

AJBCC/HSF Webinar highlights “New Paradigm” for Japanese FDI in Australia

On Tuesday 22 March, the AJBCC held a webinar to launch HSF's *Japan-Australia Investment Report 2021*, featuring the report's authors, AJBCC Vice-President Ian Williams and Damien Roberts, with commentary from JETRO President Kazushige Nobutani and Austrade General Manager for North Asia Elizabeth Cox. AJBCC Board member Professor Veronica Taylor moderated the discussion.

Williams and Roberts said key findings were:

- lower than anticipated M&A activity between Australia and Japan, with a limited number of new entrants within Australia-Japan business due to pandemic constraints,
- the principal drivers of investment (Japanese demographics, stable Australian population growth and strong economic recovery, multilateral and bilateral diplomatic overlay) remained strong, giving cause for confidence that easing of travel restrictions would improve M&A performance and the flow of new entrants.
- The emergence of a new investment paradigm that leans away from the traditional JV model towards majority acquisitions of various domestic businesses, with an emphasis on emerging new energy related partnerships.

Williams stressed Australia needed to remain focused to ensure it retained a leading role as Japan's key energy supplier in the face of decarbonisation - its current pre-eminence could not be taken for granted. Hydrogen was important, but the energy transition was broader. Government-to-government collaboration on critical minerals was signals Australia's focus to become a major energy supplier in the new era. Other key findings included the emerging Japanese interest in innovative technology companies and Australian economic and social infrastructure, as well as the large role that Japanese banks had played in project financing – with increased activity in primary and secondary debt markets.

JETRO President Nobutani said Australia was an important investment destination, citing a growing economy that offered various opportunities for Japanese investment. Nobutani emphasised that the values shared between Australia and Japan would support free trade and investment, as well as a carbon neutral future in the Asia-Pacific Region. Mr. Nobutani said mutual trust across relationships and investments was extremely important and noted that the easing of travel restrictions to allow for face-to-face meetings should prove beneficial.

Austrade North Asia General Manager Cox said recent events surrounding the Japan-Australia bilateral relationship including the conclusion of negotiations to elevate practical aspects of the Australia-Japan defence and security relationship, as well as the announcement of the new *Australia Clean Hydrogen Trade Program* and *Japan-Australia Partnership on Decarbonisation through Technology*, had created a highly favourable environment for bilateral investment activity. Ministerial involvement remained high, and confidence/engagement between Australia and Japan were more secure than ever. Observed investment trends were still strong despite pandemic challenges, with a key trend being partnership and diversification.

Key points raised by the webinar participants included the need for more investment in human capital to facilitate cross-cultural relationships, as well as commercial opportunities in third countries and trilateral relationships. The asymmetry in the partnership was also pointed out, and it was noted that the decline in Yen value might provide an incentive for Australian companies to invest in Japan.
