



# Overcoming Misperceptions in Australia-Japan Relations 18-19 August 2011

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Griffith Asia Institute

## OUTCOMES PAPER

### Overcoming Misperceptions in Australia-Japan Relations Ship Inn, Brisbane 18-19 August 2011

#### Overview and Workshop Aims

Since the landmark Australia-Japan Commerce Agreement of 1957, Canberra and Tokyo have successfully crafted mutually beneficial trade, investment, and diplomatic ties, making Japan Australia's most reliable regional partner in the post-war period. Japan was the main supporter of the Hawke government's efforts to create the Asia-Pacific Economic Cooperation (APEC) forum and played an instrumental role in its establishment in the late 1980s. While China has been ambivalent about Australia's role in regional trade and security arrangements, Japan has remained an advocate of Australian participation in regional architecture in the Asia-Pacific, including the landmark East Asian Summit in 2005.

More recently, the politico-security dimension of the relationship has come to the fore. Uncertainty over the current security environment—caused by China's increasing regional influence, concerns in Canberra and Tokyo over the long term engagement of the United States in Asia, and shared apprehension about nuclear proliferation—is leading both governments to build further on not only their shared commitment to promoting multilateral security architecture in the region, but also to expand their relationship beyond its traditional trade and investment base. Indeed, the 2007 Joint Declaration on Security Cooperation between Australia and Japan provided striking testimony to how far the relationship had progressed since the end of the Cold War.

But the contemporary Australian-Japan relationship is characterised by elements of tension over Japan's whaling program in the Antarctic, and growing doubts within Japan over the value placed on the relationship by Australian policy makers, particularly against the background of Australia's rapidly burgeoning economic relationship with China. Governing elites in both countries—who perceive strong public support for their respective positions—have been highly critical of the other side's position on whaling, and have allowed the dispute to spill over into the broader bilateral relationship for the first time since Australia began to oppose whaling in 1979.

Supported by the Australia-Japan Foundation, the Japan Foundation, and the Australian and Japanese Institutes of International Affairs, this 1.5 track dialogue held in Brisbane from 18-19 August featured a frank exchange of views between Japanese and Australian policy officials and academics, in addition to commentary on the relationship's broader regional significance from an ASEAN perspective.

The workshop included a range of participants from government, academia, and the media. It was a closed workshop and all discussions were governed by the Chatham House rule.<sup>1</sup> Discussion was segmented into three panel sessions, which included significant and wide ranging plenary discussion covering the topics of bilateral security relations, domestic and international perspectives on the relationship, the whaling issue, and Australia-Japan relations in a regional context.

The central aim of the workshop was to foster greater understanding of the domestic and international forces shaping both sides' positions on issues of concern in the bilateral relationship. The workshop represented a key component in the Griffith Asia Institute's

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<sup>1</sup> The Chatham House rule exists when participants are free to use the information received, but neither the identity nor the affiliation of the speakers, nor that of any other participant, may be used.

broader strategy of promoting greater recognition and awareness among Australian policy makers, the general public, and the media of the important relationship that has been built between Australia and Japan over the last sixty years.

### **Key themes**

Much of the workshop discussion was framed against the larger background of the rise of China in the Asia-Pacific and the changing nature of the US-China bilateral relationship. Emerging frictions between Beijing and Washington caused by evolving realities characteristic of rising and established great powers were noted by participants in the discussions. The increasing economic interdependence between China and Australia and Japan was identified as a likely source of increasing tension within the parallel alliance relationships Tokyo and Canberra have with the United States.

China's rise is enhancing the importance of Australia in Japanese policy thinking. But, at the same time, there is a growing perception within Japanese policy circles that the bilateral relationship may be in danger of being taken for granted. Indeed, the bilateral relationship between Australia and Japan is so resilient that its strength may make it vulnerable to misunderstandings about what it can be expected to endure.

The influence of China as a growing regional power on the Australia-Japan bilateral relationship was consistently referred to in workshop discussions. Both Japanese and Australian participants agreed that China's increased economic and military power was driving Australia and Japan towards a new stage in bilateral relations that included the prospect of greater security cooperation and commitment between the two nations. Japanese policy makers in particular are concerned by China's increased military strength and uncertainty over its longer term ambitions in the region. And given the history of close diplomatic cooperation between Australia and Japan and their respective alliance commitments with the US, Australia is increasingly coming to be regarded in Japanese policy circles as a natural partner in Tokyo's efforts to balance Chinese influence in the region, through initiatives like the East Asia Summit, the Trilateral Security Dialogue, and the cross servicing and acquisition agreement signed in 2010.

However, discussions also revealed several challenges and limits to the bilateral relationship developing a more substantial security dimension. In addition to Japan's constitutional constraints on security cooperation with other states is the important question of Australia's own economic interests with China and how they can be safely managed while developing closer security ties with Japan. Another is the question of how a more strategically assertive Japan, and the prospect of closer Australia-Japan security relations, would be received by other states in the region, in particular China. There was agreement that while a less constrained Japanese military posture, within the critical context of the US alliance, would most likely have regional support, there is the potential for an enlarged Japanese security role increasing anxiety in Beijing over its own security.

But, although the changing regional security landscape is providing incentives for further engagement between the two countries beyond the traditional emphasis on trade and investment, differing perceptions of the relationship in Canberra and Tokyo have created tensions in recent years that require careful management by both partners. Fears in Japan that China is supplanting Japan's role as Australia's most important regional diplomatic and trade partner have been magnified by several issues since Labor's 2007 election, the most salient being the Australian Government's commitment to take Japan to the International Court of Justice over its scientific whaling in the Antarctic. Another indication that some aspects of the relationship were breaking down was the announcement by former Prime Ministers Rudd and Hatoyama of two competing East Asia regional initiatives created independently of each other with no apparent consultation between Tokyo and Canberra.

Discussions focused on how Japanese and Australian perceptions of the relationship differed in relation to these issues.

A common perception on the Australian side appears to be that the relationship is mature and resilient enough to withstand disagreements over agricultural exports and protection, Australia's growing trade dependence on China, and even the instigation of international legal action against Japan's Antarctic whaling. Japanese and some Australian participants, however, pointed out that this view is what has led many in Japan to believe that the relationship is being taken for granted in some respects. Overestimating Japanese patience on the whaling issue, for example, increases the danger of the dispute escalating to the point where significant damage to bilateral relations becomes a possibility. The decision to take Japan to the ICJ, which some participants argued was primarily a response to Labor's domestic policy problems in mid-2010, is unlikely to resolve the whaling dispute, but it has at least taken whaling off the policy agenda for the time being. However, the potential for the dispute to impact adversely on the broader relationship, either as a result of Sea Shepherd's actions in the Antarctic, or the ICJ's future ruling on the case, should not be underestimated.

### **Specific recommendations:**

#### Security

China's increasing military capability and more assertive approach to territorial disputes in the east and south east China Seas have enhanced Japanese perceptions of Australia's significance as a strategic partner, resulting in the bilateral relationship moving beyond its previous focus on trade and economic interests.

While the potential for further development of the Australia-Japan strategic relationship is strong—given the natural fit between both nations as security allies—there are at least three significant challenges ahead. Both Australia and particularly Japan face fiscal and political obstacles to realising their respective plans for military expansion. Some of these challenges could be met through enhanced security cooperation such as the joint development of submarine capabilities, others such as Japan's constitutional constraints will be more difficult to manage. However, policy makers should acknowledge that delays or unrealised expectations in defence planning objectives in either Japan or Australia could limit the future scope for cooperation due to concerns over credibility and commitment.

Second, the rise of China and its more assertive approach to sovereignty disputes clearly is a much more pressing issue for Japan than it is for Australia, given that Australia has no territorial disputes with China. Japan-China and Australia-China relations, therefore, could begin to move along very different trajectories, which would likely place Australia in the difficult situation of choosing to support one or the other in the event of conflict. Plans for the development of a closer security partnership with Japan need to acknowledge this possibility and also the strategic implications for our relationship with China that any security commitment to Japan is likely to entail, whether directly through a future bilateral agreement, or indirectly through the existing ANZUS alliance.

Finally, the potential for developing the Australia-Japan strategic partnership is largely premised on the existing alliance relationships Australia and Japan have with the United States. If the US-Japan relationship in particular changes in any significant manner, the future development of the Japan-Australia strategic partnership will be affected, in terms of both substance and motivation. The challenge for current and future Japanese governments is how to maintain and demonstrate the credibility of Japan's commitment to its alliance with the United States. After the March 2011 earthquake and tsunami, the alliance has recovered from the uncertainties raised in 2010 by the DJP's reversal of the Futenma relocation plan,

which had been agreed to by the previous LDP government. Operation *Tomodachi* demonstrated both the US commitment to Japan and also its commitment to its allies in the region. Operation *Tomodachi*, however, did not actually help to solve outstanding alliance management problems between the two allies. Australia therefore has a strong interest in preventing any further alliance 'drift' between the US and Japan, since the further development of a trilateral security partnership with Australia will in large part depend on the health and status of the US-Japan alliance.

### Domestic and international challenges

Both countries face some major challenges in the management of the relationship, both domestic and international. The primary challenge is ensuring that their respective views on China—Australia's being slightly more sanguine than Japan's—do not create tensions in diplomatic interactions between Canberra and Tokyo. Both remain increasingly dependent on China for their economic growth while at the same time remaining suspicious of Beijing's strategic intentions in East Asia. Yet, Japan is more acutely aware than Australia of its potential strategic isolation in the region should the US decide to pull back its commitment with a view to ceding primacy to China. It seems that from Japan's perspective, while Australia is currently a reliable security partner, the more dependent it becomes on the economic relationship with China the more inclined it will be to drift towards a China-led orbit in the region.

Domestically, Japan and Australia confront significant public policy challenges that may shape their relationship in new and unpredictable ways. Shrinking budgets caused by a combination of external and internal trends, the tendency towards gridlock in political decision making, and an ageing population are just some of the shared challenges both countries face in the years ahead. In particular, the perception of Japan as a declining power in Asia could potentially damage its claims to leadership on economic issues especially, but it also dilute the role of America's allies in Asian security and diplomatic interactions. For Australia, a declining Japan is not good news, either from the point of view of the bilateral economic relationship or from the perspective of having a friendly country supporting Australia's multilateral aspirations in East Asia.

In order to prevent these challenges impacting adversely on their relationship—specifically, to avoid a 'drifting apart' in relations—both countries should focus more of their resources and energy on developing joint approaches to regional cooperation mechanisms. Japan and Australia have an excellent track record in cooperating in this area, but the failure of the previous Hatoyama and Rudd governments to coordinate their respective blueprints for a region-wide multilateral security community is cause for concern. Regular bilateral consultations are important, but strengthening the trilateral relationship with the United States is critical in bolstering the common stake Tokyo and Canberra have in contributing to a stable and prosperous Asia. Governments of all political persuasions on both sides must avoid the temptation of becoming inward-looking at the expense of engaging externally in cooperative and active regional diplomacy.

### The whaling issue

In diplomacy, adopting a zero-sum game approach to issues rarely produces agreement between governments. A better solution in terms of long term relations is compromise, whereby each side gives a little to achieve the best outcome for both. But in the whaling issue, the opportunity for compromise has all but disappeared. Australian governments want to preserve all whales in the world's oceans; Japanese governments want access to whale

meat, and are determined to uphold their right to sustainably harvest wildlife resources in the world's oceans.

Both countries' positions appear intractable and neither government grants any legitimacy to the other's position. All attempts to persuade Japan to cease its whaling activities have failed and Australia has taken International Court of Justice action as a result. It is unclear how the ICJ action can be won by Australia, but even if it is, Japan may remove itself from the IWC and harvest unregulated. Or it may support the adoption of a new whaling convention that excludes non-whaling states. If Australia loses, Japan will continue to have access to whale meat but with no universal social licence to whale (even though it does not need one). The possibility for a negotiated resolution of the issue slipped further away with the failure of a recent US led initiative in the International Whaling Commission (IWC) and Australia's subsequent legal action against Japan. It remains to be seen whether future Australian and Japanese generations will have the balanced perspective necessary to resolve this long standing problem. In the meantime, however, the matter of one country's idol being another country's dinner must not be allowed to sour a strong and increasingly important relationship.

To this end, Australian governments should return to the previous bi-partisan policy of containing the whaling dispute within the IWC, and not allowing it to complicate the broader bilateral relationship with Japan. Doing so will require governments in both countries to refrain from exploiting the issue for domestic political gain; the "high politics" of Australia's foreign relations with its most important regional partner should not be driven by domestic public opinion. A long term solution to the dispute can only be found through negotiated settlement, which means that both governments need to work towards a compromise, or at the very least isolate disagreement from the broader relationship..

If left unresolved, the dispute will continue to cause problems in the bilateral relationship – through the ICJ's future decision and also Sea Shepherd's interim activities in the Antarctic – with each episode of conflict likely to become more damaging as the domestic and international stakes for both governments become higher. Australia's whaling policy, therefore, needs to be more in line with its aspiration to maintain a close working partnership with Japan in the economic and security domains.

### **Future directions: Towards an Australia-Japan dialogue**

The final session of the workshop was devoted to scoping out future directions for following up with another 1.5 track dialogue in 2012. Several points of agreement were reached:

- Workshop attendees endorsed the idea of a continuing Australia-Japan Dialogue (AJD) based on a 1.5 track model for discussions.
- Participants agreed in-principle that future workshops should be held alternately in Australia and Japan. Brisbane was the Australian venue for 2011, but there is no reason why another Australian city (e.g. Melbourne) could not be the base for a workshop depending on funding partners' location. Tokyo was identified as the logical city for a Japan-based workshop.
- As distinct from the only other Australia-Japan 1.5 track dialogue in existence—coordinated by the Australian Strategic Policy Institute, and which focuses exclusively on strategic and security issues), the focus of the workshop should

remain comprehensive and cover political, economic, and security challenges inherent in the relationship, with a strong Asia-wide focus.

- Some suggested that future AJD forums should seek to engage Japanese Diet Members and Australian Members of Parliament in discussion. Also mentioned was the importance of getting greater participation from the business sectors in both countries.
- It was agreed that additional funding streams would need to be established to supplant Australia-Japan Foundation and Japan Foundation support for 2011 and supplement Griffith Asia Institute funding beyond 2011. Discussions are continuing.

### **Workshop Outcomes**

- Papers produced by presenters will be edited and published as a Griffith Asia Institute Regional Outlook report. All papers have been received and are presently being edited for copy.
- An article on the conference by journalist Eric Johnston in the *Japan Times* on 23 September, 'The Energy for Trilateral Ties' (see: <http://search.japantimes.co.jp/cgi-bin/eo20110923a1.html>)
- A summary of the workshop by conveners Associate Professor Michael Heazle and Professor Andrew O'Neil appeared on the Lowy Interpreter Blog, which has wide exposure among policy makers and non-government analysts internationally (see: <http://www.lowyinterpreter.org/post/2011/09/13/Is-Australia-taking-Japan-for-granted.aspx>).
- Griffith Asia Institute has established a web presence to project the Australia-Japan Dialogue initiative, which includes information on the workshop, as well as the Institute's other Japan-focused activities (see: <http://www.griffith.edu.au/business-commerce/griffith-asia-institute/partnerships-collaboration/the-australia-japan-project>)

### **Point of contact:**

Professor Andrew O'Neil,  
Director, Griffith Asia Institute  
[a.oneil@griffith.edu.au](mailto:a.oneil@griffith.edu.au)  
+61 (0)7 3735 5143  
0424 728 562