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‘Steady as She Goes’: Effect of the Fukushima Disaster on Australia-Japan Relations*

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This paper analyses the effect of the March 11, 2011 (3/11) disaster on bilateral relations between Australia and Japan. It explores key areas of cooperation and conflict in the bilateral relationship and evaluates the extent to which these were affected by the Fukushima disaster. While the main focus is on bilateral energy relations, the paper also considers broader security and trade relationship between Canberra and Tokyo. The paper accounts for change and continuity in mutual political and economic interests, perspectives towards security cooperation, and ideational factors. The argument put forward is that the Australia-Japan relationship has been strengthened in the aftermath of the 3/11 disaster.

Keywords: Australia-Japan relations, Fukushima disaster, energy, thermal coal, LNG, security cooperation, free trade agreement

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I. INTRODUCTION

Australia's relationship with Japan has been described as its most enduring bilateral relationship (Tow 2006: 483). The Australia-Japan relationship is underpinned by shared values, intersecting interest and common approaches to international security challenges (DFAT 2018b). The relationship that has grown since the horrors of the Second World War is one of the most remarkable diplomatic and political achievements in the past half century. While the trade imperatives remain a core factor in the Australia-Japan relationship, in recent years, political and security issues have become increasingly significant and highlight the potential for future developments in the bilateral relationship (Walton 2012). As a consequence, according to Mulgan (2007: 13), in recent years the centre of gravity in the bilateral relationship is shifting away from economics and trade towards political and security affairs to produce a more 'balanced' relationship. According to Takahashi (2004: 178), the Japan–Australia relationship has developed from a 'trade-investment relationship' into a 'multilayered relationship'.

Based on mutually complementary and close economic and trade relations, the bilateral relationship has steadily developed and deepened since 1957. Until May 2007, Japan was Australia's largest trading partner and has been Australia's largest export market for 40 years since 1966. In 2017, Japan was Australia's second-largest trading partner and export-market, after China, and the third largest source of imports. Japan was also Australia's fourth largest investor, with an investment stock of A\$219.2 billion at the end of 2017 (DFAT 2018a).

Australia's economic relationship with Japan is based on the export of energy and minerals and the import of manufactures. According to Drysdale (2009), Australia's attractiveness to Japan as a supplier of energy and raw materials is based on proximity and cost advantages as well as political stability and openness to foreign investment. While Japan values Australia as a reliable supplier of energy and raw materials, Australia is Japan's largest supplier of energy. The fact that Australia is Japan's largest source of imported coal, liquefied natural gas (LNG) and iron ore attests to the importance of the relationship.

Beeson and Yoshimatsu (2007) have described Australia and Japan as Asia's odd men out, arguing that the two countries have frequently had difficult relations with their neighbours. Whether this is measured by Australia's often frustrated attempts to gain entry to new regional forums, or Japan's notoriously difficult relationships with China and the two Koreas, both countries have suffered from problems of acceptance and identity. According to Anno (2011: 33), from Japan's perspective, the difficulty of closer cooperation with its close neighbours has heightened the value of partnership with Australia, both in general

terms and with respect to security cooperation, which has improved dramatically over the past decade and is, according to Wilkins (2012), enduring and substantive. In fact, it is plausible to suggest that this absence of regional acceptance has pushed Australia and Japan closer to one another, and also provided a basis for the two countries to jointly push for increased regionalism. At the same time, a shared interest in the prosperity and welfare of other countries means that Australia and Japan work well together in a range of regional and multilateral fora such as the Asia-Pacific Economic Cooperation forum, the East Asia Summit and the Asia-Pacific Partnership on Clean Development and Climate. The bilateral relationship brings manifold benefits to Australia and Japan and contributes to the stability of the region.

Ideational factors also have an important place in the bilateral relationship and are core elements of how it operates in practice. The shared basic values of freedom, democracy, strong institutions, market-based economies, an independent legal system, and respect for human rights, underpin bilateral relations between Australia and Japan (Hosono 2006: 594). The normative 'ties that bind' Australia and Japan are significant and have proven to be enduring since the post-World War Two rapprochement between the two countries beginning with the landmark bilateral commerce agreement in 1957.

Japan and Australia signed the Cultural Agreement in 1974, and the two countries have been conducting various cultural exchange programs since. Another indicator of strong cultural ties is the fact that there are 108 sister city affiliations between Australia and Japan, and that there are more than 60 Australia-Japan and Japan-Australia societies (DFAT 2018b; MoFA 2014). Pokarier (2006) evaluates cross-border higher education as an element of the bilateral relationship. He shows that since 1974, there have been significant increases in higher education student mobility between Australia and Japan and a proliferation of formal exchange agreements between institutions. The growing scale of student mobility is testimony to the broader strength of the bilateral relationship. McArthur (2006) examines Japanese and Australian media portrayals of the cultural aspects to the bilateral relationship. He demonstrates that in Australia, the press has swung from portraying Japan as a problematic source of income from the resources trade, through to the home of 'cool' technology and fashion. In Japan, discourse about Australia has ranged from images of a country populated with cute animals to a regional partner sharing the same democratic ideals.

This paper analyses change and continuity in the Australia-Japan relationship following the 3/11 disaster and aims to answer the question of whether the 3/11 disaster constitutes a critical juncture in the bilateral relationship. Specifically, the paper accounts for change and continuity in mutual interests, perspectives towards international institutional cooperation, and

ideational factors, such as mutual perception. Reflecting the growing importance of the bilateral relationship, there is a large and growing body of scholarly literature on Australia-Japan relations. The most prominent recent examples include the post-war history of the relationship by Alan Rix (1998), a special issue of *Japanese Studies* (2004), two special issues of the *Australian Journal of International Affairs* (2006 and 2011), and edited volumes by Brad Williams and Andrew Newman (2006) and William Tow and Rikki Kersten (2012). The first part of this article engages these and other studies in order to assess the bilateral relationship prior to and post-3/11. Before one can make an informed judgement on the effect of the 3/11 disaster on the bilateral relationship, it is necessary to analyse the context of the broader relationship, including key achievements and ongoing challenges. I argue that the Fukushima disaster strengthened the relationship in terms of shared ideas, international cooperation and common interests.

One area in which change has been most pronounced and has been caused directly by the 3/11 disaster is in bilateral energy trade and investment. Consequently, the second part of this paper analyses the change and continuity in bilateral energy trade and investment following the disaster. The empirical focus is on two key energy sources: thermal coal and LNG. Although the two countries also trade in uranium and crude oil and petroleum products, the paper does not focus on these aspects of the bilateral trade as they are marginal in the broader energy relationship. Similar to Japan, Australia is a net oil-importer, and consequently, bilateral trade in crude oil and petroleum products is insignificant for both countries' energy security relative to other energy commodities. In order to substitute for lost nuclear power due to the idleness of most of its reactors, after 3/11, Japan aggressively pursued opportunities to develop and/or participate in numerous LNG projects in Australia. While Japanese investment in Australian LNG is not a new phenomenon, it has intensified in the aftermath of the disaster. At the same time, Japan's pursuit of Australian thermal coal has remained steady, with imports increasing since 2012.

II. EVOLUTION OF AUSTRALIA-JAPAN RELATIONSHIP: INTERESTS, INSTITUTIONS AND IDEAS

1. Gradual broadening of bilateral relationship

Diplomatic relations between Australia and Japan were established in February 1952 and Australia's hard line towards Japan did not soften until 1954. In July 1957, Australia and Japan concluded an historic Agreement on Commerce, normalizing relations after the Pacific War and establishing for the first time a basis for equality in bilateral trade dealings (Rix 1998). Drysdale

(2004: 160) described that agreement as “a remarkable watershed in the relationship, little more than a decade after the bitterness of World War Two.” The agreement laid the foundations for the enormous trade growth that saw Japan emerge as Australia’s largest trading partner and Australia as one of Japan’s most important suppliers of agricultural products, energy and other strategic raw materials. Drysdale (2004: 160) argues that this “was not just an economic agreement, but also a political settlement of enormous significance, made possible under the umbrella of American security arrangements with both Australia and Japan.” Before 1965, a major factor behind the initial development of bilateral policy networks was the mutual desire of Australia and Japan for a politically stable Indonesia (Walton 2006: 25).

On June 16, 1976 the Prime Ministers of Australia and Japan signed the Basic Treaty of Friendship and Co-operation, also known as the NARA Treaty. This treaty was not designed to change behaviour, but rather to ratify existing behaviour, and at the same time to provide assurances and guarantees of predictability in the relationship (Stockwin 2004). The treaty established the structure for reciprocal cooperation in the political arena, as well as providing arrangements for visas, trade and commerce. It became the basis for expansion in a number of areas including investment and education exchanges. It extended most-favoured-nation status, or non-discriminatory treatment, beyond trade to all commercial dealings between Australia and Japan, including investment and migration. It was a framework agreement that established a comprehensive basis of equality and fairness in economic and political relations. It is the most wide-ranging treaty Australia has signed with any Asian nation. Drysdale (2006) argues that the treaty had a large and measurable effect on the intensity of investment flows and suggests that it had similar effects on the movement of people between the two economies.

Notwithstanding growing trade and investment between Australia and Japan since the NARA Treaty was signed in 1976, besides the consistent Australian complaints about Japanese agricultural protectionism, two issues affected the bilateral relationship during the 1980s. According to Miller (2006), these events demonstrate how an adverse turn in economic circumstances can stress even a strong bilateral relationship. First, the intense controversy over Japanese investment in Australia between 1987 and 1991 attracted much attention. Despite popular antipathy towards Japanese investment, the Australian government ultimately reaffirmed a commitment to a liberal and non-discriminatory FDI policy. Discretionary control embodied in the Foreign Investment Review Board had the potential to be a discrete mechanism for discriminatory policy but in fact it served the opposite end. Its presence was used to reassure Australians wary about Japanese investment that the government was being vigilant in guarding the national interest (Pokarier 2004).

Second, seeking to reduce costs, the coordinated approach adopted by Japanese steel mills applied pressure to their uncoordinated Australian suppliers of coal and iron ore, through reductions in prices and volumes (Beeson 1995; Leaver and Ungerer 2010: 12). This was unwelcome to an Australian government coping with a recession and worried about balance of payments and unemployment, and led to concerns about equal treatment. Although the minerals trade returned to normal relatively quickly, ambitious investment projects aimed at enhancing the economic relationship did not materialise. Attitudes towards Japan in Australia were consequently affected by the animosity left in a number of Australian minds as an aftermath of years of over-acrimonious annual negotiations with Japanese steel and utility companies over prices for Australian raw materials (Miller, 2004: 171).

The situation in regard to Australia's raw materials exports eventually eased, and thanks to consolidation among Australian suppliers and competition among buyers, has moved dramatically in Australia's favour. Access for Australian agricultural exports was substantially improved by the 1988 opening of the Japanese beef market, when Australia was able to get a fair share of the greater access obtained essentially by the negotiating muscle of the United States (Miller 2006: 518). During the 1980s, regional economic cooperation in Asia was a significant national interest for both countries and they cooperated in building regional economic institutions, as was seen in the establishment of the Pacific Economic Cooperation Council (PECC) in 1980 and the Asia-Pacific Economic Cooperation (APEC) forum in 1989 (Terada 2006: 536). This was in more recent periods extended to interest in institutionalising multilateral security cooperative mechanisms, such as the ASEAN Regional Forum (ARF) and the Council for Security Cooperation in the Asia-Pacific. According to Ball (2006), the interest in institutionalising regional cooperative mechanisms has been coincidental and mutually reinforcing rather than coordinated.

By the mid-1990s, due to China's rapid rise, Northeast Asia became increasingly recognised as of central economic importance for Australia, and Australia has had a huge stake in preserving stability and security in Northeast Asia. In this context, Japan's security and defence policy itself has become more significant in Australia's strategic environment and strategic planners in Canberra have argued in favour of establishing a direct dialogue with Japan at the policy level (Terada 2006: 544).

The 1990s have been described as a decade of drift and neglect in bilateral relations (Drysedale 2004: 159). During the 1990s and early 2000s, the relationship was marked by neglect: prime ministerial visits cut short; ministerial meetings that do not meet; absence of diplomatic focus; retreat from commercial initiative. According to Drysdale (2004: 161), this neglect was a product of factors on both sides:

“There has been obsession with the problems of the Japanese economy rather than the opportunities they present, and there has been associated political disengagement in Australia. There were perceptions in Japan that Australia was not relevant to inventing its new economy. There has been a reorientation in Japan towards East Asia both commercially and politically. There has been ambivalence in the Australian political leadership over Australia’s East Asian role.”

During the comparatively stable Cold War, strategic environment linkages between the two countries remained largely limited to the economic sphere, although the two countries had similar positions on many security issues and were indirectly allied through their respective security treaty arrangements with the U.S., where they were regarded as northern and southern ‘anchors’ of the free world in Asia (McDougall 1998: 170; Sajima 2006: 50; Tow and Trood 2006: 70; Williams and Newman 2006: 3; Wilkins 2011: 127). Due to the predominant pacifist norm, Japanese security cooperation with states other than the United States remained rather limited throughout the Cold War era. For instance, although the respective intelligence agencies have liaised since 1976, until May 1990, Australia had never hosted Japan’s most senior defence official (Ball 2006: 166; Cook 2012: 98). Also notable is the failure of the Asian-Pacific Council (ASPAC) as a regional security forum to survive beyond 1975, due to Australia and Japan’s differing views of China (Braddick 2006). However, it was in relation to Australia that the Japanese government first used the term ‘security cooperation’ in any bilateral relations other than with the United States. The erosion of the pacifist norm, along with changes in the international system, has created a political environment in which security cooperation with Australia can be pursued without any real domestic opposition (Anno 2011: 28-29).

Starting in 2002, Japan lobbied for incorporation of Australia into its proposed East Asian community, and this interest stemmed from the following three considerations in Japan’s foreign policy: there was a tendency in Japan to fear China’s possible predominance within ASEAN + 3 and East Asia as a whole; security issues emerged as a more significant policy area in bilateral relations with the United States, subsequently leading to the establishment of the trilateral defence talks among Japan, the United States, and Australia, thus enhancing Australia’s presence in Japan’s security policy; and the United States had expressed concerns about the rise of China as being detrimental to American interests in East Asia. In short, the rise of China was a new factor that was perceived to reconnect Japan and Australia in more strategic and political arenas. In Tokyo it was perceived that Japan might be isolated within an East Asian framework, facing difficulty in injecting considerations that reflected the perspectives of Western or developed countries. For these reasons, Australia was

expected to join Japan in an attempt to create better relations with Southeast Asia, which China has also been engaged with to improve diplomatic relations (Terada 2006: 545).

According to Jain and Bruni (2006), Japanese and Australian contributions to the U.S.-led 'global war on terror' significantly upgraded their respective alliance relations, leading to the creation of the Trilateral Security Dialogue (TSD). Satake (2011) argues that although the TSD itself was institutionalized in 2005, its foundation was already established during the 1990s. The United States, Japan, and Australia converged their security interests during the 1990s, especially with the 'redefinition' of the U.S.-Japan and the U.S.-Australia alliances, as both alliances gradually underwent a systematic change in nature and role from a traditional bilateral defence arrangement to one that focussed on addressing regional and global security problems. This was enhanced by the re-emergence of conservative rule in both countries from the mid-1990s (Williams and Newman 2006: 4).

The Japan-Australia Joint Declaration on Security Cooperation (JDSC) was signed in Tokyo in March 2007. This declaration formalised the political and security aspect of the bilateral relationship, an element which had hitherto lacked the much longer-run and more deeply entrenched character of the economic linkages (see Wilkins, 2011). The JDSC also established the regular foreign and defence ministers '2+2' talks. The growth of direct security relations between Australia and Japan, in addition to a relationship mediated through the common alliance with the United States represents a new and highly significant dimension to the relationship. According to Tow and Kersten (2012: 3), "Australia and Japan moved to institutionalize stronger bilateral security relations on the basis of shared determination to expand cooperation and interoperability between US alliance partners," along with recognizing that the regional threat environment required modified configuration of security relationships. Katahara (2012) views Australia and Japan as two key 'maritime spokes' that will buttress an American alliance system otherwise increasingly pressed by rapid and comprehensive power shifts in Asia.

According to Bisley (2008), while the JDSC is important diplomatically and it contributes to improving cooperation in disaster relief, it is of limited strategic significance to the broader patterns of East Asian security. Each side's operational constraints, their different strategic priorities—particularly their perceptions of China and the continued military superiority of the U.S.—imply that the agreement is largely insignificant for East Asian security. That said, according to Bisley (2008: 38), the JDSC is an important development for Australia and Japan and is "a leading edge indicator of broader forces for change that are increasingly present in East Asia."

On the political and security front, Japan and Australia have rapidly

expanded cooperation over the years and joint diplomatic approaches to shaping multilateral architectures required to facilitate regional community-building have been developed. For example, in Iraq, Japan's Self Defence Force engineers worked closely with Australian troops. Australia and Japan were the only countries in East Asia to make a military contribution to the Afghan campaign. There has also been significant peacekeeping cooperation between Australia and Japan, most notably in Cambodia and East Timor (Ishizuka 2006). Furthermore, Australia and Japan work together in the United Nations and in regional frameworks such as the Asia-Pacific Economic Cooperation forum, the ASEAN Regional Forum and the East Asia Summit (Aso 2006: 489). Notwithstanding an increase in cooperation, Ishihara (2009) notes the absence of joint cooperation between Australia and Japan in shaping Asian multilateralism.

While formalization of defence links into a fully-fledged alliance would raise serious challenges (Jain and Bruni 2006: 97), particularly with respect to China's response, there are various ways in which practical cooperation could be enhanced. In order to enhance practical security cooperation, according to Togo (2011), an area where security cooperation is natural and optimal for Australia and Japan includes the response to the rise of China's military power—in particular, its naval power relating to the territorial issues of the East China Sea and South China Sea. Cook and Wilkins (2011: 10), have pointed out that Australia and Japan should collaborate militarily in traditional and non-traditional security sectors, including in defending energy supplies and commercial interests, deterring potential state-centric and human security threats.

2. Ongoing issues in the bilateral relationship

Despite the move from a trade and investment-based to a balanced and multilayered relationship during the 2000s, prior to the 3/11 disaster, there were three outstanding issues in the bilateral relationship: Japanese whaling, free trade agreement negotiations and the rise of China as a factor in Australian foreign policy.

During the late 2000s, tensions have surfaced over Japan's annual whaling in the Southern Ocean and underreported tuna catch. "While hard-nosed commercial realism has historically prevailed on both sides, which understood and appreciated their mutual need for each other" (Mulgan 2007: 2), Japan's determination to continue its 'scientific research' whaling program in Antarctic waters prompted Australia to take it to the International Court of Justice in May 2010. Indeed, the Rudd government took Tokyo to court over whaling the same week as it was announced that China overtook Japan as the world's second largest economy (White 2010). In the context of increased media attention in Australia assigned to the whaling issue with Japan, the most negative public

opinion of Japan in Australia was recorded over the decades (Wurth 2010).

Australian opposition to Japanese Southern Ocean whaling is not new, and dates back to post-war years (Scott 1999). Until recently, however, successive Japanese and Australian governments have contained disputes over whaling within the International Whaling Commission. Domestic political circumstances and the national interest imperatives of the Australia-Japan relationship clearly have played an important role in shaping Australia's anti-whaling policy from its inception, and Australian policy makers traditionally have sought to balance both sets of interests in the implementation of this bi-partisan policy position. But in 2010 the Australian government launched international legal action against one its oldest and most important regional partners and allies, thereby abandoning the long-held "agree to disagree" approach between Australia and Japan to managing the whaling issue within the broader bilateral relationship. The dramatic shift in Australia's position eventuated as the Rudd government exploited the strong and stable nature of Australia's bilateral relations with Japan to manage important electoral and political challenges it faced domestically (Heazle 2013: 330).

The second issue that had strained the Australia-Japan relationship pre-3/11 has been Japan's agricultural protectionism, and more broadly since 2007, bilateral free trade agreement (FTA) negotiations. The negotiations on an FTA commenced in April 2007. The possibility of Australia and Japan signing an FTA had been canvassed since 2001. The primary initiative for the agreement came from the Australian side, with the Japanese Government reluctant to be pinned down to FTA negotiations between the economic partners. Not only did these present the prospect of free trade relations with an agricultural giant that might pose a serious threat to Japan's domestic farming industry, but Japanese business sectors were also sceptical about the potential benefits of the Japan-Australia FTA (Mulgan 2007: 9). A major issue included agricultural protectionism and the measure of preferentialism that had been introduced to each country's dealings with the other because of their negotiation of free trade agreements with other countries, such as Singapore, in the case of Japan, and the U.S., in the case of Australia (Drysdale 2006: 502).

According to Mulgan (2008: 31), the switch in Japanese policy regarding negotiations on an FTA with Australia was the result of higher priority being attached to several important foreign policy ambitions in Tokyo. These goals were: exercising economic and trade leadership and influence in the Asia-Pacific region, enhancing political relations with long-standing trade partners, and ensuring energy and resource security. Sino-Japanese competition figured as a significant factor in shaping all these objectives. According to Capling (2008), the drivers for bilateral trade agreement negotiation between Japan and Australia were primarily foreign policy and strategic rather than economic and commercial.

On Australia's part, there was a feeling that Japan had taken the bilateral relationship somewhat for granted, especially in recent years. Some in the business community and government argued that FTA negotiation with Japan would stimulate the reinvigoration of the partnership. In Japan, the rapid growth of Sino-Australian economic relations had generated serious concerns as there was a real fear about the impact of China's seemingly inexhaustible appetite for minerals, energy and food resources. Washington was putting pressure on Canberra to strengthen its economic ties with Japan and an FTA between Australia and Japan was seen as a foreign policy instrument to reinforce the broader strategic relationship. It enabled Australia to assuage Japan's concerns in regard to Australia's rapidly growing trade and economic links with China. And it reassured the Americans about the strength of the bilateral relationship between its two key allies in the Pacific.

The final issue that has limited the Australia–Japan relationship pre-3/11 relates to Australia's response to the rise of China, and Tokyo's anxiety regarding increasingly close relationship between Beijing and Canberra. While both countries had shared understandings on regional issues during the first two decades after the NARA treaty was signed in 1976, the period since the late 1990s saw divergent regional understandings, especially over the rise of China. Japan saw the growing influence of China as a political obstacle due to growing bilateral tensions arising from historical and territorial issues, while Australia found it a great economic opportunity to promote its trade with and attract investments from China. This differing view regarding China between both countries might act as a major hurdle to the effective and functional partnership in East Asian regionalism (Terada 2006: 536). According to Walton (2008: 73), the rise of China would make the prospects of a full security treaty developing from JDSC unlikely.

While Australia had been a key player in the development of a trilateral security framework with Japan and the US, it faced a dilemma in managing the ever-stronger ties that it wanted with China, especially in economic matters. It is noteworthy that in 2007 China surpassed Japan as Australia's largest trading partner. The challenge for Australian policy-makers was to balance the nation's geo-economic reality that rests in Asia with its geostrategic interests that remained tied so firmly and rather exclusively to the U.S. Australia would find it difficult to remain strategically engaged with the U.S. and Japan while trying to keep China on side (Jain 2006: 532–533).

According to Walton (2012), the middle-power activism as pursued by Prime Minister Kevin Rudd stretched bureaucratic resources in Canberra and reduced overall attention to Japan. More specifically, in 2007, Rudd himself visited China during his first Asian visit as Prime Minister, but not Japan. Japanese officials were reportedly incensed that the Mandarin-speaking Kevin

Rudd appeared pro-China and anti-Japan (Koutsoukis 2008). Kevin Rudd further irritated the Japanese by his commitment to take Japan to the ICJ over its Antarctic whaling (Heazle, 2013: 335).

III. THE IMPACT OF THE 3/11 DISASTER ON BILATERAL RELATIONS

The overview of the evolution of bilateral relationship over the past half-century reveals that despite several issues that have persisted (whaling, agricultural policy) or have recently emerged (Japan's anxiety about Australia's relationship with China), Japan and Australia have a strong and multilayered relationship based on common values, and underpinned by shared economic, political and security goals. How has the Fukushima disaster affected the bilateral relationship in terms of common interests, shared ideas and international cooperation? While acknowledging that it is difficult to isolate the effect of the disaster on the evolution of the post-3/11 bilateral relationship, several key aspects of the bilateral relationship are briefly discussed: the broader economic relationship (excluding energy trade and investment), the FTA negotiations, the whaling issue, and regional security with particular reference to the U.S. and China. This section argues that these aspects of the bilateral relationship have been strengthened in the aftermath of the 3/11 disaster. The next section examines an area where the change has been most pronounced: bilateral energy trade and investment.

Julia Gillard was the first foreign head-of-government to visit Japan in the aftermath of the Fukushima disaster. In her April 2011 visit to Japan, Prime Minister Gillard described Japan as Australia's closest partner in Asia, and pledged Australia's help in post-3/11 recovery (DPMC 2011). Arguably, this visit was not aimed at pushing forward particular deals that Australia seeks in the Australia-Japan relationship. For example, the Australian government was tactful and realistic in not placing high priority on progressing bilateral FTA negotiations (Nottage, 2011). Instead, the visit focussed on demonstrating that Australia was a friend of Japan beyond considerations of trade, investment and narrow political interests (Rathus 2011). This visit placed Gillard in a "unique position to reinforce ties with Japanese leaders at such an emotional time" (Walton 2012: 26). Indeed, it offered an ideal opportunity to review the bilateral relationship and to create a new vision to redefine bilateral engagement (Corbett 2011).

In the immediate aftermath of the 3/11 disaster, Gillard and then Foreign Minister Rudd expressed their condolences to the people and government of Japan. Australia provided extensive support to Japan, including a 72-person urban search-and-rescue team; a team of Defence operations-response officers; the use

of C17 aircraft for use in relief operations; and a donation of \$10 million to the Australian Red Cross Japan and the Pacific Disaster Appeal. An Acquisition and Cross-Servicing Agreement that was signed in May 2010, which enabled Australia and Japan to provide logistical supplies (food, water and medical services) to each other's military contingents involved in peacekeeping or disaster relief operations, established necessary policy environment which enabled Australia to assist Japan in the aftermath of the Fukushima disaster. Gillard also announced a program to help fund university students, academics and professionals from those areas most affected by disasters to spend time in Australia.

Despite initial concerns about the impact of the disaster in Japan on Australian exports, trade with Japan remained strong. Japan's tourism market suffered considerably on concerns about elevated radiation levels. After 15 years of positive growth, the number of Australians travelling to Japan fell by 28 per cent, from 225,751 in 2010 to 162,578 in 2011. However, between March 2017 and March 2018, 418,100 Australian residents returned from Japan, almost twice the number of visitors recorded pre-3/11 (DFAT 2018b). Likewise, Japanese tourist arrivals to Australia dropped by 16.4 per cent, from 398,100 in 2010 to 332,700 in 2011. However, between March 2017 and March 2018, 437,000 Japanese visitors entered Australia, showing significant recovery (DFAT 2018b). In April 2011, Australia's merchandise imports from Japan fell by 47.5 per cent from the previous month to the lowest level since 1997. Passenger motor vehicles recorded the largest contraction. Exports to Japan steadily increased in the months following the disaster, and disruptions to imports were relatively short-term with merchandise imports from Japan recovering to pre-disaster levels by late 2011. Australia's merchandise trade with Japan continue to grow strongly in ensuing years.

Nottage (2011) argued that Japan's energy-security needs after 3/11 would generate pressure to secure an FTA with Australia. Concluding a bilateral FTA might well help improve energy resource security for Japan, especially as countries like China, Korea and now India increasingly vied for Australian resources (such as LNG) – with Australia already negotiating bilateral FTAs with all three of those nations. In June 2012, negotiations had been stalled by what Australia viewed as Japan's inflexibility in easing agricultural protectionism. According to Nottage (2012), “the likelihood of an FTA between Australia and Japan remained uncertain, not only due to the issue of Australian access to the Japanese agricultural sector, but also due to the Gillard government's new trade policy.” In April 2011, the Australian government declared that it would not sign any future treaties which might include investor-state arbitration (ISA) provisions.

At the same time, while liberalisation of agricultural market access remained a large stumbling block in bilateral FTA negotiations, the devastation unleashed by the 3/11 tsunami on agricultural capacity in Japan's five predominantly

rural prefectures created a unique opportunity to allow more Australian imports in the short term. Concerns were often expressed in Japan – by consumers, and not just farmers and their political or bureaucratic supporters – about ‘food safety’ of imported goods. Ironically, however, it was locally produced goods and (arguably inadequate) safety regulations that were being called into question due to post-3/11 radiation issues. In April 2014, after seven years of negotiation, Prime Minister Tony Abbott and Prime Minister Shinzo Abe announced that negotiations on the agreement had concluded, and the agreement was signed in Canberra in July 2014. The Japan-Australia Economic Partnership Agreement (JAPEA), which entered into force in January 2015, gives Australian exporters significantly improved market access in goods and services and substantially improves investment protections. Australia thus became the first major agricultural nation to implement a free trade agreement with Japan.

In the aftermath of the disaster, the Japanese government noticed that the Australian government under Gillard’s leadership had taken a stronger position against some of the aggressive antics of anti-whaling campaigner Sea Shepherd. The Japanese detected a stronger language from the Gillard government about violence on the high seas than they noticed during Rudd’s prime ministership or even during John Howard’s Coalition government (Johnson 2012). This indicated that while the whaling dispute was awaiting resolution at the ICJ, the Gillard government had back-paddled from Kevin Rudd’s more aggressive position on the issue of whaling. In fact, the Gillard government’s position seemed simply to represent a return to historical Australian government position, where it was not willing to allow domestic political sentiment on whaling to influence the broader bilateral relationship with Japan. While the Gillard government might have adopted a softer approach to whaling than its predecessor, such an approach could have already been in place prior to the 3/11 disaster, as Gillard had been in power since June 2010. At the same time, domestic political pressure against whaling in Australia had also declined compared to 2010, when many in Australia regarded the Rudd government’s legal action against Japan as possibly damaging the future of the bilateral relationship.

Tow (2012: 158) suggested that the 3/11 disaster rendered Japan’s response to formidable regional and international security policies and coordination with its allies more challenging. In fact, the disaster arguably brought Tokyo closer to both Australia and the U.S. In terms of the impact of the 3/11 disaster on regional security and, more specifically, Japan’s and Australia’s posture towards China and the U.S., Satake and Ishihara (2012) argued that the two countries had welcomed Obama’s regional pivot and aimed to strengthen their alliance cooperation with the U.S., in order to secure its continued military commitment in the region. In fact, Japan’s and Australia’s response to Obama Administration’s security posture “generated greater momentum for Japan and Australia to

collaborate in wider areas in a more timely and effective way than before” (Satake and Ishihara 2012: 6). Both Japan’s dynamic defence force concept and Australia’s regional engagement policy were in many parts synergetic with America’s rebalance posture, which expanded the scope of engagements to focus more upon Southeast Asia and the Indian Ocean. Tow and Kersten (2012), argued that since 2011, the Australia-Japan security relationship had become a central and catalytic driver of U.S.-led ‘intra-spoke relations’ and network creation in the Asia-Pacific. Of course, Obama’s ‘pivot to Asia’ had nothing to do with the 3/11 disaster and was mainly aimed at China, and Japan and Australia’s positive responses should be seen in this context.

While the effect of the disaster on Japan’s already ailing economy was likely to lead Tokyo to perceive that Australia would get even closer to a rapidly growing China, Australia’s support for the Obama administration’s Asia pivot, and the fact that Gillard was the first foreign head of government to visit Japan after the 3/11 disaster, offered some reassurance to Tokyo that Canberra would not stray closer to Beijing regardless of growing trade relationship. According to Walton (2012: 26), during her visit, Gillard reflected on the importance of trilateralism in terms of regional stability and in dealing with the Fukushima disaster, while referring to the JDSC as a foundation for increased cooperation in regional disasters. The visit “highlighted the effectiveness of the JDSC and indicates a further expansion of security ties” (Walton 2012: 26). Indeed, in 2014, the leaders of the two countries elevated the Australia-Japan relationship to a ‘Special Strategic Partnership’ (Wilkins 2015; Wilkins 2016; DFAT 2018b).

Based on the overview of the evolution of Australia-Japan relationship, and major post-3/11 developments, it is clear that in the post-disaster period the bilateral was strengthened in terms of shared values and interests. Moreover, one area in which change was evident immediately following the 3/11 disaster, and was triggered by it, was in the bilateral energy trade and investment. Consequently, the following section analyses the evolution in bilateral energy trade and investment following the disaster.

IV. THE ENERGY DIMENSION

1. The importance of energy in bilateral relations

Having established the broader context within which the relationship between Australia and Japan evolved since the 3/11 disaster, the focus of the remainder of the paper is on the key aspect of the bilateral relationship – energy trade and investment; or more specifically, on change and continuity in Australia’s energy trade with Japan, and Japan’s investment in Australia’s energy sector.

During the 1980s, Australia was already important for Japan's energy security as a reliable supplier of coal and later LNG (Rix 1987: 81). The energy dimension remained crucial in the bilateral relationship for two reasons. First, the 3/11 disaster had resulted in a shock to Japan's energy system, similar in scale to the 1973 oil crisis. In the immediate term, Japan shut down all of its nuclear reactors, and various oil refineries and some of its oil, LNG and coal import terminals and thermal power plants were damaged by the tsunami. In both the immediate and longer term, the shock caused an energy shortage in Japan, as the majority of nuclear reactors remained idle and a change in the structure of energy demand, with fossil fuels resuming a higher share (Vivoda 2012; Vivoda 2014). Second, prior to 3/11, Australia was Japan's largest supplier of thermal coal and the second largest supplier of LNG, thus occupying a crucial position in Japan's broader energy security strategy as a stable and reliable regional supplier.

Australia and Japan are highly dependent on bilateral energy trade – Australia for export revenues; Japan for energy security, due to domestic scarcity and high dependence on imports (Vivoda and Manicom 2011). During the 2016/17 financial year, Australia's overall energy exports were valued at A\$87 billion (DIIS 2018). In the same financial year, approximately 37 per cent of Australia's energy exports were destined for Japan, valued at A\$32 billion (DIIS 2018). This made Japan Australia's most important energy export market by some margin. In 2017, Japan was the world's second largest importer of thermal coal and the largest importer of LNG. In the same year, Australia was Japan's largest source of thermal coal and LNG, supplying 73 per cent of Japan's thermal coal demand and 31 per cent of LNG demand (BP 2018; MoF 2018).

In the aftermath of the Fukushima disaster, most of Japan's nuclear reactors had been shut down. In 2012, only two out of 54 reactors were online. Given that nuclear electricity supplied 25-30 per cent of Japan's electricity needs prior to the 3/11 disaster, Japan's use of fossil fuels in electricity generation had increased dramatically. As a result of nuclear outages, thermal generation of electricity increased to 90 per cent of Japan's total electricity output during the first four months of 2012, compared to an average of 64 per cent for the same period in 2011. More specifically, Japan's electric power utilities consumed 34 per cent more LNG in 2011 to make up for the shortfall in nuclear output. While demand for coking coal dropped in 2011, and remained steady in 2012, thermal coal consumption was relatively unchanged in 2011 and increased in 2012 (MoF 2018). With most reactors mothballed, Japan's nuclear power consumption for 2012 stood at only 6.2 per cent of the pre-3/11 level (BP 2018). Such a rapid transformation in Japan's energy mix carried significant consequences for Japan's energy imports, and specifically for its imports from Australia, its major supplier.

Statements by political leaders and official visits from both sides since the 3/11 disaster reflected the importance assigned to Australia in Japan's energy

security thinking and Australia's commitment to Japan as a reliable supplier of energy. Julia Gillard's April 2011 visit and Australia's Resources, Energy and Tourism Minister Martin Ferguson's two visits to Japan in 2011 were important in terms of discussions of energy supplies and in reinforcing Australia's commitment to Japan as a long-term reliable partner and supplier of energy resources (Walton 2012: 26). In September 2011, Japan's Economy, Trade and Industry Minister Yoshio Hachiro asked for assistance from Australia's Minister for Resources, Energy and Tourism, Martin Ferguson in acquiring coal and other resources for power generation needs (Aviles 2011). During his July 2011 visit to the Institute of Energy Economics, Japan, Minister Ferguson reaffirmed that Australia was sensitive to Japan's energy security needs, while recognising that a strong Japanese economy was important to Australia's economic growth. He stated that as Australia's resources and energy production capacity increased in coming years, particularly in gas and coal, Australia would be well-placed to meet increased demand from Japan. He reaffirmed these messages in response to Minister Hachiro's request for assistance during his September 2011 visit to Japan (DRET 2011a; 2011b).

Against this backdrop, how did Australia-Japan energy trade and investment relationship evolve in the immediate post-3/11 period? In order to identify continuity and change in this relationship, I briefly discuss change and continuity in bilateral trade in thermal coal and LNG, and Japanese investment in Australia in these energy commodities, before and after the disaster.

2. *Thermal coal*

Japanese coal exploration and trading companies had established their presence in Australia following the transformation in Japan's status from a coal producer to the world's largest coal importer during the 1970s (Lesbirel 1991). Australia has been the most important source of Japan's coal imports since the 1970s (IEA 2003), and Japan has remained the largest buyer of Australia's thermal coal by some margin. The composition of Japan's coal imports has been centred on Australia throughout this period. The 3/11 disaster resulted in a near shutdown in Japan's nuclear industry and supported demand for other sources of energy, including thermal coal. Decreased electricity demand due to restricted industrial usage and power shortages saw coal shipments halted through *force majeure* declarations or diverted to other power stations. The earthquake caused damage to a number of coal-fired plants, while the tsunami damaged coal unloading terminals located on Japan's eastern seaboard (EIA 2012). As a consequence, and despite early predictions that Japan's coal demand would increase in the immediate term after the disaster (Behrmann 2011), the actual demand dropped by 0.5 per cent in 2011 (MoF 2018).

These trends are reflected in the bilateral Australia-Japan thermal coal trade (Figure 1). Australia's thermal coal exports to Japan dropped by 7.3 per cent in 2011 compared to the previous year. The Queensland floods were an important factor, which negatively affected Australia's overall production and exports in late 2010 and early 2011. Following recovery in Queensland and the reduction in nuclear power supply in Japan, Australia's supply of thermal coal to Japan increased. In 2015, Australia supplied a record volume of thermal coal to Japan, with its share in Japan's total imports also reaching an all-time high of 76 per cent (MoF 2018).

Source: Ministry of Finance (2018)

FIGURE 1. JAPAN'S THERMAL COAL IMPORTS (1988-2017; MT)

In 2012, fourteen Japanese energy companies and trading houses had stakes in 56 operational coal mines in Australia, nine of which were under expansion, and in seven new projects.¹ This was a significant presence given that Australia had approximately 107 operating coal mines (EIA 2011). Numerous examples supported the post-3/11 announcements by Japanese politicians regarding new Japanese push into Australia's coal projects. Many Japanese companies and trading houses, including Mitsui, Mitsubishi, Sumitomo and J-POWER made major investment commitments. Yet, these new developments did not represent a tectonic shift in the pattern of Japanese involvement in the Australian coal industry. In fact, most coal operations in Australia involving Japanese companies, including the BHP Billiton-Mitsubishi Alliance (BMA) joint venture, Mitsui's operations, and other major Itochu, Sumitomo, JFE Holdings and Sojitz Corporation's coal projects had been established well before the 3/11 disaster. Many Japanese companies increased their involvement in Australian coal projects in the year preceding the 3/11 disaster. The most prominent example

was a A\$6 billion Wandoan coal project involving Xstrata, Itochu and Sumitomo, that was expected to produce up to 30 Mt pa of coal by 2015 (The Australian Mining Review 2012).

3. LNG

Australia initiated LNG production in 1989, with exports dedicated exclusively to the Japanese market (Kiani 1991: 67; Langton 1994: 259). Japan was the monopsonist—or the only buyer—of Australia’s LNG until the turn of the century, when some volumes began flowing to South Korea. LNG has accounted for the bulk of recent resources and energy investment boom, with Australia expected to become the largest global LNG exporter by 2021 (Vivoda 2017). Even before the 3/11 disaster, Japan was the world’s largest importer of LNG. It consumed nearly a third of global output. The earthquake did not damage much of Japan’s LNG import infrastructure since a majority of these facilities were located in the south and west of the country, away from the earthquake’s epicentre (EIA 2012). In 2011, Japan’s LNG demand increased by 14.4 per cent compared to the previous year (BP 2018), reflecting higher demand for LNG after the 3/11 disaster. Japan’s LNG imports increased by a further 11 per cent in 2012 and in that year Australia became Japan’s largest source of imported LNG. In 2017, Japan imported 35 billion cubic meters (bcm) of Australian LNG, or double the volume in comparison to 2010 (see Figure 2). This rapid increase in Australian LNG supplies to Japan is a direct consequence of the 3/11 disaster and the aggressive push by Japanese utilities and gas companies to secure long-term supply contracts in Australia, discussed below.

Source: BP 2018.

FIGURE 2. JAPAN'S LNG IMPORTS (2001-2017; BCM)

Historically, Japanese utilities and gas companies have regularly signed Heads of Agreements (HOAs) and Sales and Purchase Agreements (SPAs) to secure Australian LNG supplies.² An HOA is a preliminary agreement covering the main terms of a future agreement yet to be finalized. It may or may not be binding and is similar to a term sheet. An SPA is the binding contract between a seller and buyer for the sale and purchase of a specified quantity of LNG for a specified price and term. After the 3/11 disaster, HOAs and SPAs with Japanese companies became more frequent and HOAs were converted to SPAs at a faster rate (see Figure 3). Prior to the 3/11 disaster, Japanese energy companies maintained an active interest in increasing their operations in Australia’s LNG sector. Yet, the frequency with which new agreements were signed was low compared to the post-3/11 period.

equity deals. With six major LNG projects (Browse, Queensland Curtis LNG, Gorgon, Wheatstone, Ichthys and Australian Pacific LNG) entering operations since the 3/11 disaster, Japanese LNG imports from Australia doubled in only seven years (Figure 2).

V. CONCLUSION

The main argument presented in this article is that the Fukushima disaster solidified Australia-Japan relations in terms of shared interests, values and cooperation. High profile visits by Australian government officials, specifically Gillard's visit in April 2011 and Minister Ferguson's two visits in 2011, reassured the Japanese leaders that Australia would remain Japan's most important ally in the region and a reliable supplier of energy. In addition to Australia's growing LNG and thermal coal exports to Japan after 3/11, the two countries eventually signed an FTA and elevated the relationship to a 'Special Strategic Partnership'. According to Kersten (2016: 19), the partnership with Australia delivers normative legitimacy to Japan's new security identity.

The analysis of pre- and post-3/11 bilateral energy trade between Japan and Australia and Japanese investment in Australia's energy sector reveals that there were significant differences with regards to two key energy commodities. First, the evidence suggests that Japanese investment in Australian coal projects remained on business-as-usual terms in the aftermath of the 3/11 disaster, reflecting relatively steady demand for coal in Japan since the disaster, with higher demand for thermal coal from Australia evident since 2012. While the Japanese companies signed a series of new agreements in Australia following the 3/11 disaster, these agreements did not represent a significant shift in the pattern of Japanese investment in Australian thermal coal projects. Second, the 3/11 disaster all but secured Australia's role as a key LNG supplier to Japan. An increase in the frequency of new agreements, and the reduction in time taken to convert initial agreements into contractual obligations, indicated Japan's post-3/11 push to secure additional LNG supplies from Australia.

With the advent of the Shinzo Abe administration in Japan in September 2006, Japan became much more pro-active about the prospect of direct strategic collaboration with Australia (Mulgan 2007: 4). Abe's past administration actively pushed for a new Japanese foreign policy based on values as a means of forging closer links with other Asia-Pacific nations with a view to countering China (Mulgan 2007: 5). In 2006, Abe specifically pointed to Australia as a key player in his vision for an alliance of democracies and security architecture for the Asia Pacific region (Wilkins 2012: 119). It was also during Abe's first term that FTA negotiations began. It was reasonable to expect that if Abe's new administration adopted a similar approach to regional security and bilateral relationship with

Australia, this would not only further strengthen the bilateral strategic security cooperation, as it did in 2014, but also lead to the final conclusion of bilateral FTA negotiations. According to Heazle and Tatsumi (2018), the case for further security cooperation will remain compelling for both countries.

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ENDNOTES

- ¹ These companies included Idemitsu Kosan (3 operational projects and 1 new project), Itochu (8+1), Japan Coal Development Company or JCD Australia (2), J-Power or Electric Power Development Corporation (5), JFE Holdings though JFE Shoji Trading, JFE Steel and JFE Minerals (8+1), Kokan Kogyo (1), Marubeni (8+1), Mitsubishi (9+3), Mitsui Coal (18), Nippon Steel Trading or Nittetsu Shoji (6), Shinsho Corporation (2), Sojitz Corporation (6+2), Sumitomo or Sumisho Coal Australia (5+1), and Tokyo Boeki (1).

- ² Twelve Japanese companies (trading houses, electricity utilities or oil and gas companies) participate in Australia's LNG projects. These include Chubu Electric Power Company, Chugoku Electric Power Company, Japan Australia LNG (MIMI) involving Mitsubishi and Mitsui, JX Nippon, Kansai Electric Power Company, Kyushu Electric Power Company, Osaka Gas, Toho Gas, Tohoku Electric Power Company, Tokyo Electric Power Company (TEPCO), Tokyo Gas. In addition, Inpex operates a series of oil and gas fields in Australia. While the company signed a series of agreements with other Japanese companies for LNG exports to Japan, it has remains active only in upstream activities.