



Speech by

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To the

Japan Institute for International Affairs

The Australia-Japan Partnership – Growing Stronger Together

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(Check Against Delivery)

Introduction

I am delighted today to speak at the Japan Institute of International Affairs.

In the over 45 years since this Institute was founded it has made an invaluable contribution to the foreign policy dialogue Japan has in its own region and globally.

Founding the Institute in 1959, former Prime Minister Shigeru Yoshida was motivated by a desire to build knowledge and understanding among Japan and the international community.

I think the founders and those associated with the Institute since then can be very proud of its achievements.

I would also like to note the JIIA's special links with Australia.

JIIA President (Yukio) Satoh is a former Ambassador to Australia.

And the JIIA is the Japanese convenor of our bilateral 1.5 track security dialogue.

On that note, I would like to talk to you today about the contemporary strengths and future prospects of the Australia-Japan bilateral relationship.

A relationship – indeed a friendship and a partnership – which has also developed and grown over the past decades as both our nations have worked together to achieve prosperity and security.

Put simply, both in terms of the depth and breadth of our relationship there is no stronger partner for Australia in the region than Japan.

We share fundamental strategic interests, and cooperate closely on political and security issues.

And of course, our trade and economic links, long a mainstay of the relationship, continues to flourish.

Ours is also a relationship that is grounded in common values.

We are both liberal democracies – and we both have an enormous commitment to liberal democratic principles.

Both our economies have been highly successful in the post-war period; we are the only significant, advanced economies in the region.

We are bound together by our alliances with the United States, and drawn together by global challenges.

We deal with regional issues from the same perspectives.

It is my firm view that the period ahead provides an opportunity for Australia and Japan to set our relationship on the path to further growth and enhanced cooperation – spanning security, strategic, trade, economic and community linkages.

On matters of security and stability, it is crucial that Australia and Japan, as capable and responsible nations, do all we can together to continue the fight against terrorism, combat proliferators and promote good governance and open and inclusive regional institutions.

On the trade and economic agenda, Australia and Japan have vital shared interests in the success of the Doha round of multilateral trade negotiations.

We have one of the most significant bilateral economic partnerships in East Asia; and we want this partnership to keep pace with the economic integration occurring in the region.

Managed well, it can spur economic growth in the region as well as provide a model for other economies in the region.

We also have before us with the World Expo and the Australia-Japan Year of Exchange opportunities to expand further the people-to-people links that are the fabric of relations.

Let me turn first to the security and strategic agenda.

Security and Strategic Agenda

Australia's foreign policy has at its core the ambition to achieve security and prosperity for Australia and Australians.

As such, the Government's approach to international affairs remains a pragmatic one, reflecting a clear understanding of how the world works, the strategic environment and Australia's place in the international system.

It continues to reflect the values that Australians hold dear – freedom, a commitment to a vibrant liberal democracy and a desire to assist others.

We recognise that the security challenges we face are significant – with international terrorism, the threats posed by proliferation of weapons of mass destruction, and the vulnerabilities for nations and our region from poor governance and state weakness foremost in our minds.

We also recognise that many of these threats and challenges are distinctly transnational in nature, and that in addressing them we must work with friends and allies – bilaterally, in the region and globally.

For Australia, Japan is an important regional partner and respected international player.

The world, and Japan's place in the world, has changed in the 60 years since the end of World War II.

Over recent years in particular Japan has played an increasingly active role on maintaining international peace and stability.

Australia warmly welcomes this trend, which should continue.

For example, Australia strongly supports Japan's claims for permanent membership of the United Nations Security Council and would want to see Japan take a permanent seat at the table of any expanded Council.

For Japan, Australia is also a partner on whom it can rely and a partner of substance.

Indeed, the recent decision by the Australian Government to deploy an additional 450 troops to Iraq to help maintain the security environment in which the Japanese contingent can continue undertaking reconstruction work in al-Muthanna Province underlines the strong commitment Australia brings to cooperation on security and strategic issues.

Japan and Australia, along with the United States, the United Kingdom, and many others in the international community, understand the importance of supporting Iraq's journey along the road to democracy, and of supporting stability and prosperity in Iraq and across the Middle East.

We know that the initial decision to deploy defence forces to Iraq was a complex one for Japan – but it was the right decision to make...

...and we are therefore very pleased to be working with Japan – and with other coalition partners – to help Iraq build a better future.

This initiative in the defence sphere builds on other recent cooperation, such as peace-keeping in East Timor....

...and it also reminds us that over 90 years ago, the Japanese navy helped escort the convoys of the first ANZACs on their way to the Middle East.

But in the 21st Century, our cooperation with Japan also extends beyond the more traditional forms of challenge our nations knew in the 20th Century.

Recognising the changed environment and the need for cooperation, Australia and Japan, together with our major ally the United States, have established important dialogue on strategic and security issues – including trilateral discussions at Senior Officials' level on subjects of common interest.

Willing partners in dialogue, Japan and Australia also have a shared commitment to practical action and getting results – the

kind of day-to-day work which is vital to making progress and securing a more stable regional and global environment.

Australia has been prepared to take a leading role in the region to help build capacity and cooperation on counter-terrorism.

We therefore welcome Japan's cooperation on counter-terrorism – particularly Japan's support for the regional ministerial meeting on counter-terrorism Australia co-hosted with Indonesia in Bali early last year.

Japan's key role in the Legal Issues Working Group arising from that meeting has underlined to regional governments the importance of adherence to multilateral rules to combat terrorist financing.

Law enforcement cooperation plays a major role in successful regional counter-terrorism cooperation – as we well know from our experiences with the Bali bombings and the more recent attack against our Embassy in Jakarta.

Japan is already working closely with Indonesia to build capacity of its national police forces and enhance transport security.

Australia and Japan are strongly committed to counter-proliferation cooperation in the region and globally.

The situation in North Korea, the evidence of illicit global market in WMD materials and technologies and the desire of terrorists to obtain such items all combine to make this an urgent problem.

Japan and Australia are working together to ensure a peaceful resolution to the North Korean nuclear issue – Japan as a participant in the Six-Party Talks process, with Australia also using its formal links with Pyongyang to reinforce the message that the talks remain the only viable way to resolve the problem and end North Korea's isolation.

I myself have visited Pyongyang on two occasions to urge the North Korean leadership to make a strategic decision to renounce nuclear weapons programs and engage with the international community.

Our current Ambassador to Japan, Murray McLean, has undertaken similar visits to Pyongyang as my special envoy.

We also used those visits to reinforce with North Korea the importance of resolving the abductees issue.

I would like to assure you all that Australia shares Japan's deep dissatisfaction at recent developments relating to the abductees.

On a wider basis, Japan has been active in promoting stronger safeguards and export controls in the region, organising forums for regional players.

I very much appreciated the active support of Japan for the Asia-Pacific Nuclear Safeguards and Security Conference Australia hosted in Sydney last November.

And Australia, as a strong supporter of the Proliferation Security Initiative, also applauds Japan for its participation in PSI – showing the region by leadership and action the important contribution that practical cooperation can make in stemming the illicit trade in WMD-related materials and technologies.

We also have a shared ambition for a stronger and more effective Nuclear Non-Proliferation Treaty – and we are working assiduously to make full use of the opportunities offered by the NPT Review Conference in May this year.

Australia and Japan both understand the central importance to regional security and stability of good governance and sound economic development throughout the Asia-Pacific region.

We are both aid donors. It is therefore inevitable that we would share a commitment to promoting good governance – encouraging the rule of law and the development of sound national institutions through our development assistance programs.

Australia and Japan were the only two countries in the region to contribute to all three IMF packages during the Asian Financial Crisis.

And Japan recently announced new initiative on law and justice and the fight against HIV AIDS – both areas of keen interest to me as Foreign Minister and which constitute important and growing activity for Australia's development assistance work in the region.

As committed, well-resourced and capable regional players, Australia and Japan also responded promptly and generously to help nations and communities affected by the tsunami disaster.

Another area of immense importance to both our nations is the development of regional institutions in the Asia-Pacific.

Australia and Japan share an ambition for the development of regional architecture that is open and inclusive.

We know that stability and prosperity will flourish in our region if we in turn are pragmatic and take initiatives, minimise excessive form and process, and discourage exclusivity.

Economic and Trade agenda

Our bilateral cooperation on issues of importance to regional stability and security has expanded and diversified in recent decades, complementing our extensive trade and economic ties.

Japan today remains vitally important to us as an economic and trade partner, given the magnitude of our bilateral commercial exchanges, given the international trade policy environment and given Australia's ambitious trade agenda,.

Japan is Australia's biggest export market, with \$44 billion worth of two-way (goods and services) trade recorded in 2004.

Australia is Japan's fourth largest source of imports.

For Japan, Australia is a reliable and efficient producer of quality products, from beef to LNG and coal, from dairy to iron ore, from aluminium to a range of machines and other manufactures.

Many new Australia companies are also finding markets for their products in Japan for the first time.

Japan is an important partner for services trade which is a priority area for further expansion.

Two-way investment is a core element of our economic relationship. Japan is the third-largest foreign investor in Australia and, at a value of \$45 billion, plays an important role in our real estate, mining, commerce and services sectors.

I am pleased that Australian investment in Japan has shown some recent signs of renewal – and I hope very much that this continues.

Of course, our bilateral commercial links do not exist in isolation – but in a complex and dynamic regional and global trade policy environment.

For Australia, the current WTO Doha round of multilateral trade negotiations offers an opportunity to achieve real, lasting trade reform and support for future global prosperity.

It is therefore a key focus of our trade advocacy.

We urge Japan, as a major global trading nation, to do all it can to support progress in the Doha round and ensure this opportunity is not lost to make a real difference for developed and developing nations.

Australia and Japan are also committed partners in the APEC context, supporting development of sound trade policies and initiatives to facilitate trade among member economies, as well as on security to help safeguard trade and economic activity in the region.

The 1957 Commerce Agreement, which normalised bilateral trade and economic relations, and the 1976 NARA Treaty provided the foundation for our mutually beneficial trade and economic relationship that has contributed significantly to both countries' prosperity for more than four decades.

These agreements were ground breaking at the time.

But now countries, including Australia and Japan, have recognised that free trade agreements and other instruments which foster economic integration, such as economic partnership agreements, are important vehicles for updating and fostering economic relations.

Australia's ambitious free trade agreement agenda is playing a central role in our trade advocacy – complementing the WTO negotiating process and building on, but not supplanting, the rules of the WTO.

The great benefits which are now being delivered to Australian exporters in the New Zealand, Singaporean, Thai and US markets would not be available but for the FTAs which Australia has negotiated with these important trading partners.

In addition to these, Australia is exploring FTA opportunities with China and Malaysia, and has commenced negotiations with ASEAN and the United Arab Emirates.

Japan is also contributing to the growth in FTAs in the Asia-Pacific and globally – its network includes agreements with Singapore and Mexico and it is in negotiations with Malaysia, Thailand, the Philippines, ASEAN and the Republic of Korea.

Together, Australia and Japan have recognised that there is more we need to do on a bilateral basis if we are also to maximise Australia-Japan trade and economic links for the future.

An important initial step was taken in 2003 when Prime Minister Howard and Prime Minister Koizumi signed the Trade and Economic Framework.

Under the Framework, we have been undertaking a joint study on the costs and benefits of trade and investment liberalisation. We hope to see the study finalised next month.

This is important work that will help inform the next steps in bilateral trade and investment cooperation.

It is Australia's view that the strength and depth of the Japan-Australia bilateral trade and economic relationship also make it a candidate for consideration of a comprehensive FTA.

Indeed, it would be disappointing if our bilateral ties with Japan – our number one export market – were not able to at least keep pace with our expanding regional links.

For Japan, a comprehensive FTA with Australia would offer the opportunity to become more closely integrated with one of the

largest and most developed economies in the region and a major global supplier of food, energy and minerals resources.

Econometric analysis indicates that the economic gains from an Australia-Japan FTA would be greater for both of us than FTAs with most other partners.

It would also ensure that Japan does not face competitive disadvantage vis-à-vis those countries with which Australia has already negotiated an FTA.

More broadly, an FTA between Australia and Japan would reinforce our strategic partnership in the Asia Pacific region.

We recognise, of course, that Japan has a number of sensitivities regarding an FTA, including with respect to agriculture, but this problem is smaller than many imagine...

...with some 80 per cent of Australian exports (by value) to Japan already entering duty free and a further 9 per cent entering with tariffs of ten per cent or less.

Australia has demonstrated in its comprehensive FTAs with countries such as Thailand and the United States that we have

been able to negotiate mutually acceptable outcomes on sensitive sectors.

We welcome the strong support from senior Japanese business figures and politicians for a comprehensive FTA between Australia and Japan...

...and think an FTA feasibility study would be a sensible next step.

Conclusion

Ladies and gentlemen

With the opening of the Aichi World Expo just days away and 2006 promising the Australia-Japan Year of Exchange to celebrate the 30th anniversary of the signing of the Nara Treaty, Australia and Japan will have unique opportunities to explore the realities of contemporary life in our respective nations.

But these are major events that will also help set the scene for the next 30 years – at least – of the Australia-Japan relationship.

It has been a great pleasure to join you at the Japan Institute for International Affairs to share my views on the Australia-Japan

relationship – and on where Australia sees opportunities to develop the relationship yet further.

Put simply, this is a partnership whose current value and future potential should never be underestimated...

...not just for what the partnership will continue to mean for our own great nations, but for what it contributes to the Asia-Pacific region and to the cause of peace and prosperity at a global level.

Thank you