



Ryoanji Temple, Kyoto, 30th March

Australia-Japan Young Political Leaders Exchange Program

Report of the Fifteenth Delegation to Japan

24-30 March, 2007

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Japan Visit Report

Introduction

The fifteenth delegation to travel to Japan as part of the Australian Political Exchange Council (APEC) and hosted by the Japan Center for International Exchange (JCIE) provided delegates with an excellent opportunity to gain insight into the economic, political and social challenges facing Japan. None of the delegates had travelled to Japan prior to the trip and all delegates admitted to a limited knowledge of the country.

The pre-briefing day in Canberra was therefore of maximum benefit and gave us an overview of Japan's current political climate, economic prospects, foreign policy and, most importantly, tips and cultural practices. The invaluable advice on Japanese culture was put to excellent use by all delegates and although we probably never got our pronunciation correct, our attempts at a few words and bowing action was greatly appreciated by those we met.

The program organised by JCIE provided meetings with representatives from the Diet including the Liberal Democratic Party, the New Komeito Party and the Democratic Party of Japan in addition to briefings from senior bureaucrats, business, academics and commentators. The program was extensive, comprehensive and exceptionally informative and left us with a thirst for more information about one of our largest and oldest trading partners.

JCIE personnel Shigeko Morita and Ayako Eto accompanied the delegation at all times, even to karaoke. Their organisation, assistance and advice were exceptional and ensured the trip was not only informative but a pleasure. Pandora from APEC provided invaluable support and advice ensuring all delegates derived maximum benefit from this experience.

It was an auspicious time to be in Japan, not only because we managed to see the magnificent cherry blossom in bloom – which is truly delightful and, like a lot in life, is only there for a fleeting moment, but also because this year marks the 50th anniversary of the landmark Australia/Japan agreement on commerce. This visionary agreement has laid the foundation not only for our trading relationship but has also cemented a true bond of friendship between our great nations. In this the 50th year of that landmark agreement, we recognise that our relationship is stronger than ever having been built on shared democratic values, a commitment to human rights, mutual respect, trust, shared strategic views and deep friendship.



Cherry blossoms at the Ryoanji Temple, Kyoto, 30th March

The delegation was surprised to learn that the formal links between Japan and Australia stretch back some 110 years with Japan having established its first consulate in Townsville in Queensland in 1896 primarily to support Japanese pearl divers.

As Australia and Japan commence discussions on an economic partnership/free trade agreement this year, we hope to build on that solid friendship which has underpinned both our nations' prosperity for over four decades.

The Japanese economy is the second largest in the world and is Australia's largest export market. Our prosperity is intrinsically linked with that of Japan, with exports from Australia to Japan continuing to grow.

Our countries also share their prosperity. Japan is the world's largest aid donor and Australia continues to open its doors to those seeking a new start in a new country. We know we cannot rest on our laurels, and must continue to work together for a better future for our two nations and our region, as well as contributing to global developments.

Together Australia and Japan recognise that our future security lies in a secure region and, to that end, that our countries have worked together in East Timor, Afghanistan and Iraq, as well as in response to the 2004 tsunami and Asian influenza.

This work has been achieved because of our understanding of each other through our many people-to-people exchanges. Many Japanese come to Australia to meet our koalas and many Australians travel to Japan to ski – but, more than this, we have a series of dialogues between our nations which contribute to our deeper understanding of each other.

Our delegation continued this tradition with our visit sponsor – the Japan Center for International Exchange – to whom we are indebted for this tremendous experience. We wish to formally thank Yamamoto-san for his sage advice and guidance on our visit and for our delightful escorts: Shigeko and Ayako – and our own Pandora.

These visits foster a deeper understanding of our two cultures which from the outside appear very foreign to each other. Last year, we celebrated the 30th



anniversary of the signing of the Basic Treaty of Friendship and Cooperation.

The delegation hopes our visit will continue the tradition of people-to-people links which underpins our strong friendship.

Delegation members with Yamamoto-san, 26th March

Japan's political agenda looks a lot like Australia's

When the delegation arrived in Japan, the Abe government had been in place since September 2006 but was dealing with a decline in popular support. This decline was particularly marked as it followed the strong popular support enjoyed by the previous administration led by the charismatic former Prime Minister Mr Koizumi. Prime Minister Abe was viewed by many as having a more traditional and conservative approach to government.

In response to this the Abe administration is seeking to create its own reform agenda via a "rebirth of education" to create a new and beautiful nation both physically and psychologically.

The Abe administration had established a "Council on the Revitalisation of Education", because the people had expressed their concerns about the education system generally. The Council has put forward its first report to the Diet which at this stage is focussing on the Primary to Junior High School stages.

It has suggested that teachers undergo re-licensing every ten years. This has come about as a result of parents raising concerns that teachers are not performing in the classroom. The re-licensing would be complimented with remedial education for teachers to assist them in maintaining their skills.

Another area of concern to the Abe government is the social welfare system. The government is looking to a review of the social security policy, in conjunction with attempts to increase the national minimum wage conditions. With an ageing population and a rapidly declining birth rate the government is acutely aware that it must address the pressure of increased demands on the social security safety net and at the same time address the declining workforce.

In respect of addressing the declining birth rate, various options are being explored by the three main parties, but the options appeared limited with baby bonuses being the most likely solution. It was a surprise to the delegation that there was little discussion from the political leaders about encouraging more women into the workforce and that interest in immigration programs seemed to be limited to accommodating guest workers.

The minimum wage is set in law, but determined region by region. For example the minimum wage in Tokyo is 790 Yen per hour while the lowest most people will accept in Tokyo is about 900 Yen.

Meanwhile in a place like Koshu, the minimum wage is 640 Yen per hour, but many people will take jobs for less than this amount because of high local unemployment.

Currently business in Japan is strong having come through the downturn of the 1990s and the government wants to see workers benefit from the current prosperity.

It is notable that over one million households receive social security payments, usually the disabled and elderly, of about 130,000 to 140,000 Yen per month. This is more than some earn on a minimum wage.

The Government recognises that unless the minimum wage exceeds social security payments that it will be difficult for Japan to prosper in the future.

Part-time workers come in two categories in Japan. The first group are homemakers (usually women) who cannot work full-time jobs and those who have been unable to secure full-time work and accept the part-time positions. Many companies have been moving towards employing more part-time workers as they do not need to provide part-time workers with as many benefits as full-time workers receive. A recently introduced bill in the Diet hopes to assist part-time workers by providing them with some of the benefits of full-time workers.

The reform of the education system, ageing of the population, pressure to provide an adequate social security safety net while at the same time providing an incentive for people to move from welfare to work, were all issues that sounded very familiar to the delegation members, and reinforced that our two countries are facing many similar social challenges that will need good political solutions.

Socio Political Dynamics – Who is in charge?

Mr Yamamoto, President of JCIE, outlined the rationale for the formation of JCIE which was to maintain constructive relationships with friends around the world, a role it has been successfully filling since 1970.

Mr Yamamoto outlined a paper he gave recently at an international forum and believed this would inform our view of the political changes in Japan. The paper titled “Socio-Political dynamics and Developments in Japan” reflects on the changes to Japan’s bureaucracy. Traditionally the bureaucracy has been very powerful and has driven policy development in Japan. Bureaucrats have been important arbiters of the public interest and were important in leading the modernisation of Japan. The leadership of the bureaucracy during the Meiji restoration provided an important historical and cultural reference for the modern bureaucracy.

With greater prosperity, however, problems have emerged. Bureaucrats have engaged in in-fighting and there has been something of a crisis of governance. This has brought changes in the relationship between politicians and bureaucrats. Politicians have asserted their authority and driven reform, including amalgamating bureaucratic agencies.

Japanese politicians are restricted in this role when compared with Australian politicians. Traditionally, they have not had private policy staff and have had to rely solely on the bureaucracy for policy advice. This has been changing in recent years, and given the problems outlined above, this change is necessary.

The Opposition parties do not receive regular access to advice from the bureaucracy, and instead must rely on ad hoc briefings.

Government funded think tanks have provided alternative policies, but they have been subject to recent budget cuts.

There is a great deal of uncertainty in policy development and Non Government Organisations (NGOs) are emerging as sources of policy ideas.

There was previously general scepticism about NGOs. However, in the 1995 Kobe earthquake, NGOs played a large part in rescue and reconstruction. The bureaucratic response to that crisis was inept and rescue efforts were hampered by red-tape. NGOs were admired for their work. After the earthquake, legislation was drafted to remove impediments to the incorporation of NGOs. It is hoped that they will be a countervailing force to the conservatism of the bureaucrats.

Mr Yamamoto was concerned about the rise of narrow nationalism and Prime Minister Abe's comments on wartime comfort women reflected this. The JCIE sees that part of its role is to combat such prejudice.

Also on the government's agenda is reform to the civil service. Meetings are taking place between the parties to develop changes which may be introduced. The Government is all too aware that they must maintain some aspects of the current system and that going too far too quickly in these reforms could bring the Government down.

The delegation, which had a preconceived view that Japan's and Australia's bureaucracies and political systems would be exceptionally different, were nonetheless surprised by some of the similarities in the role of the bureaucracy in the political process.

The economy - impact of the ageing population

The economic situation in Japan has much improved since the 1990s which were times of great economic hardship. Several factors converged changing the global political landscape and global economy in the early 1990s.

In 1991 the Japanese bubble economy burst, the Cold War ended, India introduced a new open economic policy and China developed a new economic policy which was implemented in 1992.

These factors all converged, making Japan's economic recovery very difficult. There was a fall in foreign investment. Most OECD nations have a foreign investment of between 12% and 13%. USA has a 12% rate of foreign investment while Japan only has 0.3%, which means lost capital for manufacturing.

Japan's GDP in the 1990s grew by around 1%; in the 1960s it was 10%. The 1990s saw the Japanese economy shrink for ten years and Japan lose economic muscle.

Companies in Japan have spent 6 years expanding their operations to offset the economic downturn the nation is facing. The recovery will be private sector based. In previous times of economic instability, the government undertook tax reduction measures and additional construction. In the 1990s downturn the government cut back on spending.

Post 1990 total credit began to shrink. In 1997 lending increased which led to bad loans developing as the resulting economic downturn, and many banks could not retrieve their funds. Stock losses in 1997 equated to two years of GDP being lost.

Many of the banks attempted to restructure and limit their loans which caused the whole economy to suffer. Too much debt and too many employees reduced the banks' profits and left them vulnerable.

Companies eventually decided to cut their workforces to offset their reduced profits. In turn this action caused household incomes to reduce while spending continued to increase as savings were used to maintain the spending. The monetary culture of Japan has traditionally been focussed on saving money.

Business is now starting to rebuild with profits reaching record levels. This means that companies are slowly increasing their investments, increase their workforce and ultimately offering better wages.

The current unemployment rate in Japan is about 4% - during the 1990s it was 6%.

The recovery has been slow and there is still a lot of work to do, but the Japanese financial situation is much improved compared with 1997.

The current climate however has new challenges including competition for markets from the growing Chinese and Indian economies and the rise of the European nations in the global market place.

The ageing population is also of great concern. Currently the number of Japanese over 65 years of age amount to 25% of the population. In ten years time this segment of Japanese society will account for 35% of the population.

Many people in the workforce today are aged between 50 and 64 years and this is causing a lot of strain on the workforce. Retirement at 60 years of age is quite popular, twenty years ago 55 was the average age of retirement. In our modern age when a person retires at 65 they may have twenty years of life left ahead of them.

Only 9% to 10% of the Japanese population are aged under 30 which means that there will be fewer people in the workforce to support a large percentage of the population who will be in their retirement.

The main problem with the Japanese social security system is that it was put into place at a time when people did not live as long as they do today. A change to the social security system is now a priority of government, with economists believing action is too slow and likely to have detrimental impacts on the economy within a relatively short time frame.

The Japan Center for Economic Research believes that China's one child policy will cause them a similar situation in the future which will adversely affect their economy and social security provisions.

Mr. Akira Kojima also presented to delegates with a copy of the Japan Center for Economic Research's "Demographic Change and the Asian Economy" document which further emphasises that an ageing population is not just a concern for Japan but for the whole Asia Pacific region.

The difference for Japan is that their aged population is larger than the other countries in the region at the moment, but this will normalise in the next decade.

Companies need to develop strategies to deal with an ageing workforce and also seek out the goods and services these people will require.

If Japan undertakes this preparation now it could benefit from exporting goods and know-how to other nations as their ageing populations catch up to Japan's.

Another strategy may be to convince the younger generation to have more children, but how to do that is the big question. Japan must present a future in which young people want to raise a family.

Students work very hard to get their jobs, but in the last 3 to 4 years there has been a trend of 50% of students who entered the workforce three years prior leaving that job for something new. This is very different from the job for life practice to which many older Japanese are more accustomed. Mr. Akira Kojima asked *"how do we convince young people that there is a positive future with all this uncertainty in jobs and the economy? This is a question for policy makers"*.

Without proper economic management the rest of society will struggle. Part of the problem with the current political system though is its instability.

The LDP for 38 years was the ruling party until 1993 when the party collapsed. Since 1993 there have been coalitions formed to establish a government. These coalitions cause policy creation to become a slow and delicate process as the sensitivities of coalition partners are considered. Reform is a very slow process.

Australia/Japan Joint Declaration on Security Cooperation

The close ties of Australia and Japan can be illustrated by the fact that Prime Minister, the Hon. John Howard MP, visited Japan and met with Prime Minister Abe in the week prior to our visit. The meeting was important for Prime Minister Abe as at the time his administration had been in place for only six months.

From a foreign affairs point of view, Japan sees itself as assertive, progressing equality, democracy and the rule of law. As such Japan is eager to establish close ties to nations who share these qualities and Australia is a clear advocate of these values.

While Japan is of central importance to Australia and is Australia's most significant trading partner, there was a distinct feeling that future opportunities were no longer being explored. As one person put it; *"it is like a solid marriage; the relationship is good, but the spark has gone"*.

Japan sees America, rightly, as its closest ally and is seeking to improve its relationships with China and Korea. Australia is very much looking towards China and India and also considers America its key ally. There was much discussion during our trip about the close relationship between China and Australia; most importantly the fact that large numbers of Chinese people and their descendants now live in Australia as both visitors and citizens.

The relationship between Australia and Japan needed a boost and the Australia/Japan Joint Declaration on Security Cooperation has been seen as a way of reigniting our shared values and commitment to security in our region. Security

cooperation is a new area for the two countries whose relationship until now has been substantially based on trade. Henceforth the relationship will be based on two major pillars of political and economic security. The declaration on security cooperation signifies our joint commitment to a secure and prosperous region. The agreement will expand our bilateral cooperation in the areas of security and defence which in turn will enhance our combined contribution to regional and international peace and security.

Australia Japan Free Trade Agreement or Economic Partnership

The upcoming Free Trade Agreement negotiations will need to overcome a number of hurdles, but the ultimate goal of the Free Trade Agreement will be improved trade and financial benefit for both our nations.

Formal talks on the Australia Japan Free Trade Agreement/Economic Partnership were to commence shortly after our visit to Japan and were a topic of hot discussion in all our meetings. The delegation was left in no doubt that there would be many hurdles to overcome in reaching an agreement on this deal. The most sensitive issue is agriculture.

The notion of “rice is life”, protection of the farming sector and the need to ensure food self-sufficiencies were emphasised time and time again. There is certainly a great fear the Australian food imports will wipe out the Japanese farming sector.

The visit to Jusco supermarket was very informative to see how our food stuffs are already being embraced by the Japanese consumer because of quality, freshness and lack of any GMO used in their production. The distance between Japan and Australia means Jusco can have the product within a week and can be guaranteed of its freshness. The issue of price was raised and the supermarket explained that the beef from Tasmania was very expensive and at one stage they considered not selling Australian beef, but the quality of the product sold itself.

While there was general agreement that the FTA (or EPA as the Japanese prefer to call it) would build the new foundations of economic relations between our two countries and indeed that Japan was committed to becoming the largest buyer of Australia’s exports, there was still a great deal of nervousness about the prospect of an agreement. It is believed that the FTA will provide enormous business opportunities for both countries and contribute to the continued security of the stable supply of energy, resources and food.

The general feeling was that we must proceed with the talks but that a balance must be achieved and that there should be no negative impact on the Japanese farming sector. Given the strength of our relationship it was recognised that we could embark on FTA negotiations realising the sensitivities in respect of the farming sector, and still achieve an outcome beneficial to all parties. However no one was left in any doubt that the negotiations would be difficult and that Japanese farmers would seek to be protected.

Constitutional reform

Domestically Japan is looking towards the future with a focus on constitutional change. The constitution of Japan has not been altered since it was first drafted over 50 years ago. Indeed there are no mechanisms by which to alter the constitution and this was a major focus of many of our discussions during our visit.

“For sixty years, Japan has been faced with a contradiction between its peace constitution and its security policy: how can Japan be ideologically committed to renouncing the use of force to resolve conflict if it depends on its closest ally’s military power to ensure its own security.”

A very telling question posed by Hitoshi Tanaka his paper “Nationalistic Sentiments in Japan and their Foreign Policy Implications” and one which was often discussed during our visit.

Article 9, “Renunciation of War”, of the Japanese constitution stipulates that Japan shall not directly engage in military operations including multinational operations to maintain peace. Many individuals we met during our trip believed that for Japan to become a true member of the international community, and for it to take a lead role in the security of the East Asian community, its military needed to become a defence force and not simply a self defence force. Others were just as passionately committed to the need to maintain Japan’s constitution without change.

While Article 9 was of most concern there was also great debate about the need to reform the constitution to reflect the reality of modern Japan. Again this debate resonated with issues being discussed in the Australian political scene.

East Asia Community

Japan’s wartime past loomed large in many of our discussions and is a key factor in many of the issues facing Japan both in a security and regional context. The issue is present in all its dealings with neighbours, most particularly with China and Korea. Japan’s neighbours were horrified by the visit of Prime Minister Koizumi to the Yasukuni Shrine which honours war criminals, and by the continued disputes over the accuracy of historical records of war time atrocities and misrepresentations in Japanese history textbooks.

China and Korea would argue these issues demonstrate that Japan has not fully addressed its war time responsibilities, while Japan is wary of such criticism in light of their country’s sixty year post-war record as a leading democracy, its apologies made and reparations paid.

While in Japan the issue of comfort women was again in the press, most recently because of the matter being raised in the United States congress where Mrs Ruff O’Herne from Adelaide made a statement about her war time experience. Prime Minister Abe had reiterated the apologies of the past in the Diet:

“The Government of Japan would like to take this opportunity once again to extend its sincere apologies and remorse to all those, irrespective of place of origin, who suffered immeasurable pain and incurable physical and psychological wounds as comfort women.”

Much to the surprise of many of the individuals we met, Prime Minister Abe then implied these women were not forced into their position as comfort women; this had again raised concern amongst the international community. The fascinating issue was that most of our hosts were upset by this turn of events and feel that the Japanese people wish to express their sorrow for Japan's past actions and move forward.

To the frustration of the Japanese, they perceive their near neighbours China and Korea to be demanding concessions from today's generation for historical events, and not recognising at all the progress Japan has made as a member of the international community. This is hampering the ability of the region to progress in economic and security ties.

Coupled with this is the continued frustration of the Japanese government with the North Koreans over the return of the 17 kidnapped Japanese citizens. Public sentiment runs very high on this issue and until this matter is fully resolved, relations between the two countries cannot be normalised.

Soon after coming to office Prime Minister Abe made an official visit to China and this was seen by many as a decisive step towards improving the continuation of a sound and stable China-Japan relationship. China and Japan during the visit reaffirmed that in order to make the East China Sea a "Sea of Peace, Cooperation and Friendship", both countries should maintain dialogue and consultation, and resolve appropriate differences of opinion. Japan remains concerned about China's stability and its lack of democratic reform.

Increasingly Japan considers Australia to be a part of East Asia and Japan has been an advocate for the inclusion of Australia in ASEAN. Japan wants to see a stable and prosperous East Asian community, and to that end it is seeking to build more positive relationships in the region which can assist in this process. Australia is seen by Japan as an important component to achieving this goal, as we share fundamental values of democracy and a desire for security in the region.



Delegation members in front of the Golden Pavillion, Kyoto, 30th March

Lasting Impressions

The trip again highlighted that it is only through people-to-people contact that you can truly understand and appreciate another culture and its political system. In this day and age of mass communication and information at the click of a mouse, it is important to recall that to truly understand another country as complex and beautiful as Japan you must go there and see it for yourself.

No-one on our delegation had much knowledge of Japan before our visit, but we all left with a deeper understanding and greater appreciation for its ancient culture and complex political system. The sheer length of time in power of the one party left several delegates, particularly those from opposition parties, with a sense of dread!

The trip gave us not only a taste of the political and economic systems, but a glorious taste of the Japanese culture. The food we sampled on the delegation was magnificent and we were very appreciative of the opportunity to eat traditional Japanese food and to visit very traditional restaurants. The side visits to the traditional Japanese bars and karaoke venue gave some of us a small glimpse of the real Japanese life experience.

The trip on the bullet train was wonderful, but reminded us all of the immense urban sprawl of Japan and left us wondering where all those farmers in need of protection could be? The rail system in Japan is something to marvel at and one all Australian transport systems should aspire to.



Imperial Palace, Tokyo, 28th March

The beautiful serene visit to Buddhist temples in Kyoto and the fascinating history of the Imperial Palace was a true highlight of the trip. The shopping was also very enjoyable and, as always, the males on the delegation out-shopped the females.

We will treasure the insights and experiences of this visit. Each of us now has a keener knowledge of and interest in Japan and will watch with interest the progress of the Japan/ Australia FTA.