

PERSPECTIVES

**GOING GLOBAL: A NEW AUSTRALIA-JAPAN
AGENDA FOR MULTILATERAL COOPERATION**

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A P R I L 2 0 0 9

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**Going global:
A new Australia-Japan agenda for multilateral cooperation¹**

Malcolm Cook and Andrew Shearer

Executive Summary

Over the last five decades, the Australia-Japan relationship has been judged on both sides largely for its bilateral and regional benefits. The two-way commercial relationship has been a cornerstone for each country's wealth and development, while close diplomatic cooperation and their complementary alliances with the United States underpin the idea of the Asia Pacific as a region. Less attention has been paid to the two countries' shared multilateral interests and cooperation. This paper looks at how to strengthen Australia-Japan multilateral cooperation, bolstering this global dimension to this important and highly successful partnership.

Tokyo and Canberra see themselves as globally significant players with expanding extra-regional interests. The international policy positions of both current governments place much stock in multilateral diplomacy and the United Nations. This synergy is reinforced by globalisation, a process that has brought Australia and Japan closer together but also poses new challenges for both countries. Highlighted by the rise of China, the Asia Pacific has been the region most shaped by this present wave of globalisation, a transformation that is upsetting the region's power balance.

Globalisation is placing greater demands on governments to respond quickly to a range of new and more pressing multilateral issues, from climate change to nuclear proliferation to pandemics and natural disasters far from our shores. At the same time, power is diffusing across the globe with new great powers and influential non-state actors emerging. This diffusion is making multilateral cooperation both more necessary and more difficult.

Unfortunately, the United Nations system of traditional multilateralism has not adapted and is often unable to address effectively this burgeoning agenda of pressing multilateral issues. In response, national governments have gone outside traditional multilateralism to create a suite of much smaller, issue-specific, lightly institutionalised 'minilateral groupings'. Australia and Japan are members of a range of these, from the G-20 on international financial architecture to the Proliferation Security Initiative on non-proliferation to the Asia-Pacific Partnership on Clean Development and Climate on climate change.

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The United States is still first among equals, essential to any effective global cooperation and the most important partner for both Japan and Australia. The new Obama administration has restated the importance of traditional multilateralism and the United Nations in American international policy, but its attitude to the newer minilateral groupings, many of them established during the Bush administration, is still emerging.

A new agenda

To help both governments navigate this more complicated and uncertain international environment, the paper offers a agenda for enhanced Australia-Japan multilateral cooperation organised around:

- support for American global leadership, and
- reforming post-war multilateralism.

Three areas of international policy are particularly well suited to closer Australia-Japan cooperation in pursuit of these goals: climate change and energy security; nuclear non-proliferation; and official development assistance.

With these two principles and three policy areas in mind, the new agenda lays out seven specific, actionable recommendations:

- Strengthen the G-20 and extend Australia-Japan cooperation on financial market integration from the regional to global level.
- Leverage APEC and the East Asia Summit more to act as caucuses in multilateral bodies like the WTO and the UNFCCC negotiations on the successor to the Kyoto Protocol.
- Enhance and coordinate contributions to help stabilise Afghanistan and Pakistan, building on successful Australia-Japan cooperation in Cambodia, East Timor and Iraq.
- Better coordinate Australian and Japanese aid policies and programs.
- Encourage the Obama administration to actively participate in the Asia-Pacific Partnership on Clean Development and Climate and the renamed Major Economies Forum on Energy and Climate to develop practical, technology-based and growth-friendly responses to energy and climate challenges.
- Promote the regional multilateralisation of the civil nuclear fuel cycle, including through the International Commission on Nuclear Non-Proliferation and Disarmament, as a means of pursuing shared non-proliferation and regional security goals.
- More ambitiously, develop and pursue an Australia-Japan agenda for reform of the multilateral system.

Both Japan and Australia are significant countries, yet neither is a great power with enough military, economic and political influence to shape its international environment through its own efforts. Japan is the world's second-largest economy. It makes an important global contribution through development assistance, financial muscle and diplomacy. Yet it is constrained – constitutionally and politically – from projecting military power commensurate with its economic weight. Australia has the world's 15th largest economy and 12th largest defence budget. It is a vital supplier of raw materials and the leading power in the South Pacific. Yet, like Japan, it is not fully accepted in any natural regional grouping and has to work hard to advance its national interests.

In the six decades since the end of the Second World War, Australia and Japan have built a remarkable partnership. The foundation stone is economic synergy: Australia's natural resources have been vital to Japan's industrialisation. Australia is Japan's largest source of energy imports while Japan is the leading consumer of Australian energy exports. China is closing the gap, but Japan is still Australia's largest export market by a significant margin.

Australia and Japan are major beneficiaries of a stable region open to trade and investment, and since the 1980s both governments have built a very successful regional partnership on this platform. Japanese peacekeepers have worked with Australian counterparts in Cambodia and East Timor; and little of the Asia Pacific's existing institutional architecture – whether APEC, the ASEAN Regional Forum or the East Asia Summit – would exist without close cooperation between Canberra and Tokyo.

This background helps to explain what Australia and Japan have in common and the reasons why their partnership is in many ways a natural one. Their respective alliances with the United States, their desire to build open and inclusive regional institutions, and their tradition of working together to build coalitions and strengthen international rules – eg. through the Australia Group on chemical weapons and the JUSCANZ group in the United Nations (UN) system – all point to a substantial convergence not only of interests but of approaches to pursuing them.

Bolstering this, over the last decade or so, Japan's approach to international policy has adopted a more Realist bent, a bent that brings Japan's worldview more in line with Australia's international policy traditions. Japan's Realist shift is part and parcel of the Japanese political system's shift to the right. It is particularly noticeable in changes to Japan's defence and security and official development assistance policies and in views of China and the future of the US-Japan alliance.

Multilateralism and minilateralism

Although it is not always sufficiently recognized in Canberra and Tokyo, this strong bilateral base is an increasingly important diplomatic asset to both countries. Globalisation is driving new and enhanced demands for multilateral cooperation while simultaneously undermining the effectiveness of the post-war multilateral system. This disjuncture is particularly worrying for Australia and Japan,

two states that see their national interest being served by a strong, rule-based multilateral order and have traditionally (at least under Labor governments in Australia) given primacy to the UN system in pursuing their multilateral diplomatic objectives.

Global growth and integration – albeit both interrupted for now by the global financial crisis – are creating or aggravating a host of global problems and driving new demands on governments to respond. At the same time as the number and complexity of trans-border issues mounts, power in the international system is being diffused through the increasing number of states and significant non-state actors, and through the shift from the bipolar dispensation of the Cold War to an emerging multi-polar world.

Today, Australia and Japan are operating in a world containing a larger number of more inter-linked major powers from many more parts of the globe than ever before. These powers differ significantly in their level of development, domestic political systems and international policy traditions. These powerful trends are making themselves felt in the divisive global debate over appropriate responses to climate change, the glacial pace of the Doha Round of world trade negotiations, and in the heightened expectations on more states to respond to humanitarian crises far from their borders.

The existing suite of post-war multilateral institutions from the UN to the IMF and World Bank to the Nuclear Non-Proliferation Treaty have not adapted well to the changes. In the 1940s, the UN started with 51 ‘original members’ while the predecessor to the World Trade Organization (WTO), the General Agreement on Tariffs and Trade, started with 23 signatories. Today the United Nations has 192 members while the WTO has expanded to 153 economies and counting. This proliferation of membership makes hammering out compromises more and more difficult and time-consuming – and lowest common denominator results ever more likely. Inevitably, this takes a toll on the effectiveness – and ultimately legitimacy – of the institutions concerned.

In addition, the cross-cutting nature of many of the newer global concerns from climate change to fragile states to global terrorism means that they do not easily fit into any of the existing multilateral organisations’ mandates, requiring either the creation of new multilateral processes or the substantial reform of existing ones. Yet, the greater number of major powers makes this more difficult, especially as the entrenched governance structures of many of the existing global institutions reflect the bygone Atlanticist era when they were created.

The UN illustrates this institutional time warp and its consequences. Japan is not a member of the UN Security Council. Indeed, despite being the UN’s second largest and most faithful contributor, Japan is still described as an ‘enemy state’ in the UN Charter. Faded European powers hold three of the five permanent seats, while Asia (from Turkey to Japan) has only one and Latin America and Africa none. Japan’s global contribution is not recognised, nor are rising powers such as India, Brazil, Indonesia or South Africa. The General Assembly is paralysed from taking effective action on pressing global

problems from terrorism to climate change by outdated but resilient diplomatic divisions, particularly North-South ones, that no longer reflect today's globalised and integrated world.

The Bretton Woods institutions are likewise under growing strain. The International Monetary Fund has failed to avert or respond effectively to recent crises – whether the late 1990s Asian economic crisis or the current global one. The World Bank seems to be struggling to define a role in a world where the profile of alternative models such as the Gates Foundation or the Millennium Challenge Fund is growing.

It is not all doom and gloom for multilateralism though. States are responding creatively to the disjuncture between growing demands and ossified institutions by creating new forms of issue-specific, lightly institutionalised 'minilateral' groupings. These are particularly suited to involving non-state actors in their deliberations. The creation of the G-20 meeting of finance ministers and central bankers after the Asian financial crisis and its elevation to the leaders' level in the present crisis is a good example of this new and potentially rich vein of multilateral cooperation. Others include the Proliferation Security Initiative (PSI), the 'Core Group' of countries that responded to the 2004 Boxing Day tsunami and the Asia-Pacific Partnership on Clean Development and Climate (APP).

The rapid growth in minilateral bodies is increasing the networks available to like-minded countries with shared interests to cooperate selectively on global issues while moderating the chances that these endeavours will be rendered ineffective through ever-expanding agendas, institutional rigidity or bureaucratisation. This threat, alas, is already stalking the G-20 forum.

These groupings can move faster and further than larger, more representative and legally-binding institutions. They can form an effective caucus in larger bodies and potentially a nucleus around which broader support can coalesce. And their informality can facilitate cooperation that would otherwise be precluded for some states owing to domestic political or legal reasons (a key factor in the success of the PSI). Minilateralism cannot replace more comprehensive official multilateralism: ultimately some international problems require formal buy-in by all states and legally binding rules. But it can address many of multilateralism's shortcomings.

Australia and Japan are particularly sensitive to these changes to the global order. Both are also leading countries in the Asia Pacific, the region of the world at the centre of the diffusion of power and the rise of new major powers. The rise of China and India is changing power balances in the region. The relative stability and prosperity which have so benefitted Australia and Japan for over half a century cannot be taken for granted.

Minilateralism is flourishing in the Asia Pacific, undoubtedly helped by the fact that regional states' institutional influence in the traditional multilateral bodies increasingly lags with their real-world weight in the global economy and inter-state system. Both are seeking election to rotational seats on the UN Security Council in 2013, but Australia and Japan have limited influence in the traditional

multilateral organisations, particularly in the UN (where Australia, quaintly, is an ‘other government’ in the Western Europe and Others geographical grouping) and the IMF and the World Bank. Both are now active participants in a range of minilateral groupings from the PSI to the G-20 to the Major Economies Forum on Energy and Climate on responses to climate change.

Finally, both states are alliance partners of the United States. Bilateral relations with the only superpower occupy a central place in their strategic worldviews. Despite the rise of China and India and the consequent gradual decline in its relative power, the United States continues to occupy a unique position in the international system. It remains the central player in this emerging global order, the vital offshore balancing power in Asia and the indispensable power for effective multilateralism. Despite its reputation for unilateralism, the Bush administration was an active initiator of minilateral groupings, many of which include both Australia and Japan and in which both have been active.

At the same time, the two countries’ alliance relationships with the United States have become more global in orientation and more active through Australian and Japanese deployments in the Global War on Terror, particularly the collaboration between Australian and Japanese forces in southern Iraq in 2004-06. The elevation of the Australia-Japan-United States Trilateral Strategic Dialogue to the ministerial level in 2006 and the development of the Dialogue’s defence arm, the Security and Defence Cooperation Forum, strengthen the cross-bracing between the two alliances and enhance the ability of Japan, Australia and the United States to cooperate more closely and effectively. Japan participated in the 2004 tsunami relief effort and is a regular PSI contributor, particularly through its highly capable Coast Guard.

The Obama administration

The Obama administration’s international policy is still taking shape, but some outlines are evident. President Obama and his Secretary of State, Hillary Clinton, have pledged to place more emphasis on diplomacy and to work closely with allies. The United States will not eschew the use of military power, but its first impulse will be to negotiate and use the other elements of US power to shape the international environment. The US economic downturn and existing international challenges –Afghanistan/Pakistan, Iraq, Iran and North Korea – will constrain Obama’s options. But in responding to those problems – and to the priority transnational issues it has identified, including climate change, arms control and development – his administration will place renewed emphasis on multilateral diplomacy. The appointment of one of Obama’s most senior aides as ambassador to the UN with cabinet rank signals that the UN system will be more central.

The euphoric international reaction to Obama’s election will make it harder for some adversaries to demonise the United States, and reluctant allies can no longer hide behind Bush’s unpopularity as an excuse not to step up to the plate. At a minimum we are likely to see an initial improvement in the tone, if not the substance, of multilateral engagement on issues such as climate change, weapons of mass destruction and financial instability. This will not remove structural impediments to multilateralism.

But at least it holds out the prospect of enhanced cooperation and progress on some of the intractable problems facing the planet.

The attitude of the Obama foreign policy team to multilateralism is less clear. The Obama administration's post-election foreign policy outline includes the proposal to institutionalise the PSI. The new administration has also embraced the Major Emitters Meeting concept, with a leaders' meeting planned alongside the G-8 forum in Italy in July.² The pragmatism of many of Obama's senior appointments to date suggests that the administration is likely to persist with those mechanisms that hold any potential to deliver effective responses.

A key challenge for Australia and Japan – both beneficiaries of their inclusion in groups such as the G-20 and of the opportunity to engage the United States through the Trilateral Strategic Dialogue – will be to develop compelling agendas for cooperation in these bodies that align with the international priorities of the US administration. International expectations of Obama are riding high, but they will be reciprocated. Both alliances have been at a high point, but that cannot be expected to continue without effort. As established, reliable and capable allies, more will be expected of Australia and Japan than most. The best answer to any anxiety in Canberra or Tokyo about the advent of a new administration is to come forward with practical, concrete initiatives addressing shared international concerns.

Japan's political paralysis

Unfortunately Japan's present capacity to initiate or contribute to such initiatives is poor, however. Japan is facing its most difficult political crisis in the post-war period, hamstringing the Japanese political system's already limited scope for international policy activism. Diplomatic partners of Japan have long been frustrated by Tokyo's slow-moving decision-making, bureaucratic stove-piping and the repeated railroading of international policy interests by parochial domestic political ones. Japan's present crisis simply adds to the temptation for 'Japan passing' in search of quicker-acting and more decisive partners.

Pressing Japan too hard right now though is likely to end only in frustration and disappointment on both sides. But for those with patience, Japan's political paralysis may usher in a new political alignment more suited to the country's international policy needs as well as its domestic challenges. The fact that Prime Minister Aso was the first foreign leader invited to the Obama White House and Tokyo was the first stop on Hillary Clinton's first overseas trip signal US sensitivity to the enduring importance of Japan. On the Japanese side, the present crisis has further reduced its diplomatic outreach. It has kept the prime minister and key cabinet ministers focused on the domestic political front and largely kept them from travelling overseas due to extended parliamentary sessions and repeated close legislative votes on critical legislation and even censure motions. The bilateral relationship with Australia since the departure of Prime Minister Abe in September 2007 has not been helped by the lack of senior Japanese

² Lenore Taylor, Barack Obama takes climate change lead. *The Australian*, 30 March 2009.

visitors. It is hard to push forward new and enhanced cooperation when new senior government leaders from both sides do not know each other and are not in regular contact.

The present Japanese political crisis has three basic components. First, for only the second time in over fifty years, Japan's bicameral parliamentary system is divided. The opposition Democratic Party of Japan, in coalition with the Japanese Communist Party and others, gained control of the weaker Upper House in July 2007. Since then, led by Ichiro Ozawa, it has adopted an aggressive blocking strategy in the Upper House. It has thwarted or seriously delayed critical legislation, from responses to the global financial crisis to renewing Japan's Indian Ocean commitments to the Afghanistan conflict. Ozawa's obstructionism does not seem to be aimed at amending critical legislation but rather at choking the legislative process to highlight the Liberal Democratic Party's inability to rule.

Second, neither the flailing Liberal Democratic Party nor the stalking Democratic Party of Japan is a coherent party committed to a clear set of values or policies. Both face growing internal rifts between older traditionalists (pacifist social democrats in the case of the Democratic Party and conservative pork-barrellers in the case of the Liberal Democrats) and impatient, centrist reformers. For the Liberal Democratic Party, this schism was the centrepiece of the attenuated, but very popular, party reform drive under Prime Minister Koizumi and the January resignation of former minister for administrative reforms, Yoshimi Watanabe. He quit accusing Prime Minister Aso of being a 'spokesman for Kasumigaseki's old-guard cronies.'³ Tellingly, however, few have followed his lead to date.

For the Democratic Party, the heirs of Japan's Social Democratic Party, the fact that the party is led by the right-wing former Liberal Democratic maverick Ichiro Ozawa, who is now quite ill, reflects its own deep divisions. Most political figures we talked to in Japan, from both sides of parliament, believed that the Democratic Party would itself split if it were to win control of the Lower House, as is widely expected, in the elections due before October.

Third, the Japanese electorate is profoundly alienated. Voters have stopped listening to the Liberal Democratic Party and hold little faith in Prime Minister Aso. In early April, a Yomiuri poll showed that only 24.3 per cent of respondents approved of the Cabinet, while 66.5 per cent disapproved. Only a third of respondents chose Aso as the best person to lead the country.⁴ Aso's predecessors, Shinzo Abe and Yasuo Fukuda, also suffered rapid and precipitous falls in the polls.

Things are not much better for the Democratic Party. In this same poll, the Liberal Democratic Party still maintained a higher approval rating at 27.2 per cent than the Democratic Party's 24.2 per cent. Only 27 per cent thought Ozawa was best suited to lead the country. Japan's '1955 system' of Liberal Democratic dominance is broken but there is little support for the only existing alternative, the Democratic Party.

³ Japan lawmaker defects in blow to 'old-guard' PM. *Agence France Presse*, 14 January 2009. Kasumigaseki is the centre of bureaucratic power in Japan.

⁴ Poll: 66% unhappy with Ozawa's decision to stay on as DPJ leader. *Daily Yomiuri*, 7 April 2009.

The electorate's preferred option is for a game-changing political realignment where the centrist reforming wings of both major parties join together, stranding their respective traditionalist and unpopular rumps. While this is the most popular option and the only way many see out of the present paralysis, there is no clear path or leader for such a historic realignment, particularly if Koizumi retires at the coming election as announced.

The most likely (and messiest) scenario presented to us is that the Democratic Party wins the next Lower House elections, which will split the Liberal Democratic Party asunder. Then, the party-room stresses of national rule will break the Democratic Party, creating the opening for the desired realignment. This realignment, ironically, could create a new *de facto* one-party system in Japan, but one led by long-frustrated centrist reformers and facing compromised opposition from both the right and left.⁵ Such a government would likely be a more cooperative and effective partner for Australia (and the United States), and should reduce the yawning gap between Japan's size, power and international standing and its limited diplomatic influence.

The new agenda

The new agenda for Australia-Japan multilateral cooperation is based on two overarching goals that reach down into a wide array of specific international policy issues: supporting US global leadership and reforming postwar multilateralism. These are shared goals of Australian and Japanese postwar international policy that are becoming even more pressing given the changing world order and the advent of a new administration in Washington:

1. Supporting US global leadership

- Canberra and Tokyo should build on their recent contributions in Iraq and the Global War on Terror. US leadership has been a vital underpinning of the open international political and economic system, and active US strategic and economic engagement with East Asia has been the lynchpin of Asia-Pacific stability and prosperity.
- Both capitals should seek new opportunities to reinforce constructive US engagement in the Asia Pacific, to encourage the United State to take the lead in pursuing solutions to global problems and to assist those efforts actively by building support for them among other members of the international community. This would be in line with the increasingly global nature of the two alliances, and would bolster Australia's and Japan's promotion of themselves as responsible, active and globally-oriented states.
- Australia and Japan should coordinate their approaches to the new Obama administration in Washington in the many areas where their interests and objectives overlap. Canberra and Tokyo should highlight not only the importance of the Asia-Pacific region to the United States but also

⁵ Malcolm Cook. *A new one-party democracy for Japan*. Lowy Interpreter 2008: <http://www.lowyinterpreter.org/post/2008/09/A-new-one-party-democracy-for-Japan.aspx>.

– reflecting the shift in global power to Asia – the rapid blurring of lines between regional and global issues and cooperation. The central focus of the PSI – a global initiative – on maritime Asia is a good example of this trend.

2. *Pursuing effective multilateralism*

- While remaining committed to root and branch reform of the traditional multilateral organisations, Japan and Australia should work harder together on the more feasible steps of pushing discrete governance reforms and reforms of particularly important parts of these broad institutions. An example of this ‘bottom-up’ selective approach would be strengthening the International Atomic Energy Agency (IAEA).
- Canberra and Tokyo should also elevate within their respective international policy frameworks the prominence given to effective minilateral groupings that include the two countries. The two capitals should work closely together to ensure that these more fluid institutions remain effective, targeted and supported by the relevant major powers, particularly the United States, and other countries that are key to solving the particular problem each addresses. The elevation of minilateralism fits well with the Rudd government’s call for creative and active middle power diplomacy and with Japan’s tradition of multilateralism combined with international policy pragmatism.

Three specific policy areas are particularly rich areas for deeper cooperation to advance these shared goals:

- A. *Climate change and energy security*: Both governments see themselves as key players in the UN-led global negotiations over the successor to the Kyoto Protocol and have recently released their long-term plans for domestic emissions reductions. For both countries, climate change is at the top of the government’s agenda and both have used their hosting of groupings like APEC and the G-8 Summit to push for more global action on climate change. Japan and Australia are also members of two key climate change minilateral groupings, the APP and the now renamed Major Economies Forum on Energy and Climate.
- B. *Nuclear non-proliferation*: Nuclear non-proliferation and supporting the Nuclear Non-Proliferation Treaty have long been one of the most important areas of Australia-Japan multilateral cooperation, an effort revisited under the Rudd government by the creation of the International Commission on Nuclear Non-Proliferation and Disarmament under joint Australian and Japanese chairs. Japan and Australia are also members of key non-proliferation minilateral groupings like the Nuclear Suppliers Group and the Global Nuclear Energy Partnership. As with climate change and energy security, Japan and Australia must be careful to ensure that their cooperative actions in this area reinforce and do not simply duplicate or undercut other global efforts.

C. *Official development assistance*: Australia and Japan have made some efforts to coordinate aid, but these have been insufficient to establish comprehensive, strategic aid cooperation. Cooperation has been limited by the significant differences in the size of the aid budgets, their geographical foci, choices of spending priorities and aid philosophies. However, both Japan and Australia have undertaken significant reforms of their official development aid programs that have narrowed these differences. In line with Japan's new realism and greater willingness to incorporate values in its international policy, Japan's 2003 reforms emphasise two long-standing elements of Australian aid: the central role national interest should play in the aid program; and strengthening democratic institutions.⁶ For its part Australia is committed to a very substantial increase in aid, with Official Development Assistance set to expand to 0.5 per cent of gross national income by 2015-16.

Specific recommendations

Strengthen the G-20

The creation of the G-20 from the G-7 a decade ago and its elevation to the leaders' level in 2008 epitomise the necessity for and strengths of multilateralism. It is now incumbent on the members to build on the outcomes of the recent London summit to ensure that the G-20 takes concrete cooperative action or risk watching its new-found prominence fade.

- One way forward for the G-20 is to convince the United States to make permanent the bilateral swap agreements the Federal Reserve has agreed with other central banks in the face of the global financial crisis and to convince other G-20 central banks to negotiate similar swap agreements with other G-20 members and central banks in their neighbouring economies. During Secretary of State Clinton's February visit to Jakarta, the only Southeast Asian member of the G-20, Indonesia requested a swap agreement to be negotiated between Bank Indonesia and the US Federal Reserve.⁷ The G-20 meeting in London did not institutionalise these swap agreements.
- A robust G-20 is particularly important for Australia as it is not a member of the G-7 or the network of bilateral swap agreements under the East Asia-only ASEAN+3 process. Japan is a member of both, and hence its interests in the G-20 are more mixed. However, the global financial crisis and the positive market reaction to the temporary swap agreements with the Federal Reserve underline the limited potential of East Asia-only financial cooperation. Disagreements between China, Japan and South Korea have greatly hindered ASEAN+3 financial cooperation as well. Japan and Australia are better advised to pursue financial cooperation through the larger and more representative G-20 than the East Asia Summit.

⁶ Japan's Official Development Assistance Charter. ed. Ministry of Foreign Affairs Economic Cooperation Bureau (2003).

⁷ John Aglionby, Jakarta asks US for currency swap agreement. *Financial Times*, 19 February 2009.

Leverage Asia-Pacific bodies to drive global institutional reform

Australia and Japan are particularly well positioned to use their leadership positions in APEC and the East Asia Summit to harness these regional groupings as caucuses at the multilateral level and to bolster effective minilateral groupings. So far, the growing number of Asia-Pacific and East Asian bodies has largely lent only rhetorical support to multilateral efforts.⁸

- Multilateral caucusing could help energise these bodies and make them more relevant to their members. The Sydney Declaration on Climate Change and Energy is a useful example of how to leverage regional groupings at the multilateral level.
- Japan's year as APEC host in 2010 offers a real opportunity to harness the grouping's underused potential, building on the Sydney Declaration. Climate change and energy security is a particularly apt policy area given the necessity of bringing China and the United States into the post-Kyoto multilateral framework and the wide-ranging doubts expressed in Asia-Pacific capitals about the UNFCCC process and the leadership role presumed by the European Commission.⁹

Work together to support international security

Australian and Japanese forces have worked together successfully in Cambodia, East Timor and Iraq. Their combined stabilisation and reconstruction efforts in Muthanna province in southern Iraq marked a significant milestone in the development of a serious bilateral strategic relationship, which has long lagged the Australia-Japan economic partnership. Without that deployment it is highly unlikely that the two governments would have agreed their historic 2007 Joint Declaration on Security Cooperation – the first such arrangement Japan has signed with any country other than the United States.

Both governments are committed to taking forward the bilateral action plan agreed under the Joint Declaration, as well as cooperation with the United States under the rubric of the Trilateral Strategic Dialogue. This is to be welcomed. In addition, however, they should also seek new opportunities for combined exercises and operations involving the ADF and JSDF, as well as other agencies:

- Japan's present political paralysis makes decisions to deploy its military even more difficult than usual, making Tokyo's move to dispatch a naval anti-piracy task force to the waters off Somalia all the more commendable
- this should not be seen as sufficient, however. As major allies with a vital stake in the credibility of US extended deterrence and as countries that remain vulnerable to terrorism, Australia and Japan each have a major stake in the success of the coalition effort in Afghanistan and the success of the recently announced US strategy

⁸ The role APEC played in the negotiations over telecommunications in the Uruguay Round is a noteworthy exception and example of this leveraging potential.

⁹ Christine Loh, Andrew Stevenson and Simon Tay, eds., *Climate change negotiations: can Asia change the game?* Hong Kong, Civic Exchange, 2009w

- Japan should consider providing niche enabling military capabilities such as CH-47 helicopters, C-130 transport aircraft and medical facilities to support ADF efforts in Oruzgan province, particularly if Australia ends up taking over the lead there from Dutch forces in 2010
- both countries should significantly expand and coordinate their respective civilian contributions to stability and economic development in Afghanistan but also Pakistan.

Improve aid coordination geographically and thematically

Both Japan and Australia are seeking to expand their aid profile globally and work more cooperatively with other donors. Both countries work closely on aid issues in the Asian Development Bank and the Development Assistance Committee of the OECD, as well as in New York. But significant scope exists to step up the level and nature of Australia-Japan aid coordination, moving beyond specific joint projects to a robust dialogue on approaches to aid delivery, coordinating aid more effectively with broader international policy goals and, ultimately, aid policy coordination

Geographically, both also have heavily concentrated aid budgets with over 80 per cent of Japanese aid in 2006 going to greater Asia (including the South Pacific). Close to 40 per cent of Australia country program aid is budgeted for the South Pacific alone this year. AusAID and the Japan Bank for International Cooperation already have some linkages but should consider working more closely together both in the South Pacific and in Africa, both regions where weak and failing states risk feeding transnational threats to wider security.

Australia should take the lead in the South Pacific as the major aid donor in the region, and the donor with the greatest interest in coordinating aid more effectively and in relieving some of its regional load. Japan's longstanding interests in the South Pacific – interests that are more in line with Australia's than those of some other aid providers active in the region – ensure Tokyo's continued engagement in the region. In Africa, Japan could take the lead as it has a much larger aid profile, but there is also growing scope for aid cooperation in light of Australia's developing economic, security and diplomatic interests in the continent.¹⁰ In 2006, 15 per cent of Japanese official development aid went to Africa.¹¹ In the 2008-09 AusAID budget, only 3 per cent of Australia's much smaller aid budget is allocated for Africa, but this is set to grow.¹² Japan's expertise in supporting infrastructure programs is particularly suited to both Africa and the South Pacific, as is Australia's expertise in grant aid and sectoral knowledge – particularly in agriculture.

¹⁰ Roger Donnelly and Benjamin Ford, *Into Africa: how the resource boom is making sub-Saharan Africa more important to Australia*. Sydney, Lowy Institute for International Policy, 2008

¹¹ *Effective ODA loans to facilitate developing countries' own initiatives*. July 2007: http://www.jbic.go.jp/en/report/jbic-today/2007/07/td_2007july.pdf.

¹² Australian Government, Budget Statement: Australia's International Development Assistance Budget. (2008).

Strengthen APP and MEFEC and promote Japan's bottom-up approach to climate change

With the December Climate Conference in Copenhagen unlikely to produce more than agreed principles for a post-Kyoto framework at best, Australia and Japan have a shared interest in finding alternate ways to develop practical, technology-based and growth-friendly responses to global climate and energy challenges that bring in all major energy consumers and emitters.

Australia and Japan are both participants in the APP and the Major Economies Forum on Energy and Climate (MEFEC). Eventually any workable deal among the major emitters will have to be reflected in a future UN framework. But such a deal is far more likely to be brokered incrementally in minilateral fora such as these. The Major Economies Forum represents some 80 per cent of all global emissions and is far less cumbersome and ideologically encumbered than the UNFCCC process. The APP offers the significant benefit of fostering government/private sector partnership and realistic sectoral approaches.

While not identical, there is significant overlap between Australia and Japan's positions on climate change. Its industrial structure is different from Japan's, but Australia should look more seriously at supporting Tokyo's 'bottom-up', sectoral approach, which draws heavily on technological solutions. Both countries should seek to engage the Obama administration fully in effective minilateral arrangements.

Establish a regional multilateral nuclear fuel cycle

Australia and Japan are both participants in the civil nuclear fuel cycle – Australia as one of the world's largest uranium exporters and Japan as a major user of civil nuclear power. Both have long records of diplomatic activism and collaboration on nuclear arms control and non-proliferation issues, including most recently in the form of the International Commission on Nuclear Non-proliferation and Disarmament, which is co-chaired by Australian and Japanese experts. In addition both continue to depend on the extended strategic deterrence provided by US nuclear weapons.

In line with the climate change and energy security recommendations, both countries share a strong interest in ensuring that the projected increase in civil nuclear power across East Asia is not accompanied by a growing risk that nuclear know-how or materials could proliferate. Building on their active cooperation in the multilateral system and through the PSI, Australia and Japan should work together to strengthen nuclear safeguards, safety of nuclear facilities and nuclear security in the region, including by combined advocacy of stronger export controls, PSI participation and universal adoption of the Additional Protocol. This is consistent with Japan's '3S' (safeguards, nuclear safety and nuclear security) initiative and the comprehensive approach to nuclear disarmament laid down by Foreign Minister Nakasone in his recent '11 Benchmarks' statement.

Joint chairmanship of the International Commission and the international conference on nuclear security Japan is hosting in cooperation with the IAEA offer opportunities for Australia and Japan to

put Asia-Pacific arms control firmly on the regional agenda and to pursue the idea of establishing a reliable, transparent multilateral nuclear fuel supply arrangement for Asia.

Such a proposal offers clear benefits. Regional countries such as Vietnam, Indonesia, Thailand and the Philippines have all expressed interest in developing civil nuclear power, and Russia, China and France are positioning to develop significant markets in Asia for nuclear technology and fuel. A transparent multilateral arrangement that guarantees regional countries a secure fuel cycle and draws in the burgeoning civil nuclear industry and uranium suppliers would make a significant contribution to Australia and Japan's shared non-proliferation goals as well as their respective commercial interests and their enduring stake in a stable, cooperative Asia-Pacific region.¹³

Develop and pursue an Australia-Japan agenda for reform of the multilateral system

Nor should Australia and Japan should not simply accept the inadequacies of the traditional multilateral system. Australia and Japan have a major stake in a rules-based international system. Both aspire to separate rotational seats on the UN Security Council in 2013, and should coordinate their respective campaigns closely. Several of the UN agencies in particular play valuable roles, and Canberra and Tokyo should seek to work closely with them and further strengthen their capacities. Both countries have a long commitment to UN reform and more recently have been active advocates of reform of regional and global economic architecture.

They should develop and jointly pursue a shared agenda that aims to:

- secure rotational membership of the UN Security Council for both countries in 2013
- in the medium term, achieve both countries' longstanding goal of reform of the Security Council to bring it into better alignment with contemporary geopolitical realities (including a permanent seat for Japan)
- reforms of the international financial institutions – particularly appropriate adjustments to voting weights and governance structures – to give a representative voice to emerging economic powers
- strengthen cooperation in the JUSCANZ grouping and hence its weight as a valuable and effective caucus on a growing range of multilateral issues
- re-energise efforts at UN management reform, including introducing more transparency, accountability and competitiveness into processes for appointing staff and the abolition of obsolete and duplicative mandates.

¹³ Andrew Symon, *Nuclear power in Southeast Asia: implication for Australia and non-proliferation*. Analysis, April, 2008

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