



**Invest & Trade**  
WESTERN AUSTRALIA



# Japan Market Outlook

**2022-23**

Trade and investment opportunities  
for Western Australian businesses



# Japan market overview

Gross domestic product

**US\$4.3 trillion**

(EIU 2021)

11th most populous country in the world

**126 million**

(2021)

**3rd largest**

economy in the world

Japan has a large and developed economy that offers a broad range of opportunities for Western Australian businesses looking for an export market or long-term investment partnership. Western Australia's trade and

investment with Japan has traditionally focused on resources and agriculture. With high per capita incomes, the Japanese also have demand for quality services, including health services to support an ageing population.

## Western Australia's trade relationship with Japan

**1968**

Established the Invest and Trade WA Tokyo office

**\$33 billion**

2nd largest trading partner in 2021-22

**\$30.3 billion**

2nd largest merchandise export market, with 35% of Australia's merchandise exports to Japan in 2021-22

Western Australian merchandise exports to Japan in 2021-22



**54%**

Petroleum (mainly LNG)



**33%**

Iron ore



19th largest market for international students in 2021

The Western Australian Government supports local businesses pursuing opportunities with Japan through Invest and Trade WA. This includes providing advice and assistance to Western Australian companies looking to export to Japan or attract investment to grow their business.

The relationship between Western Australia and Japan is also supported by the Western Australia Hyogo Sister-State Relationship Agreement.

Established in 1981, the sister-state relationship promotes stronger economic and cultural ties, with a focus on increasing reciprocal exchange in education, tourism, trade and investment. In particular, the Western Australian-Hyogo Prefecture Japanese Studies Scholarship gives Western Australian recipients the opportunity to study in Hyogo Prefecture.

Japan is a key market under Western Australia's Asian Engagement Strategy 2019 – 2030, which supports:

- » Maximising trade and investment opportunities
- » Asia literacy and capability
- » People-to-people links
- » Business networks and communities.

Australian investors and exporters receive preferential market access through free trade agreements (FTAs). Western Australian businesses looking to expand into Japan can reap the benefits of these agreements.

### **Japan-Australia Economic Partnership Agreement (JAEPA)**

The JAEPA entered into effect on 15 January 2015.

The main benefits of JAEPA include:

- » Increased access for Western Australian primary producers for wine, sugar, dairy, wheat and barley, horticulture (including asparagus, macadamia nuts, almonds and mangoes) and some seafood (lobsters, prawns, oysters, crabs and abalone)
- » Increased access for resources, energy and manufactured goods exports, including coal, petroleum oils, aluminium hydroxide and titanium dioxide, unwrought nickel and ferro manganese, paints, plastic products and pearl jewellery
- » Increased access into the Japanese market for Australian providers of financial services, legal services, education and telecommunications services. Architects, engineers and accountants, as well as Australian innovators and creative industries also benefit from the free trade agreement
- » Loosened requirements for Japanese businesses to invest in Australia.

### **Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)**

CPTPP is a free trade agreement between Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore and Vietnam. The agreement was signed in March 2018. The CPTPP incorporates the provisions of the Trans Pacific Partnership Agreement, with the exception of a limited set of provisions.

The main benefits from the CPTPP include:

- » Increased market access for Western Australian primary producers for beef dairy, sugar, cereals, grains, rice, sheep meat, cotton, wool, seafood, horticulture and wine
- » Increased market access for manufactured goods
- » Increased level of certainty for Australian services exporters, reducing some regulatory risks these firms confront internationally
- » Greater access for Australian companies to CPTPP members government tenders
- » Elements which deliver a more liberalised and predictable regime for the regulation of foreign investment, including in key sectors such as mining and resources, telecommunications and financial services.

### **Regional Comprehensive Economic Partnership Agreement (RCEP)**

RCEP negotiations were launched in November 2012 between the Association of Southeast Asian Nations (ASEAN includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam) and ASEAN's free trade agreement partners (Australia, China, India, Japan, New Zealand and South Korea). On 15 November 2020, Ministers from 15 countries signed the Agreement.

The main benefits of RCEP include:

- » Increased opportunities for Australian business to build and access regional value chains and significantly reduce the burden of complying with rules of origin
- » Increased market access including in education, healthcare and other business services
- » Core investment protection, providing greater protection for Australian investors in these markets
- » Easier entry for Australian business persons to enter and work in RCEP markets
- » Easier access to government tenders and certainty for intellectual property rights holders.

For further information on FTAs with Japan visit: [ftaportal.dfat.gov.au](https://ftaportal.dfat.gov.au)

# Trade and investment opportunities with Japan

An outline of trade and investment opportunities with Japan is provided below, categorised under Western Australia's key industry sectors.

Each section also describes the Western Australian Government's actions to support businesses pursuing these opportunities in 2022-23. The actions are a combination of initiatives to assist Western Australian businesses to develop their export capability (sector-based) and activities that specifically support trade and investment opportunities with Japan (market-based).

## Energy

Japan and Western Australia have a longstanding energy relationship, brought about by Japan's demand for energy imports and Western Australia's large-scale energy supply capacity. Japanese companies have played a critical role in the development of Western Australia's Liquefied Natural Gas (LNG) industry through long-term contracts and direct investment in projects.

While LNG will continue to be an important part of Japan's energy mix, Japan is set to increase its demand for lower emissions energy. In October 2020, then Japanese Prime Minister pledged to reduce Japan's net emissions of greenhouse gases to zero by 2050 through the Japanese Government's ambitious Green Growth Strategy.

In particular, Japan is aiming to make hydrogen a key component of its energy transition. Japan's Basic Hydrogen Strategy and Strategic Energy Plan set out a vision for a hydrogen-based economy and investigate the substitution of coal with ammonia to reduce emissions in coal power plants.

There is growing interest in carbon offset initiatives, including carbon capture and storage and carbon capture, use and storage by companies that own existing projects.

Japan's vehicle manufacturers are increasing production of electric and hybrid vehicles, which creates opportunities for Western Australian businesses in the future battery industry to attract investment and establish long-term partnerships.

### Western Australian Government actions

- » Promote Western Australia as a destination for investment and offtake opportunities for hydrogen in accordance with the Western Australian Renewable Hydrogen Strategy.
- » Build Western Australia's profile as a world leading future green energy producer.
- » Promote Western Australia as a leading destination for the production of green steel to attract investment into the industry.
- » Attract investment and facilitate key projects for Western Australia's future battery industry.
- » Facilitate engagement between Western Australian businesses and Japan's remote and renewable power sectors.
- » Work with partners in Japan to attract investment into downstream battery materials processing such as precursor-cathode active materials (CAM) and CAM manufacturing.
- » Continue to implement Western Australia's Lead Agency Framework to facilitate major projects and proposals in Western Australia.
- » Connect Western Australian industry to investment opportunities in the Japanese LNG sector and facilitate business meetings and seminars to promote joint ventures and partnerships.



## Tourism, events and creative industries

Japan is a priority tourism market for Western Australia, particularly given its business links to the State.

Tourism Western Australia has an office in Tokyo and a strong network of partners in Japan, such as All Nippon Airways (ANA) Sales, Club Tourism International, H.I.S., Hankyu Travel International, Jalpak, JTB Corporation, Kinki Nippon Tourist, Nippon Travel Agency, STA Travel and Tobu Top Tours.

In 2019<sup>1</sup>, Japan was Western Australia's eighth largest market for international visitors.

### Western Australian Government actions

- » Establish Western Australia as the most desirable destination for international leisure visitors through the delivery of a new world class tourism brand.
- » Maintain ongoing contact with ANA in Perth and Tokyo to ensure direct flights are reinstated.
- » Support key distribution partners in-market to promote Western Australia as a premier tourism destination.
- » Promote Western Australia as a destination for conference attendance, development and delivery.

<sup>1</sup> Due to COVID-19 travel restrictions from 2020-2022 the composition of international visitors in these years was significantly different from previous years. International visitor statistics for 2019 provide a better representation of the relative size of each market.

## International education

While Japan has its own high-quality university system, it is one of Western Australia's key markets for onshore English language courses and exchange programs.

Western Australia can capitalise on its safe handling of the COVID-19 pandemic to market itself as an attractive destination for Japanese students.

The Education Business Development Manager based in the Invest and Trade WA Tokyo office works with education agents across Japan to promote Western Australia as an education

destination, including undertaking education agent training, seminars, webinars and familiarisation tours.

### Western Australian Government actions

- » Leverage the State's offshore international education marketing campaign in-market.
- » Work with education agents in Japan to elevate the profile of Western Australia's education sector and promote study programs offered by Western Australian universities and vocational education and training institutions.
- » Work with StudyPerth to promote Western Australia as a study destination of choice to Japanese educational institutions and students.
- » Gather intelligence to provide regular updates on in-market activities and trends to inform Western Australia's international education policy.
- » Collaborate with Western Australian education providers to undertake promotional activities and roadshows in Japan to assist universities and pathway providers in student recruitment.
- » Support international education consortia activities in Western Australia and Japan, including through the Education Business Development Manager at the Invest and Trade WA Tokyo office.
- » Promote Western Australia as a favoured education destination within Japan, including by:
  - » Collaborating with education agents on relevant events and programs that promote the Western Australian School Curriculum and Standards Authority (SCSA), universities, TAFE institutions and public and private schools
  - » Exploring the possibility of SCSA offering the Western Australian pre-primary to Year 10 curriculum to select education institutions in Japan.
- » Support Western Australian universities to expand their student, academic and research links in-market.

## Mining and mining equipment, technology and services (METS)

Japan has high demand for minerals to support its advanced manufacturing and construction industries. Japan is a longstanding investor in and customer of Western Australia's mining industry, particularly for iron ore and nickel.

There are significant growth opportunities for Western Australian businesses in the critical minerals industry. Following the release of Japan's International Global Resources Strategy 2020, Western Australia has a significant opportunity to leverage existing mining relationships to fulfil Japan's goal to secure a stable supply of critical minerals.

### Western Australian Government actions

- » Promote and deliver Western Australia's Future Battery and Critical Mineral Industry Strategy to increase the visibility and capability of Western Australian companies in the region.
- » Promote Western Australian mining and METS capabilities to attract investment into Western Australian mining projects and downstream processing of battery minerals such as precursor-CAM and CAM materials manufacturing.
- » Work with international partners in Japan to assist Western Australian companies to find suitable opportunities for offtake agreements.
- » Maintain key stakeholder relationships and information exchange between Western Australia and Japan in the mining industry.
- » Continue to streamline approvals processes and regulatory reforms to create a more attractive investment environment for the mining industry.
- » Attract investment into critical mineral projects in Western Australia by:
  - » facilitating understanding of Western Australia's potential as a secure and reliable supplier and processor of critical minerals (including rare earth elements)
  - » developing investment attraction and trade promotion strategies for Japan.

## Defence industries

Australia and Japan have a strong and broad-ranging security relationship, participating in joint defence exercises and consulting on regional security issues. This relationship was confirmed through the Reciprocal Access Agreement signed by the Prime Ministers of Australia and Japan in January 2022. The relationship is being further reaffirmed through the growing emphasis on the Quadrilateral Security Dialogue Partnership between Japan, India, the United States and Australia and Japan's open support for the newly established Australia-United Kingdom-United States security pact.

The defence and security relationship between Australia and Japan provides a foundation for Western Australian businesses in the defence industry seeking opportunities and partnerships with Japan.

Western Australia's shipbuilding sector has had success in the Japanese market, with Austal building a 502 passenger trimaran ferry, the Queen Beetle, for JR Kyushu Jet Ferry's Fukuoka Busan route.

Western Australia is well placed to provide an alternative supply chain for Japan in defence-related services.

### Western Australian Government actions

- » Promote Western Australian capability and opportunities at relevant international events, including Defence and Security Equipment International Japan.
- » Develop and implement industry engagement plans under the Defence and Defence Industries Strategic Plan.
- » Develop and deliver a market action plan for the promotion of Western Australia's capability in defence industries.
- » Provide engagement opportunities to prime contractors, local businesses and industry bodies for upcoming domestic and international defence programs.
- » Build research and innovation partnerships to increase Western Australia's capacity to support emerging technologies in the defence industry.

## Space industries

On 7 July 2020, the Japan Aerospace Exploration Agency (JAXA) and Australian Space Agency signed a Memorandum of Cooperation (MOC). The MOC provides a foundation for new collaboration opportunities between Japan and Western Australia in the space industry.

In August 2021, Space BD, a Japanese space start-up appointed by JAXA as the private partner for the small satellite deployment service from the International Space Station (ISS) Japanese Experiment Module Kibo, launched two Australian satellites. One of these satellites, 'Binar-1', was the first satellite launch for Western Australia by the Space Science and Technology Centre at Curtin University.

Western Australia is well placed to provide an alternative supply chain for Japan in space-related services.

### **Western Australian Government actions**

- » Develop and deliver a market action plan for the promotion of Western Australia's capability in space industries.
- » Identify Western Australian space companies seeking to export to Japan.
- » Conduct market research to identify business development opportunities for Western Australia in Japan.
- » Promote Western Australian capabilities in space through marketing channels, including Memoranda of Understanding (MOU), webinars or familiarisation tours.
- » Promote Western Australia's capabilities at relevant international events.
- » Attend relevant seminars and networking events to develop and retain a network of contacts with stakeholders.

## Health and medical life sciences

Japan has an ageing society, with 29% of its population aged over 65. There is also increasing recognition of the need to provide effective services to Japan's population living with some type of disability. With these issues also being relevant in Western Australia, there are opportunities for businesses to provide innovative products and services to the Japanese market.

The Western Australian Government has established the Future Health Research and Innovation Fund. The fund aims to drive health and medical research, innovation and commercialisation to better position the State as a leader in research and innovation and provide opportunities for collaboration with international partners.

The Western Australian Government has also developed the State's first Health and Medical Life Sciences Industry Strategy. As one of the fastest-growing regions in Australia for health and medical life sciences, this strategy aims to drive the growth of the industry that spans digital health, medical technology, biotechnology, pharmaceuticals and health and wellness. The strategy focuses on attracting investment, growing research and development and commercialising medical products and services.

### **Western Australian Government actions**

- » Implement the Health and Medical Life Sciences Industry Strategy.
- » Identify and undertake opportunities to engage with key international markets to promote Western Australia as a destination for investment and partnership in health and medical life sciences.
- » Implement the Future Health Research and Innovation Fund and develop and implement communication tools to enable engagement with current and potential fund stakeholders.





- » Explore and introduce life science opportunities in Japan for Western Australian organisations through:
  - » promoting Western Australia's capabilities in biotechnology
  - » identifying sub-sectors of biotechnology for possible collaboration
  - » matching market-ready organisations.
- » Participate in industry trade shows such as Bio Japan to support Western Australian companies to make connections with Japanese industry.

## Primary industries

Japan is Western Australia's second largest market for agrifood and beverage exports and a leading market for cereal, straw, wheat, barley and beef.

Japanese consumers are seeking out natural, healthy and nutritious foods, as well as products with extended shelf life. The COVID-19 pandemic led to growth in online shopping, e-commerce and home delivery. There are opportunities for Western Australian products that are premium and niche in the Japanese market.

The reinstatement of direct air access between Perth and Tokyo will provide opportunities for the export of perishable,

high-value agrifood products, including seafood (lobsters and abalone), fruit (avocados), meat (beef and lamb), truffles, vegetables, flowers and food and beverages. Japan has also been identified as having market potential for Western Australian wine, as demand increases for premium 'new world' and natural (organic and biodynamic) wine.

### Western Australian Government actions

- » Target and promote Western Australian agrifood sectors in Japanese markets.
- » Develop networks between Western Australian and Japanese producers of high-value premium products.
- » Increase visibility of Western Australia's agrifood commodities and premium products in Japan, including at events such as FOODEX.
- » Support the Western Australian agrifood sector to maximise market access under the JAEPA by increasing and diversifying its links with the Japanese market.
- » Support Western Australia's agri-tech and food-tech ecosystem to develop investable businesses and trade in services.
- » Support Western Australian agribusinesses to invest in new market development projects including in the food and beverage industry.

# Western Australian business success with Japan

## FOODEX Japan 2022

Western Australia's premium food and beverages were introduced to global buyers at FOODEX Japan 2022, Asia's leading food and beverage trade show held at Makuhari Messe in March 2022.

FOODEX Japan provided an opportunity for 28 Western Australian businesses to expand into the global market and connect with potential buyers.

The Invest and Trade WA Tokyo office, in collaboration with the Department of Primary Industries and Regional Development and the Chamber of Commerce and Industry Western Australia, organised a booth at the expo to showcase the State's products, including Western Rock Lobsters, Tiger Prawns, black truffles, avocados, corn, Manuka and Jarrah honey, Fremantle Octopus, craft beer, whisky, gin and other high-quality local products.

The Western Australian products attracted a large number of participants and potential buyers, resulting in more than 150 enquiries being received following the four-day exhibition. As a direct result of attendance at FOODEX, the Japanese truffle importer who attended Western Australia's booth visited several truffle producers in Manjimup and is now preparing to import Western Australian truffles. A Western Australian honey producer achieved a significant sale of their product in the Japanese market following a lead generated through FOODEX.



## Technology Metals Australia Vanadium Project

The Invest and Trade WA Kobe office has continued to support Technology Metals Australia (TMT) in Japan. TMT is a Western Australian company developing its Murchison Technology Metals Project, which incorporates the Gabanintha Vanadium Project and the Yarrabubba Iron-Vanadium Titanium Project, and is located south of Meekatharra in Western Australia. LE System is one of Japan's leading vanadium electrolyte companies, undertaking research and development and production.

Based on support from the Kobe office, TMT expanded its MOU with LE System on 12 January 2022 to launch a joint feasibility study into the development of Australia's first fully integrated vanadium electrolyte plant for vanadium redox batteries. The proposed plant will aim to source vanadium from TMT's Murchison Technology Metal Project in the Mid West of Western Australia.

The two companies are working to progress technology licensing, and offtake agreements. Given the progress, the Kobe office has been liaising with the Japan Bank for International Cooperation (JBIC), Osaka on the possibility of JBIC supporting vanadium into Japan sourced from Western Australia. The Kobe office is working with the company to attract further partners and interest in the project.



## Western Australian Government support

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The Invest and Trade WA Tokyo office has supported Western Australian businesses seeking to access trade and investment opportunities in Japan for more than 50 years.

The Tokyo office has established a strong network of contacts to support Western Australian businesses in Japan. This includes close working relationships with the Australian Embassy in Tokyo, Austrade and with the Australian Consulate in Osaka. The Western Australian Government also has an Invest and Trade WA Kobe office to facilitate the Hyogo-Western Australia sister-state relationship.

In 2020-21, Invest and Trade WA moved to a regional hub model. Invest and Trade WA's Tokyo and Kobe offices operate as part of the North East Asia regional hub, providing the following services:

- » Advice on North East Asian markets and specific trade and investment opportunities
- » Advice on market-entry strategies
- » Supporting in-market promotion and visits
- » Facilitating introductions to potential customers and partners.

