

Speech by Ambassador of Japan to Australia, Mr Sumio Kusaka
40th Anniversary of the Basic Treaty of Friendship and
Cooperation between Australia and Japan

*The Japan-Australia Relationship –
Past, current and its prospects for the future*

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Mr Robert Lowry, President of the Australia Institute of International Affairs ACT Branch, distinguished guests, ladies and gentlemen. Allow me to begin by expressing my gratitude to all the participants, and to Mr Lowry and AIIA members—especially Mr Gallagher—for all of your efforts.

I fully expect that through this presentation, followed by our discussions, we will deepen our understanding of the Japan–Australia relationship, past and current, and its prospects for the future.

The development of Japan–Australia relations

The first Japanese diplomatic mission to Australia was the consulate established in Townsville, Queensland in 1896. The following year, in 1897, when a regular shipping service between Yokohama and Sydney commenced, a second Japanese consulate was established in Sydney. So we do have a long history.

However, trade started even much earlier, in the late 19th century. Around the turn of the century, Japanese trading companies Kanematsu, Mitsui, and Mitsubishi had already established Australian branches that were engaged in wool and other industries. By about 1925, Japan had already become Australia’s third-largest export market.

By way of contrast, Japanese and Australian embassies were established in one another’s respective capital cities in 1941, much later than private companies. However the outbreak of the Pacific War saw the collapse of our bilateral relations. After the end of World War II, Japan–Australia diplomatic relations resumed when the San Francisco Peace Treaty was signed in 1951. In 1952 the Australian Embassy was established in Tokyo, and in the following year the Embassy of Japan was established here in Canberra. This also happened to be the year I was born.

Against a backdrop of post-war rebuilding in Japan—and the increased demand this generated—by 1956 Japan had become Australia’s second largest export market for wool and wheat. Fifteen per cent of Australia’s total exports were sent off to Japan. However, there were very few people at the time in favour of developing relations with a former enemy. Yet Prime Minister Menzies overcame postwar animosity towards Japan and emphasised the importance of expanding imports of Japanese products.

In July 1957, the Japan–Australia Commerce Agreement was signed, and in April of the same year Prime Minister Menzies visited Japan. And in the following December, Prime Minister Kishi—current Prime Minister Abe’s grandfather—visited Australia. When the Japan–Australia Commerce Agreement was revised in August 1968, Japan was given a most-favoured-nation status.

Japan’s rapid growth and industrialisation was boosted by Australia’s mining boom. During this period, the Australia Japan Business Cooperation Committee was founded in 1962—the AJBCC. And in the following year, its counterpart—the Japan Australia Business Cooperation Committee or JABCC—also contributed significantly to the rapid expansion of trade and investment between our countries. Indeed, by 1970 Japan had become Australia’s largest trading partner, a position that it held until recently for almost 40 years.

However, many issues remained in developing bilateral trade relations with Australia. Japan sought the abolition of discriminatory practices regarding visas and investments. In the early days of the Whitlam Government in 1973, talks began around the Basic Treaty of Friendship and Cooperation with the aim of developing an even closer and stronger relationship between Japan and Australia, as well as providing economic security.

Over the next three years, representatives from both governments worked to create a draft agreement that would promote mutual understanding and foster cooperation on matters of mutual interest and concern. Finally on the 21st of August in 1977, the Basic Treaty of Friendship and Cooperation came into effect after Prime Minister Miki and Prime Minister Fraser signed it in Tokyo on the 16th of June 1976. That’s exactly 40 years ago today, this month.

This treaty declared ‘the basis of relations between Australia and Japan shall be enduring peace and friendship between the two countries and their peoples’. It included an additional agreement for direct trade in natural resources, primary products and manufactured goods, the development of natural resources, investment and the flow of capital, and shipping and commercial arbitration.

Clauses outside of the economic framework were also included, such as entry and stay, treatment in the courts and legal rights, protection of investments and property, scientific and technological development, conservation of the environment, and educational, professional and person-to-person contacts. No comprehensive agreement of such significance existed in Australia at this time.

On top of enhancing the mutually complementary ties fostered by our two countries, the Basic Treaty served as a foundation for resolving pending issues surrounding immigration for business development, investment and property management. It also helped facilitate economic cooperation, and became a foundation of the multi-faceted

collaborative relationship our two countries enjoy today. The food and energy security that Japan has today is thanks to this Basic Treaty. Indeed, it is fair to say that this treaty has allowed Japan and Australia to go beyond an economic partnership to achieve the special relationship that we share today.

35 years ago, in 1981, my first overseas diplomatic posting started here in Canberra where I stayed for two years until 1983. To this day, I remember vividly how wonderful life was in Australia, and how much I enjoyed those two years here. This is my second posting to Australia, and I can tell you that a lot has changed since then. I am impressed by how much Canberra has developed as Australia's capital city. There is a new parliament house, which is a magnificent architectural achievement, and the city has grown and matured. But there is one thing that has stuck me most since returning here, and that is how close the Japan–Australia relationship has grown over these years. Our relationship has never been so robust and warm.

Japan and Australia's close economic partnership

On the economic front, as I have just touched on, our two countries share a very close relationship as trade and investment partners that has developed over many years. Today, Japan is Australia's second-largest trading partner and is also ranked second as a source of foreign direct investment in Australia following the US.

After more than a century of investing in Australia, Japanese companies play a crucial role in the Australian economy. And I can assure you that the economic ties that exist between our two countries are highly and deeply valued by both the Japanese Government and the Japanese businesses that operate here.

There are now more than 700 Japanese companies that operate in Australia. And as you would know, many large-scale energy and resources projects involving Japanese businesses have been established here, especially in the areas of coal, iron ore and LNG. But did you know that around 60 per cent of coal and iron ore, and about 20 per cent of LNG imported into Japan comes from Australia?

Overall, about a quarter of Japan's energy needs—the largest share—are met by Australian imports. That's followed by Saudi Arabia, which accounts for roughly 15 per cent. I have also been told by several CEOs of major Japanese trading companies that on a cumulative basis, they have invested more in Australia than anywhere else in the world.

In that sense, Australia is the most important country in the world to these major companies. While the traditional areas of energy and resources remain central to the economic relations of Japan and Australia, the trade and investment ties of our two countries are expanding, and now encompass rising levels of activity in sectors such as agribusiness and infrastructure.

For example, Japanese businesses are becoming increasingly involved in Australia's beef, grain, dairy and fishery industries, as well as in major rail—including light

rail—and road, water and urban development projects. As you know, the Japan Australia Economic Partnership Agreement, or JAEPA, came into effect in January last year. We can already see tangible results, with many Australian exports to Japan benefiting from the reduction in tariffs.

When compared to 2014, in 2015, the value of beef exported to Japan from Australia rose 23 per cent. And over the same period, Australian sugar exports to Japan also rose 13 per cent, while fruit and wine exports increased by 19 and 10 per cent respectively.

The conclusion of JAEPA has also encouraged a growing number of mergers and acquisitions, many of which involve the services sector. A prime example was the \$6 billion acquisition of Toll by Japan Post in 2015. As other businesses expand their presence in Australia, I think it is true to say that Japanese investment is generally very welcomed by Australian companies.

What's more, the recent signing of the Trans-Pacific Partnership will expand the opportunities afforded by the EPA even further, such as to agricultural and wine exporters in Australia. We are in the midst of a dynamic economic transition in our two countries and in the Asia-Pacific region, and I believe this challenge carries very significant opportunities for all of us.

Deepening people exchange

People exchange

We also want to enhance our people-to-people links with Australia. It is particularly important to promote two-way student mobility and increase mutual understanding amongst our younger generations. One example of such links is the Japan Exchange and Teaching Programme, otherwise known as JET.

Over its 30-year history, about 4,000 young Australians have participated in the program and lived in Japan for a few years. And when they return to Australia, many maintain their links with Japan and act as advocates or ambassadors for the Japan–Australia relationship. We also support Australia's New Colombo Plan, which has been enthusiastically promoted by Foreign Minister Julie Bishop, and which has brought about 1,000 Australian students to Japan over the past three years. I am pleased to see that more Japanese companies are now accepting young Australians as interns under the program.

Close to 90,000 Japanese nationals live in Australia, making it the third largest Japanese population outside of the US and China. And there are more than 9,000 Australians living in Japan. The Working Holiday arrangement, which began in 1980, is aimed at young Japanese and Australians, allowing them to supplement their income while on holiday. It is said to be a result of the Basic Treaty. Since it commenced, many young Japanese and Australians have contributed to the understanding of each other's culture and way of life.

Last year, more than 370,000 Australian tourists visited Japan, while more than 320,000 Japanese visited Australia. Considering the population difference between Japan and Australia, with the Japanese population being 127 million and that of Australia 24 million, it is significant that there are a larger number of Australians that visit Japan than the number of Japanese that visit Australia.

I am very glad that many Australians feel they can rely on good snow in Hokkaido or Nagano and that many Australian skiers are returnees to Japan. Winter in Japan is when Australia is in its sweltering hot summer. So if you leave Australia today on a hot summer day after having enjoyed surfing in the morning, you will be able to stand in white powdery snow in the middle of a Hokkaido winter the very next day and enjoy the skiing.

Sports exchange

Sports exchanges between Japan and Australia are also flourishing. In May this year, the J-League and the A-League signed a strategic partnership agreement. The aim is to develop a mid to long term plan to increase the presence of world soccer in Asia and challenge the popular European league. Only three weeks ago, Japan's Super Rugby team, the Sunwolves, played a game for the first time against the ACT Brumbies at Canberra Stadium. Alas, the Brumbies overwhelmed the Sunwolves.

At last year's Rugby World Cup, Japan's Cherry Blossoms were guided to a miraculous victory over South Africa by none other than former Wallabies coach, Eddie Jones, who is from Canberra. Hopefully by the time they next meet, the Sunwolves will be much stronger. As you might be aware, Japan will host the Rugby World Cup in 2019 and the Tokyo Olympics in 2020. I hope that these sporting events will also further boost our exchanges at all levels.

Japan and Australia's security cooperation

Japan-Australia Relations

The bilateral relationship between Japan and Australia is often called a "Special Relationship". What underlies this is a clear recognition that our two nations share fundamental values such as freedom and democracy, and we also have common interests arising from our partnerships with each other. Our countries have very special roles to play for peace and prosperity in the Asia-Pacific, and for the international community. I think it is quite natural that we have become such great partners, because, first of all, geographically we are located in the north and south of the western Pacific sandwiching it on either side.

While the peace and stability of the sea between our two nations is critical to both Japan and Australia, the situation is becoming more tense and serious in the Western Pacific. The peace and prosperity of the region and the stability of sea lanes are facing serious challenges. At present, Japan is dependent upon the Middle East for around 80 per cent of its oil imports, and these sea lanes that stretch from the Middle East to Japan through the South China Sea are of vital importance.

Sea lanes face a range of problems, from instability in the Middle East, to piracy in the Gulf of Aden, off the coast of Somalia and in the Malacca Straits, to disputes and conflicts over territorial claims among the states that border the South China Sea. Similarly, about 60 per cent of Australia's export trade passes through the South China Sea. So both Australia and Japan have a legitimate right to express our serious concerns about events happening there.

Both Japan and Australia, along with other nations, have emphasised the importance of respecting a rules-based international order and freedom of navigation and overflight. Both have emphasised the peaceful settlement of territorial disputes through negotiations rather than through unilateral, forceful actions.

We support efforts to resolve disputes peacefully in accordance with international law, including through the use of arbitration. To preserve an open, free and peaceful maritime environment founded on the rules-based international order, the international community must work together to keep sending a clear and principled message to the countries in the region.

The G7 Summit was held at the end of May in Japan. The leaders' statement declared the importance of claims based on international law, of not using force or coercion in trying to drive these claims, and of settling disputes by peaceful means such as through juridical procedures, including arbitration.

Japan and Australia's security cooperation

Japan and Australia are of the same mind. We believe in upholding freedom of navigation and overflight, and we welcome the US rebalance to the Asia-Pacific. In 2007, then Prime Ministers Shinzo Abe and John Howard signed the Japan-Australia Joint Declaration on Security Cooperation. This provided the impetus for the ever-growing closeness of Japan-Australia security cooperation.

For example, following the independence of East Timor in 2002, Japan dispatched a team to participate in UN peacekeeping activities, and continued to co-operate by providing assistance to nation-building activities such as the maintenance and repair of roads. More recently, in 2012 Japanese and East Timorese bilateral co-operation saw the start of capability building assistance activities, with efforts applied to capability improvements in vehicle maintenance among others.

At present, and under the leadership of Australia, trilateral co-operation between Japan, the US, and Australia has taken place aimed at assisting capability improvements among engineering personnel in the East Timorese national army. On a defence cooperation front, I observed the Talisman Sabre in Darwin in July last year.

In all of the bilateral training exercises conducted by Australia and the U.S. until now, 40 Japan SDF personnel embedded with the U.S. forces participated in the exercises for

the first time. This training exercise is something that will not only strengthen our interoperabilities but make our three nations even closer.

Disaster response and humanitarian relief cooperation

Japan and Australia have also established wide ranging cooperation in the area of disaster response and humanitarian relief. In the wake of Typhoon Haiyan in The Philippines in November 2013, Japanese Maritime SFD refueler Towada provided fuel for Australian vessels off the coast of the Philippines. Moreover, Australia provided aircraft support to Japanese personnel in the devastated area.

In this context, we will never forget the generous support from Australia that occurred. In March 2011, in the immediate aftermath of the Great East Japan Earthquake, Australia was one of the first to offer and provide assistance to Japan in its hour of need. 3 RAAF C-17 Globemasters were dispatched from Australia to assist in transporting personnel, supplies, and equipment in co-ordination with the SDF, and this was supplemented by a civilian disaster response team who worked in Minami Sanriku in Miyagi Prefecture. I hope the coming century will also witness security cooperation between our two nations for the stability of the region.

Closing

Japan and Australia's cooperative relationship extends well beyond the Asia-Pacific. To cite a few examples, the last port call by the JMSDF Icebreaker *Shirase* to replenish its food supplies always takes place here in Australia such as at Fremantle before it continues on its journey to Antarctica. Coincidentally, this April the *Shirase* helped the stranded vessel *Aurora Australis* and safely carried its 66 crew members to the nearby Australian base in Antarctica.

Several multilateral marine observation projects are being conducted in which Australian and Japanese scientists play primary roles. These projects aim to better understand weather and climate systems and global climate change based on marine observations. Our cooperative relationship with Australia is vital even for Japan's space ventures.

The operation of the Japanese geostationary weather satellite "Himawari-8" began in July last year. Japan is now sharing its observational data with Australia, so that even the Australian public can see the Himawari's satellite-images through the website of the Bureau of Meteorology in Australia. In 2010, Japan's Asteroid Explorer Hayabusa was sent to bring back samples of material from the near-Earth asteroid Itokawa. Itokawa is only 600 metres in length, but is 300 million kilometres from earth. The Hayabusa, carrying its precious samples, ended its journey by returning to Earth and landing at Woomera in South Australia. Hayabusa 2 is also expected to land in Woomera when it returns to Earth in 2020. So, Japan and Australia's cooperative relationship goes well beyond our region and even the Earth and has lasted the test of time.

Our two countries have made every effort for global peace and prosperity. And I firmly believe that this cooperative relationship will continue to develop and deepen even further. I would like to thank you all very much for your kind attention and for inviting me to speak to you today.