

AUSTRALIAN POLITICAL EXCHANGE COUNCIL

TWENTY-FIRST AUSTRALIAN DELEGATION TO JAPAN

2-8 MARCH 2013



DELEGATION

Senator Matt Thistlethwaite (Australian Labor Party) **Delegation Leader**
Senator for New South Wales

Ms Kathrine Nelson (Australian Labor Party)
Secretary, Australian Services Union

Mr Andrew Giles (Australian Labor Party)
Candidate for the Federal seat of Scullin

Mr David Elliot MP (Liberal Party of Australia)
State Member for Baulkham Hills, New South Wales

Ms Samantha Russell (Liberal Party of Australia)
Manager of Membership and Campaign Development, Victorian Division

Mr Adam McKee (Liberal Party of Australia)
Electorate Officer to Mr David Southwick MP, State Member for Caulfield, Victoria

Ms Suzy Domitrovic - Council Representative
Executive Officer, Australian Political Exchange Council

Contents

EXECUTIVE SUMMARY	3
THE JAPANESE POLITICAL SYSTEM	3
The Emperor	4
Prefecture and Local Government.....	4
Political Parties	4
National Centralisation	4
Twisted Diet/July Upper House Elections.....	4
THE SLEEPY TIGER – JAPAN’S ECONOMIC CHALLENGES	5
FOREIGN POLICY - WALL FLOWER TO SUPER POWER	6
Regional Tension.....	6
China – Arms, Islands and Oceans	6
CONSTITUTIONAL REFORM.....	7
Article 9.....	7
Article 96.....	7
NATURAL DISASTER RECOVERY.....	7
The Damage Inflicted.....	7
Landholder Compensation	8
International Support	8
Infrastructure Rebuild and Disaster Planning.....	9
THE NATURAL ENVIRONMENT	9
Hakone.....	9
Sendai	9
Matsushima	9
Housing	10
Environmental Protection.....	10
JAPANESE CULTURE	10
Work	10
Respect, Honour, and Politeness.....	11
Food	11
Religion	11
Urban Development	11
CONCLUSION	11

EXECUTIVE SUMMARY

The delegation travelled through the regions of Tokyo, Hakone and Sendai during our time in Japan, which was hosted by the Japanese Ministry of Foreign Affairs. The delegation toured Tokyo city and landmarks including the Senso ji Temple, the Royal Palace and Midtown Tower. The delegates visited the Japanese Diet and observed a plenary session. We also visited the headquarters of the Liberal Democratic Party (LDP), the Democratic Party of Japan (DPJ) and met with various representatives of these parties as well as representatives of the New Komeito Party and the Japan Restoration Party.

The delegation travelled to Kamakura where we visited the Kamakura Daibutsu. We then travelled to Hakone to experience Japan's natural beauty. The delegation travelled to Sendai by bullet train and toured the town of Minami Sanriku, which was devastated by the 2011 tsunami. There we met the Mayor of the town, local business people and school children who will be visiting Australia later in the year. The delegation also briefly toured Matsushima.

The focus of the tour was political exchange and the delegation gained a thorough understanding of the Japanese political system and the various political parties and personalities through many meetings with party representatives and bureaucrats. The meetings provided an opportunity to gain an appreciation of the issues affecting the Japanese economy, strategic relations in the region, trade and investment issues and bilateral relations. The schedule also gave the delegation the opportunity to experience Japanese culture and understand the Japanese way of life related to work, family, religion, food and pastimes. We also experienced some of Japan's natural heritage and environment.

The delegation also gained an invaluable firsthand experience of the devastation of the 2011 tsunami and the personal and economic toll on the Japanese people.

Despite a stagnant economy and slow recovery from a severe natural disaster, the Japanese people remain optimistic and value the relationship with their close friend and long-term partner Australia. The delegation expressed the reciprocal importance of our bilateral relationship.

THE JAPANESE POLITICAL SYSTEM

The government of Japan is governed by a Constitution which came into effect on 3 May 1947. Seventeen days later, on 20 May 1947, the Diet held its first session.

The Diet is the legislature of Japan and consists of two chambers: a House of Representatives, which has 480 members elected every four years, and a House of Councillors which comprises 242 members of which half are elected every three years.

The membership of the House of Representatives is mixed, and consists of 300 single-seat members and 180 elected by proportional representation. The House of Councillors elects 146 of its members by plural-seat proportional constituency and 96 by proportional representation.

The tendency of this system to produce large landslide results (for example, the current two-thirds majority held by the LDP and the similar DPJ result in 2009) was a topic of conversation with a number of officials and members of the Diet.

The delegation was informed by Mr Takeyuki Kase MP of the House of Representatives Foreign Affairs Division that this has been more common since the electoral reforms of

1994. Members of all parties asked confirmed that electoral reform is a regular part of the national debate.

The Diet's five powers include:

1. Enactment of laws
2. Budget and finance decisions
3. Treaties
4. Appointment of the Prime Minister
5. Amendments to the Constitution

The House of Representatives takes precedence over the House of Councillors when the two houses differ.

The executive consists of the Prime Minister and his Ministers of State.

The Emperor

The Head of State is His Imperial Majesty, Emperor Akihito, Emperor of Japan. He has served as Emperor since 7 January 1989.

Legislation must be presented to the Emperor for his approval. Laws are promulgated in his name.

Prefecture and Local Government

There are 47 prefectures, which are roughly analogous to Australian states and below that are 1788 local municipalities.

Political Parties

There are 11 political parties currently represented in the House of Representatives. The governing parties are the LDP and the New Komeito Party. The largest opposition party, the DPJ, was in government from 2009 until 2012. Prior to this, the LDP had held government almost continuously for the previous 54 years.

National Centralisation

The Japan Restoration Party contested its first election in 2012 and won 54 seats in the House of Representatives. The delegation met with Mr Nakada Hiroshi, a Member of the House of Councillors, who provided a briefing on the beliefs of his party.

The Japan Restoration Party believes strongly in a federal system of government and a return of powers to prefecture and local governments. It has a lot of members who are former Mayors of large and small cities.

Twisted Diet/July Upper House Elections

A twisted Diet occurs where the governing party has a majority in the House of Representatives but does not have a workable majority in the House of Councillors and government legislation is often defeated or amended. In recent years, successive governments have fallen prey to the twisted Diet, unable to implement their reform agendas. This is one of the major reasons for Japan's reform inertia, particularly in respect of economic reform.

Half of the House of Councillors will be up for election in July of 2013. The half of the chamber up for election was last elected in 2007 and was a significant win for the DPJ, meaning it is defending more seats. This election is considered to be a referendum on the first seven months of the current Abe administration as well as an opportunity for the governing coalition to gain control of both houses.

THE SLEEPY TIGER – JAPAN’S ECONOMIC CHALLENGES

Japan was often described as the tiger economy of the 1980s and 90s. Strong growth, advanced infrastructure, strong exports and high productivity growth were the hallmarks of the Japanese economic model.

In recent times, it appears that a mix of an ageing population, changing social structure, political instability and inertia to reform have seen the tiger fall asleep. The Japanese economy has been experiencing prolonged stagnation of growth, deflation and high unemployment relative to historic levels. In 2011, Japan’s fiscal deficit was 9.8 per cent of GDP and its level of government debt 229 per cent (although much of this is owed domestically). In many respects, the Japanese are considered to have rested on their laurels and been slow to adapt to the changing world economy.

The effects of this are visible throughout Japan. A lack of automatic teller machines throughout cities and electronic funds transfer facilities in many retail outlets is symptomatic of the need for banking reform. Infrastructure development is slow, and in the areas devastated by the earthquake and tsunami in 2011, there is very little evidence of infrastructure rebuilds, much to the concern of locals who we met in these areas. The shutdown of the nuclear power industry in the wake of the earthquake exposed the inadequacy of competition in the domestic energy market.

As a result of the economic stagnation, Prime Minister Abe came to government with a plan to awake the tiger. Colloquially known as “Abenomics” his plan involves a substantial stimulus program mainly through increased investment in infrastructure and monetary policy. Japan’s central bank has promised a massive quantitative easing worth \$1.4 trillion by printing money to buy government bonds, stimulate demand and rid the country of its deflation problem.

Whether or not the Prime Minister’s plan will work appears to rest in many respects on his ability to deliver the reform through the Diet, which the government does not control. Many place much hope in upper house elections in July 2013 to deliver Prime Minister Abe a working majority in both houses of the Diet. It does appear that Prime Minister Abe’s plan has prompted a surge in domestic confidence but some argue this was occurring before he came to government.

Many of the Diet representatives expressed a view that Japan welcomed conclusion of the Economic Partnership Agreement negotiations with Australia and Prime Minister Abe has stated the nation is interested in joining the Trans Pacific Partnership Agreement (TPP) negotiations, although there is evidence of internal tension in the LDP regarding potential reduction of subsidies for farmers and agricultural producers.

Japan’s energy policy is in a holding pattern. In the wake of the tsunami and the accident at Fukushima, the country’s 50 nuclear power plants ceased production and only two have been restarted. Prime Minister Abe came to power with a pledge to safely re-establish the nuclear industry and this appears to have public support, however we did meet people with family near Fukushima who had no confidence in the safety of the industry in the wake of the natural disaster.

The next 12 months will be crucial for the Japanese economy.

FOREIGN POLICY - WALL FLOWER TO SUPER POWER

One of the standout observations Australians would have after a one-week visit to Japan would be how much attention the media and public place on Japan's foreign policies. Parliamentarians noted the high level of public engagement they have with their constituents over the TPP negotiations, disputes over island sovereignty, the constitutional role of the Self Defence Force and membership of ASEAN, APEC or the UN. This was of great interest for Australian politicians whose electorates are much more focused on domestic issues. That is not to say Australians are unaware of the challenges facing their nation, particularly given our reliance on trade and our tendency to travel, but few Australian politicians would be forced to maintain a running brief on the finer details of our ties with New Zealand or Papua New Guinea in the same way Japanese law-makers monitor China and the Korean Peninsula.

The irony of Japan's approach to foreign policy comes from its last century. At the same time the young Australian colony was finding its place as an exporter, with more than favourable terms of trade for our beef, wool and gold, Japan was debating the future of its policy of National Seclusion. In the one and a half centuries since then, Japan has gone from wall flower to super power on the international stage. Its relationship with its own neighbours, as well as its former enemies, has also made for a fascinating story. Whilst Western academics are quick to highlight that, in its relationship with the United States, Japan "lost the war but won the peace", the local story is very much different as Japanese politicians face opposition to ongoing US military presence as well as a natural desire to reaffirm some level of independence on the international stage.

Regional Tension

Being a democratic capitalist constitutional monarchy within very close proximity to the world's last Stalinist State (North Korea) and the fastest growing economy in the world (China) whilst competing with two of the five Asian Tigers (South Korea and Taiwan) is probably one of many plausible explanations Japanese Governments have to offer for their cautious approach to foreign policy. It is hard not to admire the courageous way successive Japanese Governments have stood up to claims of sovereignty over Japanese territory. Each of Japan's neighbours has brought with them unique challenges to their bilateral relationship and none of them miss an opportunity to use Japan's loss of standing following the Second World War as a reason for Tokyo to take a backward step over the broad range of conflicts.

China – Arms, Islands and Oceans

Like a number of western democracies, Japan opened formal diplomatic relations with China in 1972 and since then, economic ties have seen the two neighbours become the first and second largest markets for their exports respectively. However, China's growth over the last four decades since then has also come with it a massive increase in its military capabilities. With US military spending stagnant since the Global Financial Crisis, the balance of power in the region has meant that reliance on engagement to solve disputes is becoming increasingly important. Of particular note to most observers is the situation in the Senkaku Islands. This dispute had its genesis in 1885 when it was alleged by the Chinese Government that the then Japanese Foreign Minister wrote to the Chinese Interior Minister acknowledging that the Senkaku Islands were "the territory of China". Of note to Australian observers has been the fact that little correspondence has been entered into over the following century since that observation and even less investment was made by Chinese Governments in subsequent years. Japanese foreign policy continued with the mantra that there was no dispute as the Chinese claims only began when suggestions of natural resources were published.

Russia

Just as the end of the Cold War thawed Russia's relationships with its Western neighbours, so too did its relations with Japan. East Asia faced a unique situation as, even though the practices which commenced in Moscow in 1917 had been discredited and discontinued, semblances of Marxism remained across East Asia. The new Russia felt morally and ethically obliged to at least remain on speaking terms with its former communist partners. Moscow's ongoing dispute with Tokyo is now limited to the Shikotan, Etorofu, Habomai and Kunashiri Islands. If this sounds unfamiliar to Western observers, they are forgiven. Japan's geographical challenges can explain the reasons why most regional disputes relate to the way coastal islands are administered.

CONSTITUTIONAL REFORM

Reform of Japan's post-war Constitution was a subject frequently raised in meetings, and seemingly an imperative across most of the political spectrum.

Article 9

The substantive proposal at issue is to amend Article 9. This clause renounces war and commits Japan not to maintain military forces. It has been an issue in recent years due to Japan's increased engagement in international peace-keeping and more recently, it would appear, in the more immediate context of tensions with China and North Korea. Reference often arose in connection to Japan's relationship to Australia through peace-keeping operations.

The question was much spoken of, but little spoken to in our meetings. That is to say, we gleaned little understanding of whether the strong desire to see the Article revised equated to anything like a consensus as to what form an amendment would take or how the amendment process should proceed.

Particularly strong support was expressed by Restoration Party representatives.

Article 96

The mechanism to amend the Constitution is found in Article 96. This provides that a successful referendum requires two-thirds majority support of all members of the Diet as well as a popular majority at the referendum plebiscite. This is obviously a process requiring a high level of political support in order to bring forward an amendment proposal and while the present government is strongly placed in the House of Representatives, the upper house elections scheduled for this July are significant in terms of its overall parliamentary position.

NATURAL DISASTER RECOVERY

The Damage Inflicted

At the macro level, the financial impact of the disaster *per se* was, interestingly, not a major feature of the delegation's meetings. However it was evident this is a major concern, especially in the wider context of Japan's overall economic circumstances.

In visiting Tohoku, we could not help but be struck by the extent of the physical damage. Some way from the coast the landscape remained obviously affected, with infrastructure out of commission. As we approached the town of Minami Sanriku this picture became starker. The community was in ruins, two years after the tsunami. Around 1,000 residents lost their lives, out of a community of 17,000.

The delegation met with Mr Oikawa-san, the Chair of the Management Committee of the temporary shopping village in Minami Sanriku. That there was such an impermanent structure two years after the disaster was notable in itself, and a clear sign of the extent to which reconstruction was still proceeding. The temporary shopping area would be in place for a number of years to come.

Concerns were expressed about the level of national government support that had been received and the certainty going forward – as well as the slow pace of reconstruction. A further issue in this regard, by way of example, was uncertain tenure over the land being used for the temporary shopping centre. The financial viability of the town, which rests in large part on fishing and tourism was a major concern, as was the fact that residents will not be able to rebuild where they formerly lived.

The resilience and pride of the community was striking and affecting. Mr Oikawa, Mayor Sato, the municipal employees and shopkeepers we met and especially the schoolchildren bound for Australia, all demonstrated a deep attachment to place and commitment to rebuild.

Landholder Compensation

Issues related to individuals returning to their property and of compensation where they cannot do so loom large. This is of course both a broad question of public policy (how to situate vulnerable communities to minimise future exposure) and a narrower one going to meeting individual needs.

The major parties have similar policy positions and broadly support relocation of exposed communities and the payment of compensation. There are some concerns of application, for example, in determining precise entitlements in earthquake-affected areas where the land itself has changed, and where individuals and communities do not agree to relocation.

The delegation visited the Diet during a plenary session. A question was asked to the Prime Minister from a member of the New Komeito Party (a coalition partner in government) which raised a number of issues connected to disaster relief. This exemplified the importance of these matters at the highest level of government.

Minami Sanriku provided a case study. We were advised it would be four years until homes near the waterfront would be relocated (to higher ground). In addition to the uncertainty as to personal circumstances we understood the level of ongoing concern as to whether compensation will be available. No doubt such considerations apply equally in other communities in Tohoku.

International Support

Appreciation was expressed widely in respect of the support Australia had provided in search and rescue, logistics and through the visit of Prime Minister Gillard as the first head of government to visit Japan post-disasters.

In Minami Sanriku, Mayor Sato expressed particular gratitude to the Australian government for its efforts in reconstruction and we witnessed firsthand the contribution of Australian businesses (ANZ and Lendlease) through the construction of 'Koala House' – a library and community facility.

Infrastructure Rebuild and Disaster Planning

There is a high degree of bipartisanship between the LDP and DJP on reconstruction issues. The policies of the current administration essentially continue those adopted by the DPJ. A key feature of the delegation's meeting with DJP Diet members was the question of future planning to deal with natural disasters, with particular emphasis on the question of relocation of exposed communities. A point of divergence from the consensus will most likely relate to differing attitudes to the nuclear industry with the DJP less supportive of nuclear power than the LDP.

Increased incomes taxes to finance recovery were a key feature of the initial government response. It is anticipated that 1.9 trillion yen will be expended on infrastructure.

It was made clear that the work is behind schedule across the affected areas, and the delegation witnessed the slow progress directly. Around Minami Sanriku, train lines are not yet back in operation and the appearance of the townscape demonstrated the scope of the task ahead. Entire communities require rebuilding.

THE NATURAL ENVIRONMENT

Hakone

Part of the Fuji-Hakone-Izu National Park, approximately 100 kilometres from Tokyo, Hakone is famous for its natural beauty, view of Mt Fuji and hot springs. Hakone is much loved by the Japanese and is a well sought after destination for both tourists and the Japanese seeking a short break from Tokyo.

More than 12 hot springs service and provide hot spring water to Hakone's bath houses and Ryokan. This is due to Hakone being one of Japan's most popular resorts for many centuries.

Many of the resorts in Hakone are classified as 'Ryokan', which is a Japanese style inn. Ryokan allow tourists to experience traditional lifestyle and hospitality, for example, Japanese Onsen, local food, futon beds and tatami floors. Tourists and visitors can enjoy hot springs throughout Hakone by staying at a Ryokan or by visiting a public bath house.

Sendai

Sendai spans across the Pacific Ocean and enjoys a diverse geography. The east of Sendai occupies land with relatively low relief while the city centre is hilly and the western areas are mountainous. Sendai's highest point is Mt Fungata, which reaches 1,500 m above sea level.

The hot springs in Sendai are heated by hydrothermal activity. This generally occurs from volcanic activity, however most mountains in Sendai are dormant volcanoes.

On 11 March 2011, a 9.0 magnitude earthquake occurred offshore of Sendai resulting in a devastating tsunami. The tsunami caused minimal damage to the centre of Sendai yet the coastal area was devastated suffering major damage. The tsunami travelled over eight kilometres from Sendai's coastline and caused major damage to its airport. The earthquake has been recorded as the largest in Japan's history. Unfortunately, there were many fatalities, injuries and many people were made homeless.

Matsushima

Located only 30 minutes from Sendai, Matsushima is easily accessible by train and is located near Japan's famous temple Zuiganji. Matsushima is one of the three most celebrated scenic sights in Japan. Matsushima features over 260 miniature islands covered in pines and

is located in the Miyagi Prefecture. Tourists are able to view the islands from up close on cruise boats.

Despite the short distance between Sendai and Matsushima, the area was protected by the islands from the 2011 tsunami and, as a result, the region suffered limited damage.

Housing

Japan's style of housing can be defined into two groups, modern and traditional styles. These styles both include a single family detached house and apartments. Housing is either owned by a corporation that is rented by tenants or owned by an individual.

Many other housing options are available to cater to individuals who may be unmarried, these include boarding houses, dormitories and barracks.

Housing in Japan has a limited lifespan and is generally torn down after a set period of time for example, wooden houses - 20 years and concrete buildings - 30 years.

Environmental Protection

Japan maintains a strong balance between economic development and environmental protection. The Japanese government takes great pride in taking international responsibility to conserve and protect its environment.

In 1993, the Japanese Government legislated the 'Basic Environment Law'. This law included the restriction of industrial emissions, waste, encouraged recycling and the improvement of energy consumption.

In 2001, the Japanese introduced a Ministry of Environment to the national Diet. In December 2007, 14 sites in Japan were listed as World Heritage sites. Japan also contains 29 protected national parks throughout the country.

Over recent years, the Japanese Government has taken a proactive approach to waste management. The main focus has been on the reduction of solid waste going into landfills. Japan is a signatory to the Kyoto Protocol and hosted the conference that created the agreement. Japan has agreed to reduce its emissions level by six per cent less than its level in 1990.

Japan currently utilises nuclear energy for one-third of its power supply. Since the nuclear accident caused by the tsunami in 2011 at Fukushima, support for phasing out nuclear power has grown.

JAPANESE CULTURE

The Japanese culture of collectivism versus individualism was apparent to the delegation during our visit to both Tokyo and regional Japan, as was the deep culture of respect, honour, humility, discipline, structure, strong work ethic and respect for those of higher rank.

Work

Japanese work life has been historically based on the notion that Japanese companies engage employees in lifetime employment. While this phenomenon has been maintained for part of this century, it only applies to a small proportion of ordinary Japanese workers. We understand that it is the case for males, but not for females or less educated workers.

We learnt that this practice has been changing since the 1990s, during the recession and the expectation that workers will be employed for the same company throughout their life is diminishing. Employment of agency workers is on the rise, which is contributing to instability in employment. The employment relationship is largely unregulated. Annual and sick leave do not feature as standard workplace rights. Instead, public holidays are relied upon together with weekends to offer respite from workdays, which are commonly very long, often to 10.00pm.

Respect, Honour, and Politeness

The practice of respect and politeness was evident at all times in Japan. Honesty at the risk of causing offense is not encouraged or expected and respect of hierarchy is expected to be observed at all times. Most telling was a casual conversation with two young Japanese locals who described with sadness their shame connected with the Fukushima nuclear disaster.

Food

During our tour we were able to sample a wide range of Japanese food. Rice is complemented with other dishes, including fish, meat, vegetables, various pickles, and soup. Fresh raw seafood is served abundantly, with soy sauce as *sashimi*, or combined raw with rice in *sushi*. Alternatively, the seafood and vegetables are deep-fried in batter (tempura).

Fresh fruit and vegetables are prominent in the Japanese diet and are often sourced from the Tsukiji wholesale market located in central Tokyo, which we toured. The market sells 18,000 tons of fish per day and transacts the equivalent of \$16 million per day. The popular and famous tuna auctions attract buyers from 4.00am.

Religion

Traditional Japanese religion includes Shinto, Buddhism and Confucianism. Most Japanese practice Buddhism and Shintoism and it is common for a home to have a Buddhist or Shinto Shrine. Visits to shrines and temples are also regular.

We visited the Senso ji Temple in central Tokyo where visitors bathe their hands prior to entering the Temple to cleanse them. Whilst in the temple visitors inhale smoke from the incense cones in order to cleanse the soul.

In the town of Kamakura we visited the Buddhist Temple to see the seated Buddha (Amida Nyorai). The Kamakura Daibutsu is the principle of deity of the Kotoku in the temple. Construction for this national treasure commenced in 1252 and continued for 10 years. The hall which covered the Daibutsu was destroyed by a tsunami in the 14th century.

Urban Development

Japan's population is slowly declining caused by lower birth rates and very limited immigration. This is despite the Japanese having one of the highest life expectancies in the world. It has been estimated that Japan's population will continue to decline by one million people each year in the coming decade.

Japan is recognised as an urban society with an estimated five per cent of the workforce engaged in agriculture. Over 80 million of the urban population lives on the pacific shores. Tokyo is Japan's most popular city with over 13.2 million people residing in the city. Japan's major urban issues are over-crowding and congested traffic.

CONCLUSION

The tour was a unique opportunity to experience the Japanese culture, environment institutions and political system. The delegation also had the opportunity to witness the

devastation of the 2011 earthquake and tsunami. The resilience of the Japanese people and their determination to recover is admirable.

The Japanese economy is delicately placed and many observers are carefully watching the effects of Prime Minister Abe's program.

Australia and Japan are long-term partners and the tour was an opportunity to reinforce our friendship.