

**Remarks by Mr Sumio Kusaka, Ambassador of Japan**

***'The Strengthening of Japan-Australia Relations at a Time of Uncertainty'***

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It's an honour to be afforded this opportunity to speak to you tonight in this beautiful setting. This is an opportune time to engage with you about the uncertainty currently shaking the existing international order, and consider what Japan and Australia should do together in light of this situation. In short, I believe Japan and Australia should stick together and deepen and widen our cooperation, while also doing all we can to ensure the regional involvement of the US is maintained and even strengthened. First, I will begin by explaining what exactly I mean by 'times of uncertainty'. I will then look at why our two countries should stick together, before finally going into the 'how' of sticking together and providing an update of what is actually going on between Japan and Australia. When we talk about uncertainty, what is it that we are talking about? Among the many instances that could be pointed out, three seem to stand out as major challenges to the existing international order.

The first of these is BREXIT in the U.K. and its impact on the E.U.

While the underlying causes of Brexit were many, those who supported Britain leaving the EU seemed to feel their political rights had been taken away and placed in the hands of EU bureaucrats. Immigration policy was one area in which this was felt very acutely. There also seemed to be a sense that British culture and the country's identity were being eroded against the wishes of the existing population. In this way, the Brexit vote can be viewed as a rejection by UK citizens of a "democracy deficit" - a situation wherein the anxieties and anger of citizens are not being addressed sufficiently and effectively responded to by government. Breaking away from the EU and Brussels was seen as a way of recapturing the identity of "Britishness," and returning to the British people control over shaping the future of their own country.

Second was the election of President Trump in the U.S.

Here again, the same fear. A sense that Americans were losing out because of the direction in which the world and their country were heading. NAFTA was targeted heavily in the election campaign, as were

existing immigration policies and their implementation. President Trump's stance of "America First" resonated with those who had suffered as a result of globalization, or the excesses of it, and felt the political class had utterly failed them. Here too, democracy was seen as not functioning as it is meant to, and their political class and the objectives being pursued under the existing international order were to blame. Hence, again there was a 'democracy deficit'.

Thirdly, we have the rise of China.

In this instance, concern appears to stem not from the fact that China's economic and political influence is growing—which in itself should not be cause for anxiety, but the way in which China is starting to utilise its newfound influence. I would like to point out that China has been a major beneficiary of the existing international system. Being accepted to the WTO — an international free trade regime—played a major part in China's rise. Also important was the considerable amount of overseas development aid provided to China, including from Japan, which tends to be forgotten. And I would like to make clear that Japan encourages China to play a constructive role in the region, and when China makes any effort to this end, Japan will support it.

The concerns I have cited all point to the fact that for a quite a few people and nations, the existing international order is not working as they would like to see. And so they have set out to change it. These are not small, irrelevant players – quite the opposite. So we can expect that in the coming decade or two, we will be facing an era in which the existing system will be shaken up.

However, we are not quite sure where this will lead. One more important thing is that like Brexit and the election of President Trump, international changes have a profound domestic impact, or rather domestic change is forcing change on the existing international order. They are more interconnected than ever. And there are a series of elections that will occur this year which will gauge if such sentiments are bound to continue. The victory by Prime Minister Mark Rutte in the general election in the Netherlands 2 weeks ago has brought some respite, but it will have to be seen if this trend will hold in the upcoming elections in France and in Germany.

### Why do we think Japan and Australia should stick together?

In such times—when the existing system is being challenged and when we are not sure of what is to come—Japan and Australia should stick together. Of this I have no doubt. The Japan-Australia relationship has come a long way. I couldn't help but feel this when I attended the ceremony for the 75<sup>th</sup> anniversary of the bombing of Darwin in February. There was a 96 year old war veteran present who had been in Darwin at the time of the bombing. This gentleman spoke to me and before he said anything else, said 'I forgive you'.

This was very powerful. These three words carry such weight and underscore the painful experiences that we cannot forget. At the same time, the veteran's words also reflected the post-war spirit of Australia, and the great and tireless efforts made on both sides that got us to where we are today. I think this rings true not only on a personal level, but at a people-to-people level and at a government-to-government level. Now, more than ever, Japan needs Australia and Australia needs Japan to navigate the uncharted waters of the coming era. And I say this not because we are somehow locked into a 'marriage of convenience', but because unlike the unfortunate times of the last war, both countries have many common interests, shared values and are closely strategically aligned.

These are not mere slogans. It means we that share a vision of what kind of world we would like to see in the future and for our children. It means we want to live in a world that grows from free trade, rather than hiding behind barriers. It means we want to live in a world that is governed by the rule of law, not the whims of a certain country or a dictatorship. And in practical terms, it means that we want more American involvement in the Asia Pacific region, which we both believe will bring more stability and security, not less.

As trading nations, Japan and Australia need to further strengthen their ties and join forces to defend international trade, and not to regress. As allies of the United States, while we need to convince America that it is in their interest to bolster their presence in the Asia-Pacific region, we also need to bolster our own defence capabilities and demonstrate that we are not free-riding on our alliances.

As advanced democracies that have flourished from a stable and peaceful international environment and open markets, we both need to make sure that the free and open international order is upheld,

and that the rule of law is the basis for conduct on the international stage. At the same time, we have to be realists.

While Japan and Australia have considerable influence and carry economic weight in the region, we cannot go it alone. We cannot safeguard the rule of law in the region by ourselves, we cannot secure stability and peace in the region, and moreover, we cannot keep international markets open and stable. It's a matter of fact that we need the US to be with us all the way in our region.

Two years ago, a book titled *America in Retreat* was published by the co-editor for the Wall Street Journal, Mr. Bret Stephens. In retrospect, this was a very insightful book. While much of the book was a criticism of President Obama's diplomacy, the idea that the US is not in decline but in retreat resonates with much of what is happening in US politics today and the inevitable shadow it casts on its foreign policy. We need the US to be in our region for both Japan and Australia to matter.

The US must continue to exert its leadership in the region in a manner that upholds a free and open international system. Any personality or chemistry between leaders is simply outweighed and transcended by the importance of our strategic relations. We do want to uphold and bolster a thriving liberal order, freedom of speech and freedom of expression. What we do not want is a world in which we have to watch our backs in fear of inciting censorship.

#### How we should we achieve this?

So how do we achieve this? First, we should be steadfastly engaged with the US. And we should encourage the US to enhance its involvement in the Asia-Pacific region. We should make sure the US continues to champion free trade and freedom of navigation. Establishing a strong relationship with the new administration in Washington is a crucial starting point for this purpose. In this sense, Prime Minister Abe has got off to a rocket start. In fact, he jumped the gun slightly by visiting the then President-elect Trump in New York in November. Partly because of that visit, Prime Minister Abe's visit to the U.S. last month achieved many excellent outcomes.

First and foremost, President Trump made very clear his support for the Japan-U.S. relationship. Regarding security issues, the two leaders described the alliance as "unshakable" and President Trump confirmed the

commitment of the U.S. to defending Japan through the full range of U.S. military capabilities. As to the commitment of the US to the region at large, the joint statement also stipulated that the US will 'strengthen' its regional presence. At a joint press conference held shortly after North Korea fired a ballistic missile into the Sea of Japan, President Trump referred to Japan as America's 'great ally' and said the U.S. stands behind Japan '100 percent'.

In relation to economic issues, Prime Minister Abe and President Trump also agreed to advance bilateral discussions focusing on three broad areas. These were: (1) macroeconomic policies; (2) a range of areas of cooperation including energy, infrastructure, cyber issues and space; and (3) trade and investment. I would also like to add that I was most impressed by the unheard of hospitality provided by Mr. Trump to Prime Minister Abe. The two leaders spent almost two full days together at the White House and at President Trump's residence in Palm Beach, Florida. It seems certain the two leaders forged quite a close personal relationship, which is an important asset to US -Japan ties and those of the U.S and the Asia-Pacific.

It is also noteworthy that Prime Minister Abe visited Australia, Indonesia, the Philippines and Vietnam prior to meeting President Trump, so Prime Minister Abe was able to share insights on the regional situation he gained from this trip directly with President Trump. I also am aware that Foreign Minister Bishop has just been to Washington, and that Defence Minister Payne has met with Secretary of Defense Mattis in Brussels. So we are hopeful that AUS-U.S. relations are moving ahead strongly as well.

Secondly, we ourselves have to do more in the region to convince the US that we are doing our part. In many ways, Australia has always done this, participating in every major war involving the United States since the First World War. Japan is starting to make its own progress in this field, as evidenced by the Diet passing the Legislation for Peace and Security, which enables Japan to take on a larger role in making a proactive contribution to peace in the international arena.

Furthermore Japan and Australia are working to do more together in relation to defence and security.

Building on bilateral defence cooperation is one of the top priorities for Japan and Australia.

Over a period of time, there has been real progress in the areas of training and exercises, personnel exchanges, cooperation on humanitarian assistance and disaster relief, maritime security, peace-keeping, capacity building, and more recently, cooperation on defence equipment and technology. Here in Queensland, the Ground Self-Defence Force of Japan participated in a joint exercise called "Southern

Jackaroo” with their Australian and US counterparts. Such exercises not only help lift the quality of training of our forces but nurtures better coordination, communications and trust between Japan, Australia and the United States of America which is vital for addressing the challenges emerging in the Indo-Pacific.

The importance of this cooperation and the mutual need to further encourage it was apparent in the outcomes of the recent Summit Meeting between Prime Minister Abe and Prime Minister Turnbull in January. Regarding the security relationship, the two leaders directed their respective Defence Ministers to pursue deeper defence cooperation in 2017 in areas including joint training, exercises, operations and capacity building. Australia also welcomed Japan’s focus on greater regional engagement under the principle of the “Proactive Contribution to Peace,” which is now expanding to encompass Japan’s “Free and Open Indo-Pacific Strategy.” This strategy highlights the connection between the Indian Ocean and the Western Pacific and the importance of maintaining peace and stability across the two.

We would certainly not like to see what has happened in the South China Sea happen in the Indian Ocean, because this is a vital sea lane for both Australia and Japan. From this perspective, India naturally comes into view as an important partner to both Japan and Australia. In the longer term, we are looking at quadrilateral cooperation among Japan, Australia, the US and India.

In pursuing closer defence cooperation, a new Acquisition and Cross-Servicing Agreement (ACSA) was signed by then Ambassador Bruce Miller and myself in January as the two Prime Ministers looked on. This agreement will facilitate mutual logistical support between the Australian Defence Force and the Japan Self-Defense Forces, including in relation to supply of ammunition, when the two countries participate in United Nations Peace Keeping Operations. This agreement symbolizes the commitment of our countries to bringing our security cooperation even closer in the years ahead.

Thirdly, we need to raise our voices as advocates for international trade and investment. Throughout Prime Minister Abe’s visit to Sydney, both leaders highlighted the significance of the Trans-Pacific Partnership (TPP). As you know, the TPP is a high-level agreement that holds the potential to serve as a model for 21st century trade negotiations, particularly as it encompasses standards covering areas that have hitherto not been comprehensively dealt with by international agreements. For example, the TPP stipulates new rules

concerning investment, state-owned enterprises, e-commerce, environmental protection and labour conditions. The agreement also assists in strengthening the economic ties of the U.S. to the Asia-Pacific region, which is of course of enormous strategic importance.

While respecting President Trump's decision to withdraw from the TPP, Japan will continue to advocate the benefits of the deal and work with other TPP members to determine how best to respond to the present situation. Meanwhile, Japan will endeavour to further strengthen its international economic engagement and support the development of rules and standards that will encourage and effectively govern international trade and investment. Japan's effort to conclude FTA negotiations with the EU are testament to the Abe government's firm commitment in this regard. Prime Minister Abe further underlined the importance of free trade in his joint press conference with Chancellor Merkel in Germany 2 weeks ago.

Fourthly, we, Japan and Australia, must continue to strengthen our stable and longstanding bilateral economic engagement. In light of the uncertainty we presently face, it is imperative for us to continue to build on the very firm foundation of our bilateral economic ties. In this regard, 2017 marks the 60<sup>th</sup> anniversary of the Australia-Japan Commerce Agreement—an agreement entered into so soon after the Pacific war by Prime Minister Menzies and Prime Minister Abe's grandfather, then Prime Minister Nobusuke Kishii. The Commerce Agreement paved the way for a massive increase in bilateral trade and investment in the areas of energy and natural resources over the ensuing decades. It was therefore most fitting for the Japan-Australia Economic Partnership Agreement to be signed by Prime Minister Abe, together with then Prime Minister Abbott, in July 2014.

In this respect, JAEPA also shows great promise, having already brought about a tangible boost to mutual trade between our two nations, including in relation to exports of Australian beef, dairy, horticultural products and wine, and Japanese exports of small cars to Australia. Meanwhile, the trade and investment relationship of our two countries is rapidly expanding into a wide range of new areas. In recent years we have witnessed many major Japanese businesses, including Japan Post, Kajima, Nippon Life Insurance and Recruit as well as Japan's three megabanks significantly expand their presence here. This comes on top of the existing, traditional involvement of Japanese firms in mining and energy, which are of course very large in scale.

Incidentally, two leaders of major Japanese trading companies said to me in Tokyo that Australia was by far the most important country for their businesses, followed by the United States, and not the other way around. Given that these were two of Japan's leading companies, this was a little surprising even to me, but it goes to show just how important the bilateral relationship is to the businesses of our two countries. From my meetings with Japanese firms, I have also gained a very strong sense that interest by Japanese companies in Australia is growing quite significantly.

The recent M&As have already helped boost the total stock of Japanese Foreign Direct Investment in Australia to more than A\$85.9 billion, making Japan now the second largest investor in Australia only after the United States. A prime example of this trend was the \$6 billion acquisition of Toll by Japan Post in 2015. In fact, the \$14.1 billion in FDI delivered by Japanese firms to Australia in 2015 put Japan ahead of the United States for the year—which recorded just under \$10 billion—and well above the third-placed Netherlands.

Moreover, the recent investments appear to have been warmly welcomed by both the businesses concerned and the Australian public at large, which as we know is not always true of such dealings. I have also heard from representatives at Department of Foreign Affairs and Trade and Austrade that Japanese investment is seen by Australians as “productive,” meaning that it has a long track record of creating jobs, introducing new and useful technologies and boosting the skills of employees. This is something I am proud to hear and I am confident that Japanese companies will continue to pursue investment opportunities which are stable and secure, as is true in the case of Australia. Therefore, while much uncertainty remains on the international scene, the willingness of Japan and Australia to strengthen economic engagement is one area in which there is no ambiguity, and indeed much cause for optimism.

So I hope all of this has some bearing on your thoughts today. In bringing my speech to a close, as our two nations work together in navigating the uncharted waters ahead, I cannot overstate the importance of people to people contacts. One can point to the personal relations of our two leaders, Prime Ministers Abe and Turnbull who were together for almost eight hours in Sydney during the recent visit and much of this time was spent either on a one-to-one basis or in a small group. Through such exchanges, I saw the ties of the two leaders deepen in very visible ways and the two Prime Ministers now address each other by their first names. I am certain that the growing strength of this personal relationship will go a long way towards

advancing and deepening the relationship between Japan and Australia. It will also greatly assist in planning Prime Minister Turnbull's next visit to Japan, which is expected to take place before the end of the year.

In times of uncertainty, a friend in needs is a true friend, and personal ties are very reassuring. We should have more interaction at all levels between our two countries. In this regard, the expanding tourism between our countries is an encouraging development. In fact, a staggering 445,000 Australian visitors travelled to Japan last year, which is an increase of around 70,000 visitors on the previous year. Japan will also host the Rugby World Cup in 2019 and the Tokyo Olympics and Paralympics in 2020. We will win of course, as long as cricket is not introduced, but we will grow closer together, regardless of the outcome! Thank you.