I wish to reflect on my three year posting in Australia. I have thoroughly enjoyed my tenure in Australia and sincerely hope that the Australia-Japan business relationship deepens even further in the future.

I arrived in Australia on a somewhat sombre note, as it was shortly after the Great East Japan Earthquake. But throughout the course of these three years Japan has made a swift recovery, both physically and economically. Japan is now on a growth trajectory, a fact that owes much to 'Abenomics' and its three arrows.

Reflecting back on the economic climate in Australia during this time, I recall arriving in 2011 at the height of the mining boom and the first interest rate cut from 4.75% to 4.5% that November. A cut that now seems insignificant with the current record low of 2.5%.

As mining investment plateaued the unemploy-

ment rate has steadily risen from 4.9% to 5.8%. Despite this apparent slowdown, Australia – with its 23 years of consecutive economic growth – still has an enviable economic record.

Changes in the political environment have also been significant in both here and in Japan. In Japan the Liberal Democratic Party Leader Shinzo Abe was elected with an absolute majority over the previous Democratic Party of Japan, whilst on this side of the ocean we also saw a change of government in Australia with the election of the Liberal National Coalition's Tony Abbott as Prime Minister.

The elevation of these two like-minded leaders has proved to be a turning point in the relationship between our two countries.

With Mr Abbott's visit to Japan in April there appear clear resolve to end the deadlock that had surfaced in Australia-Japan relations since the commencement of the FTA negotiations in 2007.

With strong reform agendas and a clear rapport between the two leaders, this was achieved as Mr Abbott and Mr Abe agreed in principle on the Australia-Japan EPA/FTA.

The significance of the announcement of the EPA/FTA cannot be understated; it is the most epoch-making event seen since the enactment of the 1957 Treaty of Commerce between Australia and Japan.

In relation to my role at JETRO, I have actively been promoting business and investment with Ja-

pan since assuming this post, through either hosting seminars, speaking at various events and directly encouraging companies on both sides to expand their businesses to either side.

My successor comes here at an opportune moment in our two countries' histories that has punctuated by a recent revival in interest in Japan.

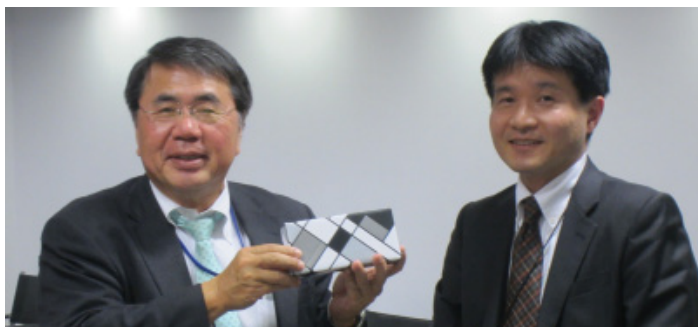
This can be attributed to the several factors: the success of 'Abenomics' and its instrumental economic deregulation reforms; the announcement of Japan hosting the 2017 Rugby World Cup and Tokyo hosting the 2020 Olympic Games; and of course the Australia-Japan EPA/FTA.

At JETRO Sydney we experienced this increase interest first hand in the huge turnout we received for the "Japan: The Awakening" Symposium hosted by us November 2013.

With that, I feel I can look back on my accomplishments during my posting here, satisfied with my accomplishments and content that I did my best to ensure there was 'no stone left unturned' in my efforts to promote of Australia-Japan business ties.

Nevertheless, it is with mixed feelings that I say farewell. I will miss both the many warm friendships I have formed here and comfortable lifestyle Sydney has offered me.

On that note, I will simply say that I hope our paths may cross again sometime in the future, but until that time 'So Long Mate!' ●



Takashi Tsuchiya receiving a gift at his farewell from Deputy Managing Director Kunihiro Nakai.



One final photo with the staff of JETRO Sydney.

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.

Call us on: 02 9002 6200 - Or visit our office at: L19, 39 Martin place, Sydney 2000 NSW



Picture: Yukino Ochiai and Andrew Cameron (centre pair)

A Case of Deja Vu for Sake in Australia

DEJA VU SAKE CO: A JETRO Sydney success story

For most Australians Japanese sake is a drink intrinsically linked foods like sushi, sashimi, gyoza and other quintessentially Japanese foods that are often the impetus for trying sake.

This is quite different to how sake treated in Japan, where a vast array of sake types and brands provide drinkers with a breadth options to service any occasion and meal, much like those offered by wine in other parts of the world.

For Yukino Ochiai and Andrew Cameron this represented an opportunity. As owners of 'Deja Vu Wine Company' (DVW), a business focusing on Australian and imported fine wines, they had witnessed the growth in the Australian wine industry over the past two decades. Seeing parallels between the wine and sake industries, they felt the Australian market could warm to sake.

In order to find out, in 2012 they established a new business called 'Deja Vu Sake Company' (DVS) to import high quality Japanese sake to Australia, and handle marketing and brand building. DVS then engages DVW to look after the sales and distribution of these premium sakes by offering them to their retail and restaurant customers throughout Australia.

DVS approached its sake business similarly to how the wine industry works, dealing directly with producers rather than the more common sake importers method of going through agents. This direct approach allows for a much closer relationship between the producer and the marketplace.

In selecting producers for their portfolio, DVS targeted sake breweries that both had high quality sakes but also understood the DVS's philosophy and approach to the business. The company now has a strong relationship with five premium Japanese sake producers that all have their own rich histories and unique styles.

Once established, DVS connected with JETRO Sydney, who helped them gain further insight into the Sake industry in Japan through the JETRO Buyer Invitation Program for Sake. This program gave Yukino the opportunity to visit a range of sake breweries to observe their production techniques and sample their sakes.

Yukino said the tour was highly educational and helped the company to greater appreciate their products and build a strong network in Japan.

A key goal for the company was to reach beyond the traditional Japanese cuisine market, and so they targeted a large number of non-Japanese restaurants as well. This approach has been widely successful, with well over a hundred non-Japanese restaurants now selling their sake.

“the company are marketing sake in a similar way to wine or scotch; showcasing its history, sophistication and vast range.”

Yoshinogawa's flagship sake: "Daiginjo"



Andrew explains that the idea is to shift the Australian perception of sake to being closer to that of wine, which sake shares common characteristics with, such as its alcohol content, many of the production processes, flavour profiles and food compatibility.

Shifting perceptions is challenging however, and so beyond its presence in restaurants, DVS is actively seeking to broaden consumer awareness of sake and the subtlety and variation that exists within it.

The company wants Australians to be drinking sake not just when they're out, but at home too. To that end, the company are marketing sake in a similar way to wine; showcasing its history, sophistication and vast range.

The sake itself makes this task easier; those like Yoshinogawa have histories as rich as any vineyard in Europe.

Beginning in 1548 in the Niigata Prefecture, it is today run by 19th generation owner Kawakami-san, who uses it's almost five hundred years of knowledge to blend traditional techniques with modern ones. The results of which are truly unique.

In order to acquaint Australians with such rich history, DVS have taken a very hands-on approach, with many 'master-classes' being held for consumers thirsty for knowledge.

The company also makes sure to attend numerous food festivals and other cultural events, like the 'Taste of Sydney' festival held recently in Centennial Park.

DVS are optimistic about Australians' appetite for sake with the success they have achieved thus far, and continue looking for new ways to make it easier for people here to discover the age old Japanese drink. ●



Picture: Manuel Panagiotopolous and Australian Prime Minister Tony Abbott at the Tokyo Australian Embassy Barbeque on April 6th 2014

A Watershed moment for Australia & Japan



Manuel Panagiotopolous
Australian & Japanese
Economic Intelligence

On April 6th the Australian Embassy in Tokyo held a Barbeque to host Prime Minister Tony Abbott and the high level business delegation travelling with him.

I was fortunate enough to attend this memorable occasion; a cool day in which the cherry blossoms lingered beyond spring to continue to adorned the Embassy's garden. A good sign if ever there was one.

There was excitement in the air, anticipation that the FTA/EPA between Australia and Japan, a process begun nine years ago, would finally be announced. There were still some doubts lingering in the minds of many, but I was curiously confident, based on fragile intuition, that the deal would be announced.

The very next day the deal was made public. But that was not all, far from it. During the PM's visit, there were three announcements made; a package of success stories that provide evidence of the new level of relations between Australia and Japan.

Along with the Free Trade (and Investment) Agreement, there was the New Colombo Plan and the enhanced security coop-

eration agreement.

In three different but interacting fields, the Australia-Japan relationship made a quantum leap into new levels of engagement and collaboration.

Overall, as our good friend Peter Gray (former Ambassador to Japan and also former trade negotiator) said recently, this may be the biggest result since the 1957 Commerce Agreement.



The Australia-Japan agreement gives both sides an advantage of time to make gains in trade and investment before other agreements are signed."

The 1957 agreement was a watershed moment in our collective histories. It improved the economic futures of both countries, leading to enormous and unprecedented expansions in trade and investment and the development of vast new industries.

The half century that has passed since then has seen the relationship between our two countries continue to strengthen into one of the most important in the region. So

it is important we honour the 1957 agreement, as in many ways it formed the foundation for the announcement of this EPA.

While the details of the economic agreement will become clearer over the coming months, it is also important for businesses on both sides to start preparing to take advantage of the changes.

These will cover many sectors and sub-sectors, from agricultural goods to processed food, from specialised manufactures to fund managers and healthcare. As the implications of these changes become clearer, agencies such as Austrade and JETRO will be increasingly called on to provide support, along with private sector experts.

Yet it is vital to remember that this FTA/EPA was not formed in a vacuum; it was been concluded at a time of vigorous negotiations between numerous trading partners and competitors.

The Australia-Japan agreement gives both sides an advantage of time to make gains in trade and investment before other agreements are signed.

Prime Minister Abe's visit in July will hopefully see the signing of the agreement, before it goes to the respective Parliaments for ratification. When that happens, a new phase of in our bilateral relationship will have begun.●

Feature: Lloyd Downey on 'Entering New Markets'



Daniel O'Toole
Editor

As long as there has been international trade there has been a need for governments to play a support role. From explaining their own country's customs, laws and markets, to engaging with and studying those of others, the task has necessarily been a complex one.

But the way in which states engage with overseas markets has necessarily evolved over time, and perhaps more over the past few decades than any other period.

Lloyd Downey is more aware of this than most, having worked in a variety of foreign trade related roles for the Australian Trade Commission and for the World Trade Organisation affiliated International Trade Centre's (ICT), he has experienced firsthand many of the seismic shifts in global trade over the past few decades.

He has distilled this experience in the latest edition of ITC's "Entering New Markets: A Guide for Trade Representatives" (ENM), released in 2013. The book is the third edition of what has become a series for the ITC, with updates occurring at twenty year intervals.

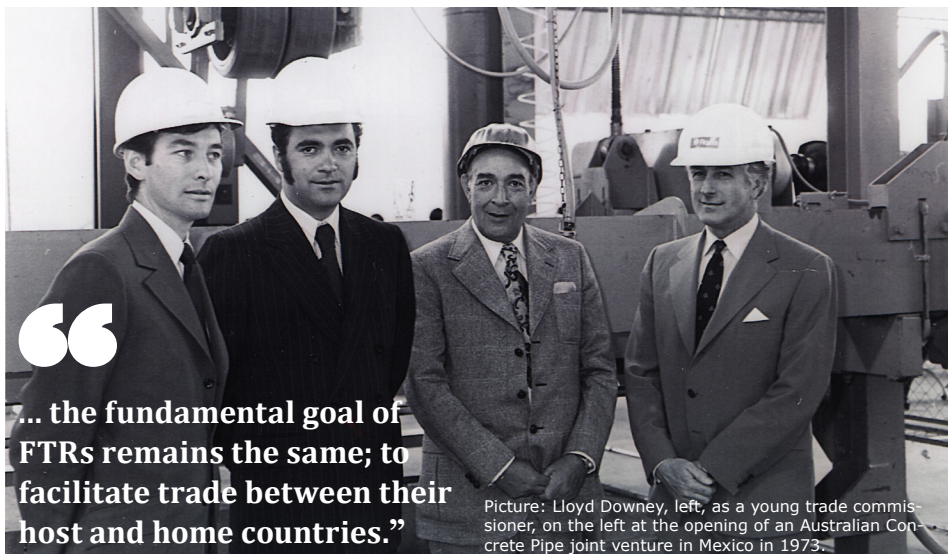
ENM is structured as a sort of field manual for Foreign Trade Representatives (FTRs), providing a solid framework for their activities, with plenty of historical context along the way.

It covers a vast amount of ground, from explaining the importance of establishing clear command structures and national priorities; understanding cultural and legal differences between countries; outlining the challenges and opportunities of social media and modern communications in general; and advice on avoiding pitfalls of countries' differing corruption standards, ENM is a comprehensive handbook quite different from its predecessors.

Mr Downey explains the book's comprehensive nature is in part a reflection of its place in time, with the technological limitations of the 1970s and even 1990s constricting an FTR's activities relative to today.

Reflecting on such changes over the last four decades, he notes that the first edition of ENM dealt largely with cultural issues and the importance of proper etiquette at the various events an FTR would dedicate their time to, issues that are dealt with only briefly in the current edition.

He tells how when the first edition was written,



Picture: Lloyd Downey, left, as a young trade commissioner, on the left at the opening of an Australian Concrete Pipe joint venture in Mexico in 1973.

the time it took to replicate and communicate work was in the space of weeks. Since the introduction of the fax machine in the eighties, to the dawn of the internet in the nineties and its continued development until today, these timeframes have been cut to within hours.

The simplification of such processes has freed FTRs up to engage in a wider array of activities. Nevertheless, Mr Downey stresses that the fundamental goal of FTRs remains the same; to facilitate trade between their host and home countries.

One constant throughout the different eras has been the importance of Networks, which ENM deals with at length. But Mr Downey emphasises networks are over-invested in and poorly managed.

The building of networks requires considerable investment through the hosting of functions, participating in numerous conferences, attending national days, and joining numerous clubs.

The fixed terms of most FTRs therefore represents a challenge in that this process effectively needs to be repeated every few years. So the type of contacts being sought need to be selected quite carefully.

He points out that certain industries don't require large networks, with only a handful of dedicated buyers providing them with healthy growth in some cases.

Moreover, the utility of networks for industries that do require such investment can be undone by shifts in the trading environment. These can occur as a result of a number of factors; anything from the emergence of new international competitors, new trade agreements, to things like bad weather can influence the trading dynamics between countries.

With that in mind, I asked Mr Downey how he



Picture: The launch of ENM at Austrade, Sydney. Lloyd Downey on left.

thought of the Japan Australia Economic Partnership Agreement (JAEPA) would affect the trading environment between Australia and Japan.

"The signing of the agreement is certainly a positive sign for both countries, but realistically the effects of Free Trade Agreements (FTA) are often centred on a narrow range of areas where the competitive advantage of either country has been undermined by tariffs.

FTAs can and will alter the trade environment, but for us to fully understand the implications of the JAEPA specifically, we'll have to see it in a lot more detail than we have so far. But hopefully it will broadly see a boost in bilateral trade and investment" he said.

Ultimately, Mr Downey explains that there is no silver bullet when it comes to building trade and investment between countries. It requires an array of methods, tools, connections and an environment that will support them, which is why ENM is written to provide FTR's with a framework within which they can foster and maintain these elements. ●

More to Japan than just Sushi and Toyotas



Kunihiko NAKAI
Deputy Managing Director

Japan has built a reputation as a country that produces goods of high quality and visual appeal. This extends across industries, but some are more prominent than others. When people think of Japan, one of the first things to enter their mind is food.

'WASHOKU' GOING GLOBAL

Words like "sushi", "sashimi", "tempura" and "udon" have all become part of an international culinary language, and traditional Japanese cooking, or "Washoku", is now ubiquitous around the world.

As this cultural footprint has grown, so too has an appreciation for the artistry involved in its production and the nourishing nature of the food itself.

So much so, that on the 4th of December 2013, The United Nations Educational, Scientific and Cultural Organisation (UNESCO) added "Washoku, traditional dietary cultures of the Japanese, notably for the celebration of New Year", to its 'Intangible Cultural Heritage List'.

Australians are certainly no strangers to Washoku, with well over a thousand Japanese restaurants across the country. There are 550 in Sydney alone, another 500 in Melbourne and 200 in Brisbane, and the numbers are still growing.

JETRO's "Survey on Japanese Food Directed at Overseas Consumers", which covered 2,800 respondents in the 20 to 50 age bracket from China, Taiwan, South Korea, the U.S., France and Italy, sheds some light on international attitudes toward Washoku.

It showed that sushi, yakitori, sashimi, and tempura rank high among the consumers' favourite Japanese dishes. In addition to these, ramen was highly popular among Asian and American consumers, while Japanese style "curry rice" was popular among Europeans.

In addition to its culinary traditions, Japan is also a leading center of design and innovation. In an effort to highlight Japan's many unique culturally driven assets the Japanese government has started what it calls the "Cool Japan" campaign. Its goal is to



Japan is famous for the car companies like Toyota and its unique cuisine, but the country offers much more. Uniqlo, a large Japanese clothing company - new Melbourne store pictured below - is an example of how Japanese companies are growing in industries beyond the country's traditional fortes.



redefine Japan's reputation as a pioneer in design, fashion, entertainment and cuisine.

Japanese products are renowned for their cutting edge design, elegance and function, and can be found in countries all over the world covering an array of industries.

NEW INDUSTRIES

A recent example of the strength and diversity of Japanese products is the growth of Japanese clothing company UNIQLO. On the 16th of April this year, UNIQLO, a company known for its affordable and stylishly minimalist clothing, opened their first store in Australia in Melbourne's new "Emporium".

UNIQLO is just one of many Japanese companies that are looking to expand into untapped international markets.

JETRO's research backs this up: according to one of our surveys on the Japanese service industry, of companies that claimed to have a proactive stance toward overseas investment, over 40% of respondents (546 companies) noted existing experience in overseas expansion projects.



UNIQLO is just one of many Japanese companies that are looking to expand into untapped international markets."

Among the main challenges these companies cited were things like finding appropriate localisation that will help inform access to services, logistical arrangements and price setting. In addition, concerns over access to resources, capital and cost management were also raised.

At JETRO, we play an important role in helping companies find solutions to these issues. In so doing, we hope to help to promote the concept of 'Cool Japan' through a greater involvement by Japanese companies in international markets. ●

Editors Note: Imbalances in our partnership



Daniel O'Toole
Editor

In the last newsletter, I wrote that for a number of reasons the Free Trade Agreement between Australia and Japan – now formalised as the Japan-Australia Economic Partnership Agreement (JAEPA) – would finally be agreed to when Prime Minister Tony Abbot visited Japan in April.

With the conclusion of the JAEPA now scheduled to occur with the visit of Japanese Prime Minister Shinzo Abe next month, it is therefore worth considering the economic issues the two countries should hope to improve upon.

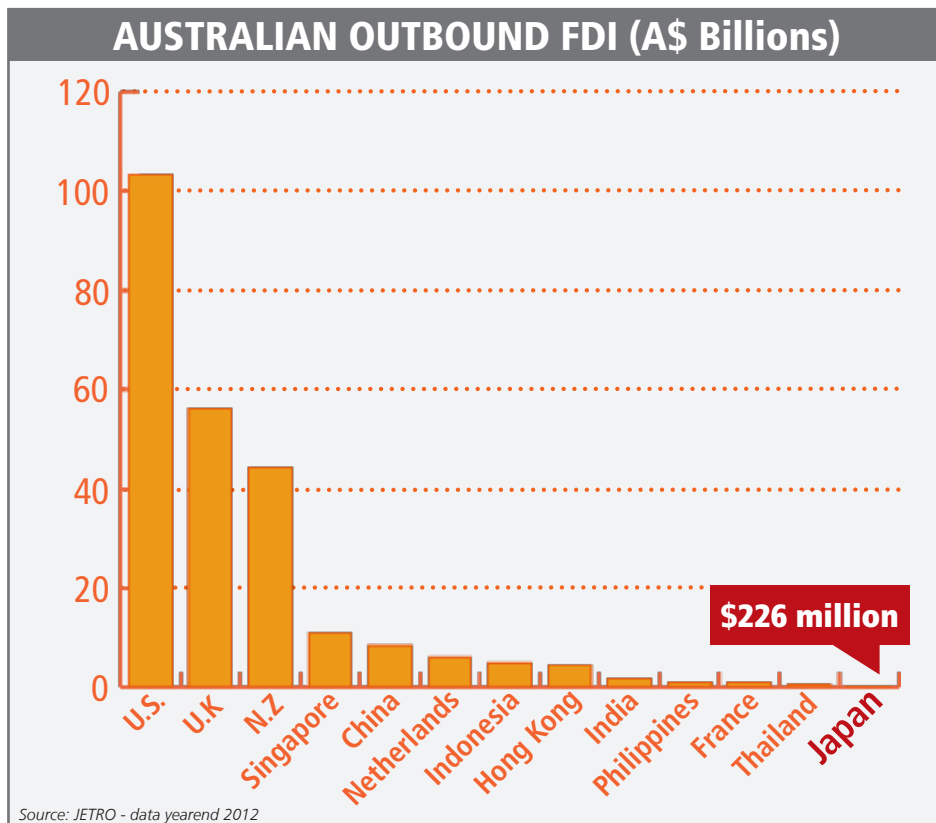
Australia's economic relationship with Japan is famously strong, but there are imbalances. Nowhere is this more apparent than with Foreign Direct Investment (FDI); Japan is Australia's third largest contributor of FDI after the United States and the United Kingdom. But whilst Australia's top two destinations for FDI are also the US and UK, as recent as 2012 Japan sat in twelfth position behind countries like Thailand and the Philippines.

Looking at the industries where Australian FDI is directed in the UK and the US, finance, property and the life sciences feature prominently.

So what's different about Japan? The lack of cultural and linguistic ties plays a part, but so has the trajectory of the Japanese economy over the past two decades.

For an industry like property, Japan's long running deflation made investment in the sector highly unattractive at home and abroad. Indeed, a study by the Nomura Research Institute estimated that the fall in real estate values from 1990 until 2002 eliminated roughly US\$9.3 trillion of Japan's wealth.

Other industries face different challenges. The Biotechnology sector is growing in Australia, but while Japan is the world's second largest pharmaceuticals market, our presence there is negligible. Part of this is down to the relative maturity of Japan's industry and the strength of its major play-



for over a year now the Japanese property sector has been experiencing some of the healthiest growth it has seen since the end of the bubble in the 1980s."

ers. Equally though, perceptions that the Japanese regulatory system is too complex and unwieldy also undermines the confidence of would-be investors.

But the environment in these sectors and others is changing fast in Japan, and Australian companies should start positioning themselves so that they can benefit from the windfall.

As noted in our last newsletter, the Japanese Diet has passed several bills that will simplify the regulatory structure surrounding the biotech industry. Similar changes are underway elsewhere.

Just as importantly, for over a year now the Japanese property sector has been experiencing some of the healthiest growth it has seen since the end of the bubble in the 1980s. As a snapshot, the value of Condos in the big cities of Tokyo and Osaka are growing at rates of between 3.5% to almost 5% and residential construction is increasing.

Along with the signing of JAEPA next month, these changes and others like them represent an opportunity to both deepen the economic relationship between Japan and Australia and redress the investment imbalance. ●



We Are Tomodachi

~ A Magazine to all our friends around the world ~

The Japanese Government would like to invite you to subscribe to its new Online Newsletter '**We Are Tomodachi**' at: <http://japan.kantei.go.jp/letters/index.html>

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