

**PERSPECTIVES**

---

**AUSTRALIA AND JAPAN: AMBIVALENT  
ASIANS, AMBITIOUS REGIONALISTS**

**MICHAEL WESLEY**

---

**OCTOBER 2010**

**The Lowy Institute for International Policy** is an independent international policy think tank. Its mandate ranges across all the dimensions of international policy debate in Australia – economic, political and strategic – and it is not limited to a particular geographic region. Its two core tasks are to:

- produce distinctive research and fresh policy options for Australia’s international policy and to contribute to the wider international debate.
- promote discussion of Australia’s role in the world by providing an accessible and high-quality forum for discussion of Australian international relations through debates, seminars, lectures, dialogues and conferences.

Lowy Institute Perspectives are occasional papers and speeches on international events and policy.

The views expressed in this paper are the author’s own and not those of the Lowy Institute for International Policy.

## **Australia and Japan: Ambivalent Asians, Ambitious Regionalists**

Michael Wesley

International affairs is endlessly interesting because more than any other field of human endeavour it makes what seems impossible happen.

Superpowers that suddenly collapse.

Terrorists that bring down the tallest buildings in New York City.

An Indonesian President who announces a binding plebiscite on East Timor's independence.

And when North Atlantic financial markets collapse, the saviour of global capitalism is ... the world's largest communist country.

These types of astonishing events happen with such startling regularity that you'd think people like me would have given up trying to predict the course of future events long ago.

No such luck.

I think the Australia-Japan relationship belongs in this category of the seemingly impossible that just occurs.

Cast your mind back to 2 September 1945, on the deck of the USS Missouri in Tokyo Bay, where Field Marshall Sir Thomas Blamey is signing the Japanese instrument of surrender on behalf of the Commonwealth of Australia.

If you'd suggested that within a couple of generations, Australia and Japan would have developed the closest economic, diplomatic, strategic partnership in Asia, or that Japan was the Asian country that Australians felt most positively about, you'd have been sent to one of the medical ships for a sedative and a good lie down.

Few countries in 1945 were less likely to forge a close working relationship.

Australia's entire strategic and diplomatic worldview until that point, and for some years after, was based around a fear of Japan.

Japan represented Australia's deepest fears: a commodity-hungry rising power with enough naval muscle to seriously challenge the British navy in the Pacific.

The Japanese seemed to epitomize the fecund, industrious Asians who would swamp a small white population occupying a vast rich continent.

It was also a major challenge to Australia's view of international affairs as a hierarchy of races.

Our first major appearance at an international conference was when Billy Hughes vociferously opposed a Japanese proposal to include the principle of racial equality into the Charter of the League of Nations.

Canberra was distinctly uninterested in American and British proposals for a regional security organization which would include Asian countries such as the Philippines.

It only agreed to a peace agreement with Japan by extracting the ANZUS Treaty from the United States as a protection against Japan.

There wasn't much in Japan's history to suggest it would be a close partner with Australia.

Australia's behaviour at Versailles was part of a pattern that convinced Tokyo that it would never get a fair go by working within the international rules.

The driving idea for the Greater East Asian Co-Prosperty Sphere was the need to get the West out of Asia.

And of course Australia and Japan were on opposite sides of the Pacific War.

What developed after the war was not an ongoing pattern of mutual distrust and antagonism but a close and multifaceted relationship that has been important to both countries' postwar history.

What I'm going to argue this morning is that the factor that most strongly drives the close Japan-Australia relationship is not, as many argue, their long, complementary trade and investment relationship, the fact that both are close allies of the United States, or that their status as two of the region's longest-standing democracies forges a common outlook.

Rather, Japan and Australia are drawn together most powerfully by their shared ambivalence about how they relate to the Asian region, by their shared fear of being labelled outsiders and locked out of an exclusive Asian bloc, and by their shared aspirations to forge an Asian regionalism that accommodates their interests and ambivalences.

I'll start by examining the factors underlying Japan's and Australia's ambivalent attitudes to the region and the policy imperatives that flow from these.

I then want to briefly review the history of Japanese-Australian collaboration on regionalism, documenting not only their extraordinary co-operation but also episodes of disagreement.

I'll finish by looking at what I see as the two key challenges to Australia and Japan's future collaboration on regionalism.

## II

Japan's and Australia's ambivalence about how they relate to the Asian region has many sources.

To those Asians with a very clear view of who's Asian and who's not, Australia and Japan are a good example of who isn't.

Australia is predominantly white. Japan has a history of colonialism in Asia.

Both Japan and Australia are wealthy and industrialised and part of the west.

Within both Australia and Japan, there are significant pluralities of opinion that deny that their country is part of Asia.

When the Lowy Institute polled Australians earlier this year about which region they thought Australia was part of, only 32 per cent said Australia is part of Asia.

31 per cent said Australia wasn't really part of any region.

And the younger the Australian, the more ambivalent they were. 46 per cent of 18 to 29 year olds thought Australia wasn't part of any region.

Many Australians interpreted Paul Keating's landslide defeat in 1996 as partly because of his championing of Asian engagement.

The Howard government which followed was less enamoured of regionalism, with Foreign Minister Alexander Downer pointedly commenting that Australia wanted no truck with what he called "emotional regionalism".

For years Asia's dynamism seemed to highlight Australia's own failings.

As the Asian tigers boomed, Australia struggled through two decades of recessions, stagflation and painful reforms.

Asia represented an existential challenge: either reform or become the poor white trash of Asia.

Asia's successes brought with them a belief among some Asian leaders that their success was based on distinctively Asian values.

"Asia" was about cultural continuities, and more importantly, about common differences from the once-dominant Western cultures.

Asian countries successes demanded solidarity in the face of Western dominance and jealousy; only by standing together could Asian societies forge an independent path.

This type of thinking – some have called it "Asianism" – threatens to exclude those who don't fit.

The most vociferous Asianists – including those within Japan – demanded it leave the west and lead the new Asian bloc.

Japan and Australia both have China as their largest trading partner and the United States as their closest ally.

Both countries face the constant worry that they will be forced to choose between their prosperity and their security.

So the policy imperatives for Japan and Australia in relations to the Asian region have always been remarkably similar.

First, both realise the need to be pre-emptive rather than reactive regionalists, being proactive in defining themselves in to the region before others define them out.

The answer hit upon by Tokyo and Canberra was to deny there was a choice between Asia and the United States by asserting that our region is not Asia but the Asia Pacific.

And in the 1980s and 1990s the Asia Pacific had a powerful logic.

The societies on the rim of the Pacific Ocean had fought the second theatre of the Second World War and the bloodiest conflicts of the Cold War.

They had forged the major alliances in the region, and their trade and investment flows underpinned the Asian economic miracle.

Australia and Japan became the most enthusiastic advocates of the Asia Pacific as a region: it not only made sense to others, it assuaged their fears about exclusion and being forced to choose.

The Asia Pacific was the answer to their place in the world: regional insiders, activist, creative middle powers given to designing regional institutions, and steadfast allies, active in promoting an acceptance of the United States in Asia.

Second, both Tokyo and Canberra are aware of their image problems in the region and ambivalence at home, and have often resolved to work together and with allies in the region to advance their proposals.

The close ties that were forged between Australia and Japan were a living example of what can be built on complementarity and commitment.

Much could be achieved but it needed patient preparation of the ground, a nuanced understanding of regional sensitivities and diplomatic customs, and the gradual mobilisation of support.

Tokyo and Canberra knew the strong symbolism that came from the endorsement of a proposal by an Indonesian President or a Thai Prime Minister.

Finally, both Japan and Australia have co-operated in sponsoring “inclusive” rather than “exclusive” regionalism, both as a way of defining themselves in and as a way of reassuring a Washington that is almost congenitally jealous of Asian regionalism.

Ultimately, both Australian and Japanese diplomats understood that however inspiring are visions of an exclusive Asian solidarity, most of the region’s smaller countries would be nervous about a reduced United States role.

And they knew that it was only by forcing Washington to think about Asia on a regular basis that they could have a chance of helping shape American policy towards the region.

So the great irony about Australian and Japanese ambivalence about the region is that it not only has contributed to the strong relationship between them but has forced them to work together to shape their regional environment to be as conducive to their interests as possible.

### III

The result has been a remarkable meeting of minds and common effort to build regionalism.

Australia and Japan may have been ambivalent Asians but they are ambitious regionalists.

Back in the aftermath of World War Two what animated both countries’ early regionalist efforts was a fear that a newer and more virulent strain of communism was on the march.

It had seized the region’s largest country, invaded South Korea, and was behind serious internal insurgencies in many of the region’s remaining countries.

Both Australia and Japan believed that the best inoculation against communism was “developmental regionalism”, or the promotion of solidarity around stability and development among the region’s non-communist states.



Having observed the founding of the Inter-American Development Bank and the African Development Bank, Japanese officials began advocating the creation of an Asian Development Bank to promote economic development in Asia.

(There was also a substantial amount of self-interest to this proposal, as Japanese officials believed Japan's regional economic interests were not served by the US-dominated World Bank).

Japan became the largest contributor to the Asian Development Bank, established in 1966 in Manila, has supplied every President of the ADB, and fostered an intimate relationship between the ADB and the Japanese Ministry of Finance.

Australia was a founding member of the ADB and has been a strong supporter ever since.

Australia also participated enthusiastically in the Colombo Plan to provide technical, educational and other development assistance to post-colonial societies in Asia.

Both countries were strong supporters of ASEAN from its earliest years.

Starting later in the 1960s came another wave of proposals from Tokyo, again promoting the concepts of developmental regionalism through Kiyoshi Kojima's proposal of a Pacific Free Trade Area, the Pacific Trade and Development Conferences, and the Pacific Basin Economic Council.

The idea of Pacific regionalism had its advocates in Australia at the same time, as public intellectuals such as Sir John Crawford took up the cause.

As the region's two largest developed economies, Japan and Australia collaborated closely on early proposals for trade regionalism, co-launching the Pacific Economic Co-operation Conference in Canberra in 1980.

By 1989, both governments felt that Asia Pacific Economic Co-operation was an idea whose time had come.

APEC inaugurated a variation of developmental regionalism, one based on the export-led developmental model undergirding the Asian economic miracle.

The “concerted unilateral liberalisation” model at the heart of the APEC trade liberalisation agenda was a delicate compromise between the liberalisation-minded western members and the consensus-obsessed Asian members.

But APEC also saw disagreements between Japan and Australia.

The most serious divergence was over the Early Voluntary Sectoral Liberalisation scheme, as Australia drove a contractualist early-harvest agenda that was opposed by Japan.

Both countries also collaborated closely in supporting the ASEAN Regional Forum, originally touted as the security counterpart to APEC.

After the end of the Cold War a predominance of opinion within the Japanese Foreign Ministry believed that the United States alliance system needed to be supplemented by conflict resolution and confidence building institutions to bring comprehensive security to the region.

Australian foreign policy making was at that time dominated by a liberal-internationalist outlook typified by Foreign Minister Gareth Evans, and believed that the Asian region needed counterparts to the co-operative security regimes in Europe.

The result was strong support from Canberra and Tokyo for the creation of the ASEAN Regional Forum.

Later, both Canberra and Tokyo were on the same side again, arguing for a more expansive form of the ASEAN+3 forum to include three extra countries – India, Australia and New Zealand.

Both countries were strong supporters of further expanding the East Asian Summit to include the United States.

#### IV

That’s not a bad record.

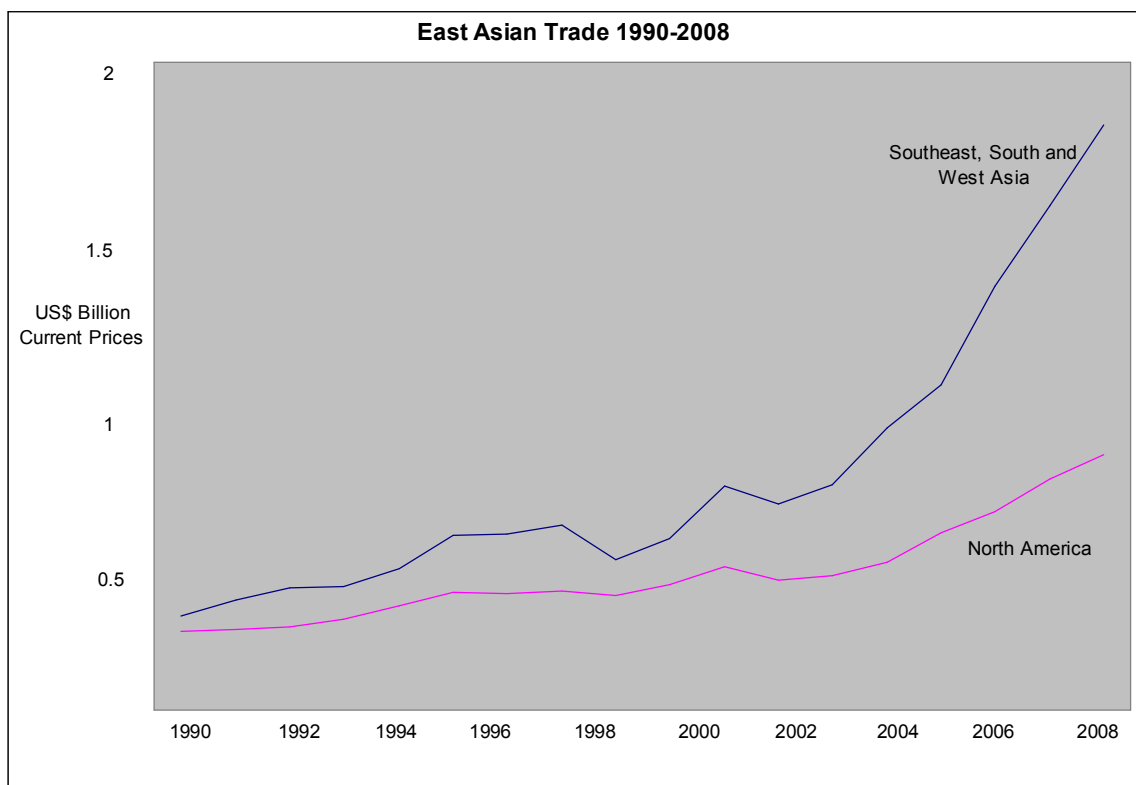
It shows a remarkable convergence in views between two countries that couldn’t be more different in history and culture, or economic and geographic size.

Between them Japan and Australia have taken a region with few formal regional institutions and populated it with a dazzling array of them.

If there ever were laurels deserving of a bit of resting on, these would be them.

But regionalism in the Asia Pacific faces a brace of challenges that call Asia Pacific regionalism into deep question.

The first is that the region that we designed the institutions to fit is changing shape.



This chart shows the merchandise trade between East Asia and the Americas in comparison to East Asia's trade with South and West Asia for the first decade of this century.

These lines show in dramatic fashion that the cross-Pacific trade logic that gave such authority to the Asia Pacific concept is being overshadowed by a cross-Asian trade logic.

As my colleagues Anthony Bubalo and Malcolm Cook put it in a recent article, Asia, once divided into vertical columns linked more vitally to the outside world than each other, has started to link horizontally, through trade and investment, infrastructure and energy linkages.

These developments mark the waning of the era of the Asia-Pacific and the dawning of a new, Indo-Pacific era.

Indo-Pacific trade is dwarfing Asia-Pacific trade. New, Indo-Pacific alignments – between Japan and India, India and Vietnam, China and Saudi Arabia, the United States and Indonesia – are assuming a strategic significance on par with the San Francisco system of Asia Pacific alliances.

Asia Pacific institutions, such as APEC and the ASEAN Regional Forum, are relied on for less and less, while Indo-Pacific institutions such as the East Asian Summit and the Asian Caucus of the G20 are invested with high expectations.

And neither are Australia's and Japan's traditional fears of exclusion as sharp as they used to be.

The only power centre around which an exclusive Asian bloc could form would be China.

But as China becomes ever more central to the economic fortunes of its neighbours, they look ever more anxiously for ways to avoid becoming totally dependent on China.

They have no idea what a powerful China will look like, and the last thing they want is to join a full spectrum political association.

The second challenge is that regionalism is on the wane in all parts of the world.

People are now openly asking whether Europe will survive the monetary crisis affecting its internal cohesion.

France and the Commission are deeply at odds over banning the burqa and the expulsion of the Roma people.

In North America the United States struggles to find solutions to the challenges posed by its border with Mexico, from the escalating drug war to the rising anti-immigration sentiment along the US side of the border.

Former Australian Prime Minister Rudd and Japanese Prime Minister Hatoyama both put the issue of regional architecture on the diplomatic agenda, but with none of the take-up that had greeted APEC and the ARF as ideas whose time had come.

There seemed to be much more agreement that there were power transition issues to be dealt with in Asia than there was that regionalism was the answer.

Indeed, regionalism seems to be afflicted by the same problems that plague all international institutions: a tendency towards sclerosis, inflexibility, inability to reform, and a drive towards less and less meaningful “deliverables”.

What has evolved instead of effective multilateralism has been a pattern of flexible, overlapping plurilateralism.

This can be seen in the plethora of preferential trade agreements that have taken the place of a multilateral trade round that no one seriously believes will happen.

It can also be seen in the spreading web of quasi security agreements, such as the Defence Acquisition and Cross-Servicing Agreement signed between Australia and Japan in February this year.

These are not quite alliances, but significant security commitments designed with an eye on China but trying not to provoke Beijing.

## V

In other words, the Australia-Japan masterwork of the twentieth century – an array of respected and efficient Asia Pacific institutions is starting to look seriously dated.

Not only is the region they fit not particularly central to their interests any more, the institutional frameworks are increasingly seen as dysfunctional and irrelevant.

But this does not mean that the imperative for close Australia-Japan regional collaboration has vanished, and they can drift apart over squabbles about whaling or climate change.

Indeed, I believe the imperative for close Australia-Japan collaboration is greater over the next decade than it has been for many years.

In a nutshell, the challenge both countries face is how to handle a powerful China.

No one – not even the Chinese – have any idea of what a powerful China will look like.

Those who return to history for models of a revamped tributary system seem to forget that we no longer live in a world where regions are essentially strategically isolated from each other.

While not pursuing regionalism, Canberra and Tokyo have much to learn from their shared history in pursuing the task of thinking through how to handle a powerful China.

They must be pre-emptive rather than reactive.

This is particularly the case for Australia, which is alone in the region in never having experienced a powerful China.

Japan, a powerful economy with great prestige as the founder of the Asian economic miracle, and Australia, a major supplier of resources to the China boom and further removed from Beijing than most, will have greater space and leeway to make initial moves at regional consultations.

This must also be a broad coalition of consultation.

There is much to be learned from the experiences of East Asian countries, especially immediate neighbours of China such as Korea and Vietnam.

This is not regionalism as collective effort, but regionalism as collective conversation.

And the collective conversation needs to be inclusive, not exclusive.

It must include all societies with an interest in dealing effectively with a powerful China – including China.

The result will not be an institution with an acronym, secretariat and annual meeting with funny shirts and karaoke.

But if we get it right, the result will be a flexible and nuanced set of understandings and mutual expectations that can shape the evolution of the Indo-Pacific for the benefit of all – ambitious Asians and ambivalent regionalists alike.

**LOWY INSTITUTE**  

---

**FOR INTERNATIONAL POLICY**

**[WWW.LOWYINSTITUTE.ORG](http://WWW.LOWYINSTITUTE.ORG)**