

Australia to Japan

27th May to 5th June 2001

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Programme

Mr Tadashi Yamamoto, President of JCIE, participated in the majority of meetings in Tokyo and was extremely generous with his time and hospitality. The program was well organised and the administrative arrangements worked very smoothly. Delegates were particularly appreciative of the assistance provided by JCIE employees, in particular Mr Shohei Muta, Senior Program Officer, and Mr Hyoma Ito, Assistant Program Officer (Mr Ito accompanied the Japanese delegation to Australia in August 2001).

Delegates commented on the value of the Briefing Day prior to departure and the opportunity to meet with Council Members over lunch.

Delegates also found the briefing and reception by the Australian Ambassador, Mr Peter Grey, on arrival day in Japan to be very useful scene setting.

The group formed a very strong bond. Delegates were highly participative. There were generally more questions than there was time for answers at each meeting or briefing. All shared introducing the delegation to our hosts, votes of thanks and gift giving, and did so with courtesy and graciousness.

Tokyo Program (27 – 31 May)

The 4-day program in Tokyo consisted of the following:

- Meeting with Mr Kenji Kosaka, State Vice-Minister for Public Management, Home Affairs, Posts & Telecommunications (and possible future contender for Prime Minister).
- Mr Taku Yamaska, Secretary General of the Liberal Democratic Party (LDP) and leading member of the Diet.
- Mr Koichi Kato, Diet Member (LDP). Also a possible future contender for Prime Minister.
- Members of the Democratic Party of Japan, including Mr Nobumori Otani and Motuhira Furukawa (a member of the Japanese delegation to Australia in 2001).
- An interactive discussion session with a group of Diet Members who were former delegates to Australia.
- Meeting with Mr Kazuyoshi Akaba and Yutaka Fukushima, Diet Members (New Komeito Party). Mr Akaba arranged and then accompanied the delegates on the program in Hyogo Province.
- Briefings on the economy, trade and international relations by a former Ambassador (Mr Watanabe), Bankers, senior representatives of the Ministry of Economy, Trade and Industry (METI) and the Japan Federation of Economic Organization.
- Tour of the National Diet.

Mr and Mrs Yamamoto hosted an evening in their home with colleagues and friends. Delegates were very appreciative of their generous hospitality and regarded this evening as a highlight. The Deputy Director-General of the Ministry of Foreign Affairs and the Managing Director of Toyota hosted other dinners.

Hyogo Prefecture (1 – 3 May)

The program in Hyogo Prefecture was organised by Mr Akaba whose district is in the Kobe area. He accompanied the delegation for most of this sector, providing delegates with opportunities for discussion and further insights into local and national issues. Mr Akaba hosted a very memorable dinner and evening at the conclusion of the Kobe program.

As Hyogo and WA are sister States, this sector of the program was of particular interest to the WA members of the delegation.

The program in Hyogo included the following:

- Meetings with the Speaker and Vice-Speaker of the Kobe City Assembly
- Meeting with the Deputy Mayor of Kobe.

- Courtesy call on the Vice-Governor of Hyogo Prefecture
 - All of the above mentioned their gratitude to Australia for assistance following the Kobe earthquake in 1995
- Briefing by officials on Kobe City policies.
- Inspections of local industries and developments:
 - Port Island - man-made island where the Kobe City Government is constructing office and medical research facilities with a view to attracting overseas interest and investment.
 - Rokko Island Kobe Co-op Food Processing Factory – 1/3rd of the population of Hyogo Prefecture are members.
 - Tasaki Pearls.
 - Awaji-Nojima museum commemorating the Awaji-Nojima earthquake and preserving the earthquake fault.
 - Honshu – Shikoku Suspension Bridge (longest suspension bridge in the world).
- Reception hosted by the Kobe Japan – Australia Friendship Group founded by Mrs Furasawa OAM (now in her 90s but still retaining much enthusiasm for the Japan-Australia relationship).

Kyoto (3 – 5 June)

Two days in Kyoto provided delegates with an opportunity to experience Japanese culture, history and monuments. The Australian Political Exchange Council hosted a dinner to thank JCIE, in particular Mr Shohei and Mr Ito, at the Tokanso Restaurant.

Delegates departed Kansai Airport for Australia. Those whose departure time was later in the day had the opportunity for a ½ day visit to Nara (Canberra's sister city) with the assistance of Mr Muta.

The politics of Japan

The delegation was left under no illusion that the central topic occupying the political class in Japan was the impact of Prime Minister Junichiro Koizumi on the political firmament.

As Michael Quinlivan put it

"The eleventh delegation visited Japan during a fascinating period in its history. In the few months since Junichiro Koizumi was elected leader of Japan's ruling Liberal Democratic Party (LDP), Koizumi has engineered a national mood swing. The charismatic prime minister has brought populist leadership to a country more accustomed to being run by consensus.

Mr Koizumi has had an immense impact on Japanese politics. Although Mr Koizumi has been in the Diet for over twenty years and is the son of a former long serving Diet member, he has been able to present himself as a fresh face offering a new approach to politics in Japan.

In some ways, Mr Koizumi has adopted a style of politics similar to that which we are used to seeing in Great Britain, Australia and the United States of America – based on a popular leadership figure and surrounded by a Cabinet of interest and talent.

This helps to explain the promotion of hitherto low profile but meritorious people to the Cabinet based on their ability rather than their factional allegiance. It sees Mr Koizumi as a long term prospect as Prime Minister based on electoral popularity rather than the Prime Ministership as a rotating reward for the leaders of the major factions of the LDP.

As a consequence it strikes at the heart of sectional interest. Whether Japanese politics, the bureaucracy and business will be able to adapt successfully to this new brand of politician will be a fascinating story to watch unfold in the coming years.

The delegation met individually with a number of senior LDP members of the Diet – not least of which included the Secretary General of the LDP, Taku Yamasaki, key reformer, Koichi Kato and State Vice Minister, Kenji Kosaka. This was in addition to LDP Diet members the delegation met in a round table seminar, which included presentations from the delegation members on Australia's foreign relations, economic outlook and social policies.

The overwhelming message from LDP members was that Mr Koizumi was changing the way people think about politics in Japan.

Delegation members experienced it themselves in a spontaneous visit to the LDP headquarters - members of the delegation had to line up to buy posters of Mr Koizumi! A phenomenon not previously the norm in Japan let alone to members of a delegation of Australian political activists used to the reserved approach that Australians take to their own political representatives!

Mr Koizumi appears to have smashed the old fashioned factionally based approach to politics in Japan. He has "gone over the heads" of the factional bosses in favour of appealing directly to the Japanese voter. It has worked.

While we were in Japan one of the themes of our meetings was the impending Upper House elections. It was seen as a test of Mr Koizumi and was being watched closely by the LDP – failure would probably have meant a return to the

“old way” of doing things in Japanese politics; success would prolong the nascent “Koizumi revolution”. As it turned out, the Upper House elections were a resounding endorsement of the Koizumi approach.

In Australia, some would say that Mr Koizumi is the “poacher turned gamekeeper”. He has been a part of the ruling political class in Japan almost all his working life. Yet he is now in the process of changing politics in a way not seen since the Second World War.

The delegation felt that he was not without his opponents in the LDP. We wondered whether post the Upper House elections those who used to hold the reins of power in the LDP would move to exert their influence again. But many in Japanese politics feel that the die is cast and there is no turning back.

The delegation was fortunate to meet with members of the Diet from other political parties in Japan – Kazuyoshi Akaba and Yutaka Fukushima from New Komeito, and Nobumori Otani and Motuhira Furukawa of the Democratic Party of Japan.

They painted an interesting picture of a new Japanese political landscape. They believed that Mr Koizumi was “stealing their political clothes” as reformers of the political process and the economy. In some ways, they felt that Mr Koizumi could exist without the LDP – that it was the LDP that needed Mr Koizumi and not the other way around.

If this is so, then it is a huge change from what Japanese politics has been used to for the last fifty years. A dominant political party, dispensing patronage and keeping a tight rein on its leadership has been the norm in Japan since the Second World War. A popular, community based political system that sees a fluidity of voting patterns will change Japan irrevocably.

Some of the commentators and experts we met with highlighted the change to the civil society in Japan as one of the key outcomes of this “new politics”. Their thesis was that political parties will need to offer real policies to achieve electoral success rather than relying on political patronage. Therefore, elected representatives will take responsibility for the future policies that shape Japan rather than relying on the bureaucracy. Inevitably, it will lead to an increase in the activity of the civil society in Japan as citizens take the lead in developing their own communities and neighbourhoods. Out of this new civil society the political activists of the future will emerge changing the make up of the Diet as long term members and political dynasties give way to popularly elected local politicians.

One manifestation of this growth in Japan’s civil society was the response to the Kobe earthquake disaster in 1995. Government and the bureaucracy played less of a role than would have been the case in previous years as local communities rallied to help rebuild and refocus Kobe and its people.

In many ways this change in Japan reflects the growth of civil society across the region as democratic and in some cases non democratic governments encourage the growth of the civil society in their countries. More and more governments

are seeing the worth of a strong local community that does much of the work of building communities previously expected to be done by government.

Between countries there is a changing relationship that sees non government organisations playing a greater role in fostering relationships between states and kindred organisations in other countries. APEC and JCIE are just one such example.

Japan's foreign relations

The delegation enjoyed comprehensive briefings on Japan's foreign relations and in particular its attitude to the Asia Pacific from Koji Watanabe (JCIE), Dennis Tachiki (Tamagawa University), Yasuhiro Takeda (National Defence Academy), Ko Unoki (21st Century Public Policy Institute) and Chihiro Atsumi (Ministry of Foreign Affairs).

The Koizumi government is focussed on reaffirming its commitment to the alliance with the United States of America, deepening cooperation with China and continuing to promote regional fora and economic cooperation between Japan and the countries of the Asia Pacific region.

This is good news for Australia as Japan has been and intends to continue to be one of Australia's key allies in the Asia Pacific region and a source of support in regional fora and in continuing to engage the United States of America in our part of the world.

Relations between Australia and Japan are very healthy but always in need of reaffirmation.

There are many examples of close cooperation and few bilateral issues of concern. We do continue to raise concerns with Japan over whaling, Southern Bluefin Tuna and access for rice exports.

Japan is also showing increased interest in Free Trade Agreements.

The Australia-Japan Conference has been established in recent times to foster a creative partnership between Australia and Japan. It consists of leading figures from business, academia, government and the arts in both countries. At its most recent conference it recommended taking action to invigorate the relationship into the 21st century including a stronger bilateral dialogue to enhance regional security, a focus on complementarities in trade and economic policy and more cultural, social, science and technology exchanges.

Article Nine of the Japanese constitution which prohibits Japan from maintaining military forces capable of engaging in forward defence or peacekeeping has been placed on the table for discussion by the government. This, coupled with the visit to the Yasukuni shrine by Mr Koizumi have placed renewed tension on the good relationship that Japan now enjoys with China and the Republic of Korea.

The delegation appreciated an informal but insightful dinner with officials of the Ministry of Foreign Affairs where many of the issues facing Australia and Japan in our region were canvassed.

We also enjoyed the hospitality of Ambassador Peter Grey at the Ambassador's residence. The delegation undertook a detailed briefing and then met officers of the Department of Foreign Affairs, Australian business people in Tokyo and some of Australia's friends in the bureaucracy and business community in Japan.

The economic situation facing Japan

Michael Quinlivan succinctly summed up the factors facing the Japanese economy

"Prime Minister Koizumi has a popular mandate to undertake significant structural reform of the Japanese economy, which has suffered in recent years. Whilst Japan remains the second biggest economy in the world, it suffers from an inefficient telecommunications system, a protected agricultural sector, its banks carry significant non performing loans and the building and construction sector has been assisted throughout the 1990s by significant public expenditure on infrastructure projects many of which are of questionable value. Koizumi's reform agenda targets several areas including a review of budget allocations, social security reform, privatisation of public corporations, tax reforms and revitalization of urban and rural communities."

The delegation received in depth and highly useful briefings from key economic commentators. We were fortunate to have the benefit of views from Takashi Kiuchi (Shinsei Bank), Tasuku Takagaki (Tokyo Mitsubishi Bank), Nobuyori Kodaira, Shuya Tase and Nobuo Tanaka (Ministry of Economy, Trade and Industry) and Kazuyuki Kinbara and Atsushi Yamakoshi (Japan Federation of Economic Organisations).

There are four key challenges facing the economy in Japan – demographics, public debt, banking debts and bankruptcies and restructuring.

The government has set out some parameters for its approach to economic management. These involve dealing with bad debts, reforming capital markets, regulatory reform instead of old fashioned fiscal stimulus and reforming the pension, medical and nursing care systems to cope with an ageing population.

The Japanese economy has not faced such serious economic challenges since the 1950's.

There has been a decade of bad growth in the Japanese economy leading to many commentators in Japan referring to the 1990's as "the lost decade". Banks have faced closure, asset revaluation and a run down in profitability leading them to be less inclined to lend which feeds into the failure of Japan to be able to generate a demand led recovery.

In the area of banking the government hopes to see the current ten commercial banks consolidated into four. If this occurs Japan will have four of the worlds five largest banks (measured in asset value).

The Japanese economy needs vast restructuring and yet delegates couldn't help gain the impression that the Japanese polity was more transfixed by the rise of Mr Koizumi than it was by the urgent need to initiate reform.

The government has introduced its own reforms to the way it operates.

The Prime Minister's influence has been extended by a greater reliance on advisors and external experts rather than the bureaucracy. The power of the Cabinet Secretary and Cabinet Office has been strengthened and the role of both the Prime Minister and other Ministers has been extended in relation to the budget. There will be a greater reliance on the appointment of private sector advisors within government.

The Prime Minister has appointed a number of Vice Ministers and Parliamentary Secretaries to stand in for Ministers, offer advice and support and generally extend the arm of the executive government over the bureaucracy.

Mr Koizumi has also announced his intention to reduce the number of public employees by twenty five percent by 2010.

The delegation was impressed by the recognition of METI that the old way of thinking about Japan's economy was no longer tenable. Globalisation has changed the way we all do business and in Japan that means a radical change to past approaches. This will be of real interest, as it will mean the ending of massive but often unnecessary spending on infrastructure projects in favour of freeing up the economy (including import controls) and reducing government spending in favour of consumer driven demand.

For Australia, this presents real opportunities.

Conclusion

For the delegates, the ten day study tour of Japan was a tremendous learning experience and an opportunity to foster closer relations between young political leaders in Japan and Australia as well as establish personal contacts that will assist Japan and Australia relations in the future.

We were in Japan at a fascinating time politically and economically and benefited from the comprehensive and intensive programme organised by the JCIE.

On behalf of the delegation I would like to extend my thanks to our APEC liaison Christine Briton and to the officers of the JCIE, Hyoma Ito and Shohei Muta for their assistance, patience and good humour before our arrival and during our stay in Japan.

Tadashi Yamamoto deserves special praise for the work he does on behalf of the Japan-Australia relationship. All delegates were in awe of the commitment that he has given over a lifetime to fostering good relations between Japan and countries like Australia and the United States.