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Australia–Japan relations:
New directions

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Introduction

In 2006–2007, Australia and Japan celebrate two significant anniversaries: the 30th anniversary of their 1976 Basic Treaty of Friendship and Cooperation and the 50th anniversary of the 1957 Australia–Japan Agreement on Commerce. As if to mark these commemorations in a suitably historic fashion, Australia and Japan have embarked on two further important developments in their bilateral relationship: a Joint Declaration on Security Cooperation signed in Tokyo in March 2007 and negotiations on a Free Trade Agreement (FTA), which commenced in April.

Both are somewhat surprising developments. While the Australian Government has made its desire for closer defence ties and trade liberalisation abundantly clear to the Japanese side, Japan has until recently been reluctant to commit to either free trade or a formal security agreement with Australia. Japan has maintained an exclusive alliance

Australian Prime Minister John Howard and Japanese Prime Minister Shinzo Abe exchange official statements during their billateral signing ceremony in Tokyo, March 2007. FRANCK ROBICHON/AFP/Getty Images

relationship with the United States, while an FTA with Australia would be the first Japan has signed with a major agricultural country.

... the Australia–Japan relationship has presented only a modest challenge for its diplomatic and commercial managers over the years.

Since the 1970s, the most pronounced characteristic of the Australia–Japan partnership has been a rather dull predictability, a relationship that appeared to have reached the limits of its potential, without seemingly much scope for dramatic expansion or diversification. The intensity of trade and economic ties has been unmatched in either the political or security spheres. Strongly nested in traditional ideas of economic complementarity, with Australia importing Japanese manufactured goods and Japan importing Australian natural resources and foodstuffs, the Australia–Japan relationship has presented only a modest challenge for its diplomatic and commercial managers over the years. Bilateral diplomacy has been primarily geared to maintaining harmonious economic relations. Trade friction has surfaced from time to time over issues such as Japanese agricultural protection and prices of Australian mineral and energy exports. More recently, tensions have appeared over Japanese whaling in the Southern Ocean and the underreporting of Japan's tuna catch. However, hard-nosed commercial realism has always prevailed on both sides, which understood and appreciated their mutual need for each other.

Bland reiterations of mutual importance have been the hallmark of Australia–Japan get-togethers, reflecting the polite friendship between the two nations. In reality, the Australia–Japan relationship has always been asymmetrical in terms of mutual perceptions of the other side's importance. Japan has loomed large for Australia as its largest trading partner and biggest export market, but Australia has been considered of relatively modest significance for Japan because of the small size of its consumer market. The strategic and economic substance of Japan's relations with the United States, China and other East Asian countries in terms of trade, aid, investment and military security has loomed much larger for Japan. Even for Australia, its traditional and long-standing relationship with Japan has been increasingly overshadowed in recent years by the burgeoning tie with China, which seemed to hold the more exciting economic potential. Indeed, in May 2007, China assumed Japan's position as Australia's largest trading partner.

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The current energisation of the Australia–Japan bilateral relations stems largely from a reappraisal of Australia's importance by Japan, producing a much more positive response to Australian overtures for closer ties. Australia is now figuring much larger in Japan's strategic calculations as well as in its economic and trade vision for the region. These are pre-eminently China-focused rather than centring on the value of the Australia–Japan relationship for its own sake. Japan sees added value in strengthening and expanding its bilateral relationship with Australia for reasons relating to power balancing against China and to competition for resources and for

economic and diplomatic leadership in the Asia–Pacific region.

The Australia–Japan security declaration

Australia's strategic perspective on Japan is largely filtered through the prism of the trilateral US–Japan–Australia security equation. Japan is a branch of the American alliance: anything that solidifies this alliance and encourages Japan to assume greater security responsibilities within it is welcomed as a positive development.

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Australia took the initiative in pushing for a formal defence agreement with Japan with the full backing of the United States. Both the Australian and American governments have pressed Japan to increase its commitment to the maintenance of peace and stability in the Asia Pacific. President Bush and Prime Minister Howard share the view that an increased commitment from Japan is consistent with the benefits of the alliance for the region. Part of the same strategic agenda is the belief that strengthening the bilateral Australia–Japan link is a primary building block of enhanced trilateral security cooperation.

Activating the Japan–US–Australia security triangle would not only enable the formation of a united front to combat commonly perceived security threats but also ultimately make possible the creation of a 'minilateral' collective defence arrangement. Media reports at the time of the signing of the security declaration suggest that the Australian side would have preferred to sign a formal defence treaty, but settled for the declaration in the hope of moving to a formal pact at some time in the future. The end game is, therefore, potentially much more momentous: a profound shift in the security architecture of the Asia Pacific, which hitherto has rested strongly on the traditional 'hub and spoke' configuration of separate bilateral security alliances with the United States. Not only the United States and Australia, but also significantly Japan itself, is now actively helping to reshape this regional security architecture.

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Hitherto, Japan's position on building direct security and defence ties with Australia has been positive but cautious, consistently falling well short of a willingness to formalise the security relationship. Japan's reservations about raising its regional military profile and contemplating any arrangement that might impose collective defence obligations as well as its US-focused security bilateralism have consistently ruled out other kinds of formal security ties. Developing a direct defence partnership with Australia is, therefore, a major break with Japan's traditional security mindset.

In the past Japan has been even more circumspect about openly supporting proposals for trilateralising Japan–US–Australia security relations. Suggestions and recommendations from scholars and other commentators for the formation of collective

defence organisations such as a Japan, Australia, New Zealand and United States (JANZUS), West Pacific Treaty Organisation (WEPTO) or an Asian North Atlantic Treaty Organisation (NATO), for example, have never been seriously entertained by the Japanese policy establishment. Only since 2001 has Japan been prepared to countenance the initiation of trilateral security dialogue culminating in the trilateral cabinet-level strategic dialogue launched in March 2006.

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With the advent of the Abe administration in Japan in September 2006, Japan became much more pro-active about the prospect of direct strategic collaboration with Australia. This notion figured as one element of Prime Minister Abe's 'grand strategy' for his nation. He came to office with his policy goals and priorities laid out in a book entitled *Towards a Beautiful Country*. Underlying the lofty rhetoric, however, is a more hard-headed strategic logic. Australia figures as an important element in Japanese coalition-building against China and its greater concern with the balance of power in East Asia, as China grows in military strength and political and economic influence.

Japan is dealing with China's rise through enhanced bilateralism and regionalism. A stronger US–Japan alliance with shared Japanese and US policy positions on China is being complemented by the build-up of much broader and deeper security ties with countries such as Australia and India, as well as by the promotion of regional economic integration and inclusive regional institutions which, it is hoped, will check Chinese influence. China's proposals for an East Asian Free Trade Area composed of Association of Southeast Asian Nations (ASEAN), Japan, China and South Korea has been directly countered by a Japanese proposal for a more open free trade grouping that extends its membership to Australia, India and New Zealand.

Japan is actively courting India for closer security relations as well as promoting the triangulation of Japan–India–US ties. This triangle is less developed than the Japan–Australia–US triangle because India does not share an alliance relationship with the United States, but the first joint naval exercises conducted by the Japanese, Indian and American navies in the Pacific off Japan in April this year are a portent of greater strategic collaboration in the future. The Japanese Defence Ministry, for example, rates the drills as very important in boosting friendly relations and promoting defence exchanges amongst the three countries.

Complementing these developments are proposals, chiefly from Japan, to broaden the framework of Japan–US–Australia trilateral strategic dialogue to include India. In December 2006, at a summit meeting in Tokyo, Prime Minister Abe and Indian Prime Minister Manmohan Singh discussed the establishment of quadrilateral dialogue among Japan, US, Australia, and India. In May 2007, the first discussions amongst Japanese, Australian, United States and Indian officials took place in Canberra.

The official rationale, of course, is not openly China-focused. On the contrary, care has been taken to emphasise the basis of such arrangements as being shared political values such as 'democratic values, a commitment to human rights, freedom and the rule of law'.[1] However, even these notions, particularly 'democratic values', are code for excluding

China. Both Prime Minister Abe and Foreign Minister Tarô Asô, backed by a group of parliamentary supporters in the ruling Liberal Democratic Party, are actively proselytising a new Japanese foreign policy based on values as a means of forging closer links with other Asian Pacific nations with a view to countering China.

Prime Minister Abe has offered reassurances that the joint declaration with Australia 'is not aimed to encircle China'.

Some parts of Japan's policy establishment are more open about the government's China-centred strategy than others. Prime Minister Abe has offered reassurances that the joint declaration with Australia 'is not aimed to encircle China. There is no consciousness of China in it.'[2] On the other hand, the focus of discussions in the March 2006 trilateral security dialogue was on China, with the three nations calling for China's 'constructive engagement' in the Asia–Pacific region. Contrasting views have also been expressed about the significance of Japan's naval exercises with the United States and India. Japan's Foreign Ministry has explicitly denied that these were linked to China, while the Defence Ministry has claimed, 'it is quite natural for Japan to apply pressure on China, which has frequently encroached into Japanese territory'.[3]

Irrespective of official and media rhetoric, Japan's behaviour illustrates the explanatory power of neo-realist theory in international relations, which holds that changes in the relative balance of power dictate state behaviour. Against a potentially stronger rival, Japan is both band-wagoning with a dominant power (in contributing to US strategic goals in Iraq and in the Indian Ocean, and permitting closer integration of US and Japanese forces) and balancing (in forming a coalition with other countries in the Asia Pacific). Australia has clearly gained added value in relation to this strategic calculus.

Inevitably Japan's policy of coalition-building with other regional states will be perceived by the Chinese as containment or at least a challenge to China's desire for regional supremacy and in that sense represents a high-risk strategy. China views the formalisation of the Japan–Australia security link as not only a reinforcement of the US alliance system in the region, but also evidence that a transition from existing bilateral defence pacts to a multinational regional defence arrangement is gradually being engineered.

Japan shows signs of uneasiness when the United States and China get too close. The early 2007 North Korean denuclearisation deal was a stark lesson to the Japanese.

For Japan, another important strategic consideration is also in play. It is hedging against the possibility of a closer strategic relationship developing between the United States and China and a re-manifestation of the 'Japan passing' phenomenon of the Clinton years. From Japan's perspective, there is considerable uncertainty about the future of Sino–US relations. It has to consider the possibility of a tighter partnership forming between the two great powers, in which Japan's importance to the United States would unavoidably be downgraded. Japan shows signs of uneasiness when the United States and China get too close. The early 2007 North Korean denuclearisation deal was a stark lesson to the Japanese. The United States and China basically did a deal

on North Korea, which left Japanese interests subordinated, even sacrificed. Japan fears being isolated by the US and China on East Asian strategic issues. Hence, it wants to create a Japan-centred economic and security system in which it can exercise influence independently of both China and the United States. Building a direct security link with Australia (and India) provides a convenient vehicle for Japan to exercise greater strategic autonomy.

In addition to building on a firm foundation of security dialogue and closer policy coordination, the new defence partnership rests on a successful record of intelligence cooperation and practical military collaboration.

Aside from its broader strategic underpinnings, the basis of Japan's choice of Australia as a regional defence partner is clear. Quite apart from their common alliance connection, the two nations share a number of security concerns, which have been aired ever more frequently in their increasingly close and more regularised consultative relationship in defence and security affairs. In addition to building on a firm foundation of security dialogue and closer policy coordination, the new defence partnership rests on a successful record of intelligence cooperation and practical military collaboration. The National Space Development Agency of Japan (NASDA) used a ground station in Western Australia to assist with the launch and positioning of four spy satellites, while Australia and Japan are both core group countries in the Proliferation Security Initiative (PSI), with Japan deploying both the Japan Coast Guard and Maritime Self-Defence Force in these exercises alongside the Australian navy. The bilateral security declaration also builds on greater security cooperation in peacekeeping in East Timor where Australia and Japan cooperated under a common UN peacekeeping banner, and again in Iraq in 2005–06 when Australian forces provided security for Japanese forces conducting humanitarian reconstruction activities in al Muthanna province. The security declaration thus provides both formal diplomatic recognition of and an official seal on what has been a much closer working relationship between the two countries' politico-military establishments in recent years. In these respects, it represents a logical extension of incrementally expanding and broadening security links over the past five or six years.

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In reality, the bilateral security agreement embodies a commitment to joint action, and is not simply a declaration of common security interests. It envisages practical cooperation in areas such as counter-terrorism, counter-proliferation, strategic assessments, transnational crime, border security and disaster relief as well as humanitarian assistance and international peacekeeping. The agreement will bring Japanese troops on to Australian soil for the first time since the Second World War for exercising and training, which will need careful handling by the Australian Government. As noted earlier, the symbolism and strategic ramifications of the security declaration are much weightier than this list

Two Japanese Super Puma helicopters and an Austraian Sea King helicopter hover over Japanese Coast Guard ship JACG Shikishima during a drill in the Coral Sea off northeast Australia, September 2003. GREG WOOD/AFP/Getty Images

suggests. The bilateral agreement opens the door to a wider range of strategic cooperation down the track.

Cementing the bilateral Australia–Japan security relationship is also a necessary first step on the trilateral alliance track. Trilateral security dialogue will complement the activation of the direct Australia–Japan security link, including 'two plus two' security talks of Japanese and Australian defence and foreign ministers, whilst continuing to anchor these developments firmly within the Australia–Japan–US security triangle.

The first step towards operationalising this triangle occurred shortly after the signing of the Australia–Japan security declaration with reports of Australia joining research into the feasibility of an Australia–Japan–US ballistic missile defence system.

The advantages to Australia in signing a formal security declaration with Japan need to be carefully evaluated. Conventional strategic thinking argues that encouraging Japan to bolster its strategic position in the region by strengthening its security links to countries beyond the United States is good:

a stronger and more prominent Japan as a regional security player means that Japan and China will balance against each other, which will help to maintain regional stability. As this argument goes, anything that encourages Japan to cast off its self-imposed security restraint and assume greater security responsibilities in the Asia Pacific is to be encouraged. Japan is expected ultimately to normalise its security policies and engage in collective defence, meaning that it will be prepared to offer military assistance to the United States in any possible regional contingency. The Australian Government shares the US (and increasingly Japanese) vision of Japan's potentially becoming the Britain of the Far East. However, encouraging Japan to step up to full normalisation of its security role runs the risk of provoking regional arms competition and may alarm countries in Southeast Asia that are currently more worried about China.

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The bilateral security cooperation agreement also ties Australia's hands in terms of both moderating the pace of Japan's defence expansion and in respect of how Australia formulates its China policy. Japan is keen to recruit allies to its narrow strategic causes against both China and North Korea as well as to its global foreign policy objectives. This explains the open reference to the North Korean abductions of Japanese citizens in the declaration, as well as the customary reiteration of Australia's support for Japan's obtaining a permanent seat on the UN Security Council. However, Australia should resist being bound into the Japanese agenda. Potential difficulties arise for the Australian Government in managing its respective relations with China and Japan given that Australia's interests differ in key respects from Japan's in relation to China. Japan is competing with China for regional leadership and for political and economic influence in the region. Direct Sino–Japanese competition is particularly acute in the race to sign Economic Partnership Agreements[4] (or EPAs, the preferred Japanese nomenclature) with other Asian Pacific countries and in resource diplomacy. In the security sphere, Japan is intensely concerned about China's military modernisation and strategic power projection and about the possible threat these might pose to Japanese security, including its maritime territory and seabed resources. Australia, on the other hand, has consistently prioritised its economic ties with China, professed a strong aversion to any policy that smacks of containment and avoided taking positions on Sino–Japanese disputes. Australia is now much more in the Japanese camp on security issues thus relinquishing a potential role as a neutral honest broker between these two Asian giants.

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These potential costs have to be weighed against the potential gains not only in the defence sector but also in the trade and economic sphere. The Australian Government sees value in the economic and trade spin-offs from the security declaration. The

defence agreement represents an additional, potential instrument of pressure in bilateral trade negotiations over an FTA. Australia expects the declaration to promote the FTA negotiations.

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Prospects for an FTA

The possibility of Australia and Japan signing an FTA has been canvassed since 2001. The primary initiative for the agreement came from the Australian side, with the Japanese Government quite reluctant to be pinned down to FTA negotiations between the economic partners. Not only did these present the prospect of free trade relations with an agricultural giant that might pose a serious threat to Japan's domestic farming industry, but Japanese business sectors were also sceptical about the potential benefits of the Japan–Australia FTA. Seiji Kawarabayashi, Chairman of the Japan Chamber of Commerce in Australia and Managing Director of Mitsui (Australia) said at the Australia–Japan Relations Symposium in 1997: 'The perception in Japan is that Australia is a small, mature market with limited growth potential, mainly in the areas of resources, energy and leisure'. Even in 2004, a Japanese Ministry of Foreign Affairs (MOFA) spokesperson was dismissive of the prospect of signing an FTA with Australia saying, 'there isn't much in it for Japan; Japan wouldn't gain much: tariffs for manufactured exports into Australia are already low and for imports of Australian resources, they are zero.'[5]

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However, in the latter stages of the Koizumi administration, and even more so under the Abe Government, the Japanese side has been much more receptive to the idea of a closer economic partnership. The switch in Japanese policy is due to several factors.

Firstly, Australia is benefiting from the shift in Japanese trade policy from a single-track approach emphasising global multilateralism and the World Trade Organization (WTO)-exclusivity to a dual-track approach, which, in addition to pursuing trade reform through the WTO, entails the pursuit of bilateral and regional multilateral EPAs. The primary geographic focus of Japan's EPA initiatives has been the Asia Pacific. The Abe administration views EPAs with Asian–Pacific countries as potentially generating important spin-offs for the domestic economy. Indeed, promotion of EPAs has become a central component of the Abe administration's strategy of economic growth. EPAs are also regarded as important for Japanese overseas business interests in the region. Japan's Ministry of Economy, Trade and Industry (METI) and the Japan Business Federation (Nippon Keidanren) representing the interests of large-scale manufacturing exporters have become prominent advocates of an EPA with Australia as they have with other countries and regional blocs. METI has summarised the potential gains as follows: 'EPAs are expected to function as a key component to stimulate the domestic economy and to increase competitiveness; Japan should be further committed to multilateral EPAs as well

as bilateral ones particularly to contribute to the development of "production networks" of Japanese firms.'[6]

...Japan values Australia as an integral element of its vision of an economically integrated Asia–Pacific region.

Secondly, Japan values Australia as an integral element of its vision of an economically integrated Asia–Pacific region. An EPA with Australia is part of a proposed network of trading alliances that will form the building blocks of Japan's economic integration plan for the Asia Pacific, something that is entirely consistent with its traditional view that Australia must always be included in any proposals for East Asian regionalism. It is also congruent with Japan's reasoning that the economic and trade integration of East Asia and the Pacific will constrain China's attempts to exercise bilateral trade and economic influence over other countries in the region at Japan's expense.

Thirdly, the China factor looms large for Japan in another respect. Japan wants to use the bilateral Japan–Australia EPA to enhance its competitive position against China in trade and investment relations with Australia. China not only excites Japanese concerns about military security but also about economic security. An EPA with Australia might help to alleviate Japan's heightened supply security concerns about energy goods, mineral resources and food, areas where Japan potentially competes with China for Australian exports. Under its New National Security Strategy the Japanese Government is pro-actively providing diplomatic support to business in securing energy supplies, particularly for oil and uranium, in direct competition with Chinese energy diplomacy. In light of progress in China–Australia FTA talks, both MOFA and METI pressed for early commencement of negotiations with Australia. Prior to the start of these negotiations in April 2007, METI highlighted the relevance of resource security concerns to the trade negotiations, warning that 'China is going to take all'.[7] The Japanese Government hopes that an EPA will deliver not only guarantees of a stable supply of natural resources and energy goods but also the possibility that Japanese companies could invest in the development of Australian uranium mining, particularly as the US–Australia FTA put them at a disadvantage in this respect.

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Clearly, Australia can leverage its negotiations over a possible FTA with China against Japan in the Australia–Japan negotiations. Because China began FTA negotiations with Australia prior to the commencement of the Japan–Australia negotiations, the view in some Japanese Government circles is that 'Japan is far behind' in the race to conclude a trade agreement. Furthermore, as Japan's influential economic daily comments, 'failure in the negotiations with Australia would mean "no hope" for Japan's negotiations with the United States and China...which would isolate Japan in expansion of FTA networks in the world market.'[8] Besides Australia, Japan and China are unofficially competitors in the race to sign FTAs with other Asian–Pacific countries, including ASEAN, with China offering favourable trade deals in order to

cement its relations with and augment its influence over its Asian neighbours.

The fact that Japan faces certain strategic resource imperatives in crafting stronger trade and investment links with Australia has produced a subtle shift in the balance of power in the bilateral relationship. Suddenly Australia has more clout in trade and economic affairs than before. Indeed, Australia has, in recent times, been using its burgeoning resource-supply relationship with China to pressure Japan to move in hoped-for directions, particularly towards the commencement of FTA negotiations. The reality is that Australia needs Japan less economically than in previous years because of the growing importance of the Chinese market. The circumstances enable Australia more actively to play the China card in its relations with Japan, particularly given China's demand for Australian coal and iron ore and its new position as Australia's largest trading partner.

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The initiation of Australia–Japan negotiations on an FTA generates added significance for the 50th anniversary of the Commerce Treaty in 2007. There is a certain symmetry and symbolism in Prime Minister Abe's unprecedented prioritisation of relations with Australia given that it was his grandfather, Nobusuke Kishi, who pushed for the establishment of strong ties with Australia and signed the first bilateral trade agreement in 1957.

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However, it is Japan's agricultural sector that is being put under pressure by the broader strategic and trade goals of the Japanese Government and business sectors. In the first EPA-related cabinet meeting of the Abe administration a prerequisite was set for proceeding to full negotiations with Australia: namely that consideration be given to agricultural products in relation to tariff elimination. Primary products make up approximately 22% of Japan's imports from Australia. Politically 'sensitive items' such as wheat, sugar, beef and dairy products account for a significant proportion of agricultural exports from Australia to Japan. These are precisely the areas where Australian producer pressure will be most concentrated, particularly in the beef, dairy and wheat sectors. From a Japanese perspective, an EPA with Australia will be quite different from any trade agreement that has been previously signed.

For Japan, the primary battleground over the trade agreement will not be between the two respective governments but within the Japanese Government itself. Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) has drawn up a 'nightmare scenario' for the impact of an Australia–Japan EPA on Japanese agriculture, calculating that the abolition of tariffs on 'four major items'

(wheat, sugar, dairy products and beef) would reduce domestic production by ¥790 billion. The MAFF has also estimated that existing production levels would be decreased by almost 50% for beef and dairy, and the production of sugar and wheat would be devastated. Further, the MAFF estimates that an EPA with Australia would decrease Japan's food self-sufficiency rate to 30% (from 40%), and even lower (to 12%) with complete tariff abolition, raising questions whether such an agreement is in the country's national interest. Even Nippon Keidanren's Chairman, Fujio Mitarai, who is strongly in favour of an Australia–Japan EPA, has called on the Australian side to understand the situation for Japanese agriculture. His organisation has officially requested that full consideration be given to the sensitivity of Japan's agricultural sector in the EPA negotiations. Prime Minister Abe has weighed into the debate, reiterating the need to be aware of 'sensitivities' and to recognise the importance of agriculture, which, as he points out, is part of Japan's culture and tradition. This consideration applies particularly to rice, which is one of Japan's most protected products, attracting a tariff of 771%.

Prime Minister Abe has weighed into the debate, reiterating the need to be aware of 'sensitivities' and to recognise the importance of agriculture, which, as he points out, is part of Japan's culture and tradition.

To Japan's farm lobby, the Australian and Japanese governments' attitude towards the EPA is 'aggressive'.[9] The stance of Japan's former Minister of Agriculture, Forestry and Fisheries, Matsuoka Toshikatsu, is summed up in his comment: 'The basic strategy in the negotiations with Australia is *defence*.'[10]

Professor Nobuhiro Suzuki of Tokyo University has commented that the Japan–Australia EPA will result in 'the least benefit' and 'the most damage' of any EPA signed by Japan.[11] This is not the view of the State Minister in Charge of Economic and Fiscal Policy, Hiroko Ōta, who is on record as stating, 'the effect [of the EPA with Australia] will definitely be positive for the country's economy as a whole'.[12]

The problem for Japan's agricultural sector is that the speed of prospective agricultural trade liberalisation under FTAs is much faster than the speed of increases in competitiveness.

Despite the hyped rhetoric of pro- and anti-protectionist forces in Japan, the reality is that the disparity in the scale and efficiency of Japan and Australia's respective farming sectors is such that no amount of 'structural reform' of Japan's farming sector, which is being called for in order to facilitate the signing of EPAs, will enable Japanese agriculture to compete with Australian agriculture in the foreseeable future. The Japanese Government has just launched a new program of agricultural policy reform (the 2007 New Agricultural Policy for the 21st Century), but it will take time for the reform to produce visible effects such as increases in international competitiveness. The problem for Japan's agricultural sector is that the speed of prospective agricultural trade liberalisation under FTAs is much faster than the speed of increases in competitiveness.

The way ahead

Australia is one of the elements in Japan's strategic vision for the future, which is primarily being shaped by China. This vision has had two major impacts on the bilateral

Australia–Japan relationship: a transition from an indirect to a direct security link and heightened prospects for an FTA that may potentially deliver real trade and economic benefits to both sides.

... the prospects for further strategic and economic evolution of the relationship seem highly propitious.

The growth of direct security relations between Australia and Japan, in addition to a relationship mediated through the common alliance with the United States, represents a new and highly significant added dimension to the relationship. As a result, the centre of gravity in the relationship is shifting away from economics and trade and more towards political and security affairs to produce a more 'balanced' relationship.

Against this background, the prospects for further strategic and economic evolution of the relationship seem highly propitious. While difficulties can be anticipated in reaching a trade agreement that is equally satisfactory to both sides, in the security dimension, one possible end point for enhanced strategic cooperation is a formal defence treaty. This may be some way off, but current discussions in Japan on relaxing the prohibition on Japan's exercising the right of collective defence in certain specific situations will facilitate the acceptance of formal security obligations beyond the defence of Japan in the future.

In forging closer defence ties with Japan, Australia should take care to avoid becoming a pawn in Japan's China strategy, and potentially a player in any Japan–US game of encircling China. The emergence of Australia–Japan–US trilateralism in the security sphere is putting Australia ever more firmly in the Japan–US camp on China. These countries look at China through the lens of great power rivalry: Japan as a prospective competitor for regional leadership and the United States as a hegemon wishing to retain its predominance. Australia should avoid being sucked into great power strategies and resist the morphing of security trilateralism into quadrilateralism as a more blatant form of containment. It should also jealously guard its strategic options in the event of either Sino–Japanese or Sino–US disputes.

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The security pact will make it harder for Australia to press Japan on any contentious bilateral issue whether it be Japan's war history, whaling or market access. The importance of preserving good relations with Japan is already one argument being used to counter the Australian Labor Party's plan to use the navy to confront Japanese whaling ships in the Southern Ocean off Antarctica. Nevertheless, Australia should reserve the right to criticise Japan in problematic areas of the relationship. Agriculture will remain one of the thorniest issues in the FTA negotiations, and any progress on market access will be hard won. Early progress (or lack of it) in Australia–Japan trade negotiations on the FTA presents the familiar scenario of difficulties on agriculture crippling Japan's overall trade strategy. The delay in the start of agricultural trade negotiations until the end of 2007 is not encouraging and may offset areas of agreement in the negotiations such as investment and services liberalisation. Australian negotiators may be able to extract a certain amount of leverage from Japan's resource security concerns and its desire for a specific article in the trade agreement

on the stable supply of natural resources, but agricultural market concessions will be hard won and will reflect Japan's usual concession-minimisation strategies in sensitive areas. The final agreement will doubtless include outright exclusions and other kinds of limited access arrangements for farm products.

Trilateralism and quadrilateralism do not represent a genuine form of multilateralism, but an exclusive type of minilateralism.

Security and economic developments in Australia's relations with Japan have major implications for its relations with China. In particular, the Australia–Japan bilateral defence pact and the possibility of enhanced trilateral and quadrilateral security links in the future contrast strongly with Australia's positive engagement policies with China in economic and trade affairs. Trilateralism and quadrilateralism do not represent a genuine form of multilateralism, but an exclusive type of minilateralism. If it chooses to move forward with these kinds of arrangements, Australia should make a greater investment of diplomatic resources in Australia–China relations and try to strengthen genuine multilateral security fora in which China can be constructively engaged. Such an approach will more naturally complement moves towards open, inclusive multilateral arrangements in trade and economic affairs amongst Asian Pacific states.

Endnotes

1 These words are taken directly from paragraph 1 of the Japan–Australia Joint Declaration on Security Cooperation, http://www.mofa.go.jp/region/asia-paci/australia/joint0703.html.

2 *Yomiuri Shinbun*, 13 March 2007.

3 *Nihon Keizai Shinbun*, 17 April 2007.

4 While FTAs are focused on trade liberalisation, EPAs include institutionalising protection of intellectual property and labour mobility as well as liberalisation of trade and investment. They enable Japan to offer concessions in other areas in lieu of tariff reductions in sensitive areas. The Australia–Japan FTA will cover industrial and agricultural goods, as well as services and investment, government procurement, intellectual property and competition.

5 Author interview, Canberra, 11 February 2004.

6 These statements were contained in METI's submission to the Japanese Government's Economic and Fiscal Policy Council meeting of 7 February 2007. http://www.keizai-shimon.go.jp/special/global/epa/02/item2.pdf

7 *Asahi Shinbun*, 5 December 2006.

8 *Nikkei Weekly*, 24 April 2007.

9 *Hokkaido Shinbun*, 4 February 2007.

10 *Nikkei Shinbun*, 24 April 2007.

11 *Hokkaido Shinbun*, 4 February 2007.

12 *Hokkaido Shinbun*, 5 December 2006.

Acronyms and Abbreviations

ASEAN	Association of Southeast Asian Nations
EPA	Economic Partnership Agreement
FTA	Free Trade Agreement
JANZUS	Japan and Australia, New Zealand and the United States
MAFF	Ministry of Agriculture, Forestry and Fisheries

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METI	Ministry of Economy, Trade and Industry
MOFA	Ministry of Foreign Affairs
NASDA	National Space Development Agency of Japan
NATO	North Atlantic Treaty Organisation
PSI	Proliferation Security Initiative
WEPTO	West Pacific Treaty Organisation
WTO	World Trade Organization

Further reading

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Important disclaimer

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