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Minilateral solutions to the geoeconomic challenges facing Japan and Australia

Published: 02 March 2024

Reading Time: 6 mins

<https://eastasiaforum.org/2024/03/02/minilateral-solutions-to-the-geoeconomic-challenges-facing-japan-and-australia/>



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IN BRIEF

Japan and Australia, as middle powers in the Indo-Pacific, have a shared interest in using minilateralism to boost regional cooperation, strengthen regional economic order and prevent coercive economic practices, particularly from major powers such as China. While these countries have traditionally relied on bilateral partnerships and multilateral institutions, minilateral approaches have a unique advantage due to their agility and adaptability and are being used increasingly to protect against geoeconomic coercion.

If minilateralism is the ‘way to get things done’ in the Indo-Pacific — whether in the security, diplomatic, defence or economic spheres — then what Japan and Australia, as two leading ‘middle powers’ in the region, want to get done is an important question. Though much of the focus on minilateral arrangements is on their security and defence roles, Japan and Australia have a strong interest in using minilateralism to boost regional cooperation in the nexus between economics and security.

The economics-security nexus refers to the use of economic tools — such as trade, investment and foreign aid — to pursue security-related or strategic goals. All countries engage in such practices, to some extent, but they are particularly used by major powers. Japan and Australia both share a common interest in preventing countries from using coercive economic practices to extract concessions, punish others or expand their influence and shape the regional economic order.

Both countries have been subject to coercive economic practices from a major power in the region — China. In 2010, Japan faced bans on the export of rare earth minerals to China after a dispute over the Senkaku/Diaoyu islands. More recently, Japan has been subject to export bans due to its release of wastewater from the Fukushima nuclear power plant. Since 2020, Australia has also been subject to ‘punishment’ by China through trade bans on various exports for perceived diplomatic and political offences.

Given the infeasibility of direct retaliation, it is important for Japan and Australia to find alternative ways to protect themselves and the region from such geoeconomic actions. A proactive approach would involve assisting in making the region more resilient. This applies not just to specific attempts of geoeconomic coercion but to wider attempts in reorienting the regional order. Japan and Australia have a common interest in helping countries to diversify their trade and investment relationships and strengthen the region’s rules-based economic order.

Japan and Australia have hardly been idle in engaging with the region. Both have built significant bilateral partnerships. The two countries have also been major players in the region’s multilateral institutions, such as the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), the Regional Comprehensive Economic Partnership (RCEP) and the US-led Indo-Pacific Economic Framework (IPEF). They are also important partners of ASEAN.

But bilateral partnerships, while important, tend to involve overlapping or redundant programs. They also lack the heft needed to provide sufficient countervailing opportunities against China’s growing dominant position or to enmesh China in more open and transparent economic standards and norms. Multilateral arrangements, meanwhile, are often cumbersome, slow-moving and tend towards lowest-common-denominator outcomes and are easily disrupted by strategic competition.

Compared to bilateral and multilateral frameworks, minilateral initiatives offer the advantages of ‘agility’ and ‘adaptability’. Yet in addressing the region’s geoeconomic challenges, Japan and Australia have been less active in building minilateral institutions compared to their efforts on the security front. This absence is especially apparent given China’s strong emphasis on geoeconomics in its own bilateral and minilateral initiatives, such as the Brazil–Russia–India–China–South Africa (BRICS) grouping or the Shanghai Cooperation Organization.

While the Quadrilateral Security Dialogue (Quad), AUKUS, the Global Combat Air Programme and the US–Australia–Japan Trilateral Strategic Dialogue are key examples of Japan and Australia’s engagement in security minilateralism, there are fewer instances of substantial geoeconomic initiatives.

There are signs of change on this front. The Quad does have a geoeconomic dimension, though often overshadowed by its security role. The Trilateral Infrastructure Partnership — comprising Japan, the United States, and Australia — and the Partners in the Blue Pacific — comprising Australia, Japan, New

Zealand, the United States and the United Kingdom — are now in place. But these minilateral initiatives are young and have modest scopes.

Minilateral approaches can be especially useful in filling the gaps left by multilateralism and bilateralism. This could involve ‘shrinking down’ larger frameworks to focus on cooperation among like-minded partners or by ‘building up’ the comprehensive strategic partnership between the two countries. Ultimately, the aim would be to establish what US Ambassador to Japan, Rahm Emanuel, describes as ‘anti-coercion’ coalitions.

Finding potential partners in such a process is crucial. One possible option, Indonesia, is not only a major strategic player but also an emerging geoeconomic actor, especially in critical minerals. Though Tokyo and Canberra have been pursuing deeper relations with Jakarta on a bilateral basis, they are trailing behind China, particularly on the investment front. Indonesia still needs more investment for strong long-term growth, presenting an opportunity for increased minilateral cooperation.

Other opportunities are emerging, with Japan and Australia collaborating with India to establish the Supply Chain Resilience Initiative. They have also signed an agreement to boost cooperation on critical minerals, which could be expanded into a minilateral arrangement. On critical and emerging technologies, Japan and Australia — through the Quad partnership — have signed up to a set of principles to set standards and aid cooperation. Engaging with Southeast Asian countries will be vital. But actors from elsewhere in the region will also be important, especially Pacific Islands countries.

China’s attempt to coerce Australia through various trade bans highlights the benefits of diversifying economic activity to create broader resilience. The relative decline of the United States as an economic actor highlights the need for middle powers in the Indo-Pacific to work more closely. Japan and Australia should seek to boost minilateral ‘webs’ of cooperation throughout the Indo-Pacific, not only in the military sphere but also in the nexus between economics and security.

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This article was written with the generous support of the Australia–Japan Foundation.

<https://doi.org/10.59425/eabc.1709416800>

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