New Zealand Ambassador to Japan, Mark Sinclair

Touching Base with New Zealand

– On Future Bilateral Opportunities through the Eye of the Ambassador

Interviewer: Naoyuki Haraoka Writing: Elena Voelzke

Mark Sinclair recently took up his position as New Zealand's ambassador to Japan. *Japan SPOTLIGHT* asked him about his general views on the New Zealand-Japan relationship and in particular about trade liberalization. Discussions on whether to participate in the Trans-Pacific Partnership (TPP) have made trade liberalization a hot topic in Japan. As a leader in this field in the Asia-Pacific area, New Zealand is a possible model for Japan, which is standing at the crossroads to a comprehensive liberalization.

Haraoka: Mr. Sinclair, you have recently been appointed New Zealand's ambassador to Japan. What kind of impressions do you have of Japan so far?

Ambassador Sinclair: Thirty years ago I lived in Japan and worked for the embassy in Tokyo. So my interest was how Japan of 2012 compared with Japan of 1982 has changed. My impression is that Japan continues to look like a very prosperous country, a successful society. Tokyo remains one of the world's great cities. It is a very enjoyable place to live, in terms of the quality of the cuisine and the quality of daily life. What I am less aware about, because I have only been here for two months, is the extent of changes that have taken place below the surface in Japan's economy and society. I will reserve my judgment until I have been here a little bit longer.

Mark Sinclair, New Zealand ambassador to Japan

Haraoka: What is your impression of the Japanese economy? Thirty years ago Japan's economy was peaking, but now it is unfortunately declining because of depopulation and a loss of economic vitality.

Ambassador Sinclair: Well, I read those stories. However, leaving the analytical perspective aside, you still get the impression of a prosperous and successful society. I am saying this coming out of New Zealand and having newly arrived in Japan. My impressions are based on what I have seen in this area, around the embassy and in Tokyo more generally, also in visits I have made to Miyagi, Niigata and Toyama prefectures.

Partners within Future Asia

Haraoka: Thinking also about the recent visit of New Zealand Prime Minister John Key to Japan, what is your view of the prospects for bilateral relations?

Ambassador Sinclair: Several points. The first is that from a New Zealand perspective the Japan relationship is extremely important. Japan has an economy about the same size as China's. There is a technological depth, commercial energy and capital resources. Japan is important to us economically. It is also one of the great powers of North Asia and important to us from a political point of view. This came through quite firmly during the prime minister's visit: I think there is a sense in both Kasumigaseki and in Wellington that we have a lot in common in terms of values. We also have a lot in common in terms of our approach to bilateral and international relationships. That's important. This is one reason why I think the New Zealand-Japan relationship will become closer in the future.

Haraoka: Certainly, we do to some extent share common values and opinions about economic and national security policies. This common background helps build strong informal ties between our countries and could be useful in contributing to peace and prosperity in the APEC area. Unfortunately, this area seems to be one of the most unsettled at the moment, having even the potential of a major conflict.

Ambassador Sinclair: That's true. It is not something new. Asia is an area where a number of interests of great powers intersect. We are quite conscious that New Zealand is remote. We don't have to wrestle directly with those kinds of issues. But for Japan, South Korea, Russia and China the collision of interests is a day to day reality and something that Japanese Prime Minister Yoshihiko Noda and his colleagues need to deal with at the moment.

Haraoka: Some political scientists suggest that North-East Asia is likely to become the center of major conflicts from now on. Therefore, we are interested in global governance, and we want to understand how regional integration can contribute to global governance.

Ambassador Sinclair: Obviously, we need to be sensitive to the risks. From a New Zealand perspective, regional institutions and bilateral relationships have developed in a positive way over the years. I think there is a much bigger understanding in the major Asian capitals about the risks and what needs to be done to manage them. Take APEC itself, it is an economic institution but the fact that it brings together the leaders of Japan, Russia, China, South Korea and the United States on an annual basis is significant and positive. I think that those sorts of institutions and structures are very important in maintaining communication and understanding of the stakes. They can also provide vehicles to help manage issues that will inevitably arise.

Haraoka: In terms of bilateral relations, most important for Japan is trade and investment. As you know, Japan is now suffering from a trade deficit. Last year it amounted to nearly 33 billion US dollars. Considering this fact, how do you see future trade and investment relations between Japan and New Zealand?

Ambassador Sinclair: Firstly, I don't know what the long-term projections on trade deficits are for Japan. New Zealand has typically been in deficit on trade over the years. I think it is important to not get mesmerized by trade deficits. What really matters is to be successfully linked into the global economy. It is not just a matter of what we export, but also how well we take advantages and opportunities in the services sector, what the capital balance is looking like and whether our major enterprises are successful both at home and offshore. From that point of view, I think Japan's corporate sector has some problem areas. But it has also adapted very successfully to globalization, specialization, the development of multinational production and supply chains. I am optimistic on that front. There are some short-term issues driven by the impact of the Tohoku disaster on nuclear power generation, which is translated into big oil and coal imports. Still, it is not necessarily a long-term, structural problem. As for the bilateral relationship, compared to Japan New Zealand's economy is obviously very different in scale. But I think there are some niche areas where we have successful commercial relationships. There have been some successful Japanese investments in New Zealand. So I think there is a good potential as we look ahead, with a shift in the supply-demand balance for a number of commodities and a shift in the shape of markets. An obvious example is the food and beverage sector. We are seeing there some very successful Japanese investments in New Zealand. This exemplifies the potential New Zealand has as a production base for Asia and other markets.

Paths to Japanese Trade Liberalization

Haraoka: Some experts consider the Japanese trade deficit to be a structural problem. Primarily because of an energy issue, but also because Japanese industry's competitiveness is declining. In order to restore competitiveness, it is necessary to reform Japan's structure, and trade liberalization in particular would be an important engine. Without such reforms, however, there is a concern that protectionism will rise in Japan. How do you think we can mitigate such concerns?

Ambassador Sinclair: That starts with an understanding of Japan's economic situation, outlook and interests at the highest level of government, bureaucracy and industry. In our own contacts with Japanese representatives in recent years we have detected a deep awareness that Japan cannot afford to continue on the current economic track. The strong view is that this track needs to change. This view seems to be widely held among ministers, senior officials in the economic departments and, of course, among the major industry bodies and think tanks. I think there is a strong awareness of some of the specific things that could help change the current trend line. Some of those necessary changes are already taking place. It is generally believed that the consumption tax legislation was an important element in the fiscal challenge. There is a very lively debate on trade policy reform, and Mr. Noda and his colleagues have signaled they are looking in a positive way at the TPP as well as the other initiatives, such as the Regional Comprehensive Economic Partnership (RCEP) and *nicchyukan* (China-Japan-South Korea Free Trade Agreement). In this environment, I don't expect a move in a more protectionist direction. The issue rather is whether a Japanese government can overcome the political hurdles to high quality liberalization within initiatives such as the TPP.

Haraoka: Assuming a move to protectionism took place in the future, would Japan need to promote agricultural reforms to overcome it. I have heard that New Zealand's structural reform has been very successful, not only in the manufacturing sector but also in the agricultural sector. Did you learn any lessons from those reforms that could be valuable for Japan?

Ambassador Sinclair: Generally, the experiences of countries that have eliminated barriers to international competition have found that those sectors have become more competitive and more profitable – assuming that they don't start from a position of structural disadvantage. Certainly, in our case the farming sector since the mid-1980s has been fully exposed to international competition. We no longer have tariff protection, and we no longer subsidize our production. This means we have a farm sector that is much more oriented towards market opportunities, producing what is most profitable and most desirable in international markets. But this lesson is not unique to agriculture. You could point, for example, to Japan where sectors that are exposed to international competition have shown commercial agility and success.

Haraoka: In order to convince Japanese people of the merits of free trade, I believe active information sharing for the public is important, for example through public seminars. I have heard New Zealand is holding such activities to convince people of the utility of trade liberalization, structural reforms and deregulation.

Ambassador Sinclair: We really had that debate 30 years ago, but it was part of a wider debate on economic reform, and it happened in a period when we faced an economic crisis. So, I think the public generally understood that in order to deal with the crisis we had to make some fundamental changes. I am not sure how much of that experience is relevant to Japan's situation.

Haraoka: I think seminars and discussions are an effective way to convince the public of the utility of trade liberalization, and we should do everything we can to promote them.

Building Cultural Relations through Language Programs

Haraoka: Besides economic aspects, what is your opinion of the cultural aspects of the Japan-New Zealand relationship? Do you think there is a big potential for cultural relations between the two countries, including tourism, of course?

Ambassador Sinclair: Well, at the most basic level, what we have seen in the past is that New Zealand people enjoy Japan, Japan's culture and society. Likewise, Japanese visitors generally enjoy New Zealand. We have been enormously fortunate over the years that Japan has invested quite heavily in bringing New Zealanders to support English language teaching through programs such as the JET program. This has been an important contributor to build a number of New Zealanders who have experience working and living in Japan. We also have a very successful working holidays scheme, under which many young Japanese people have spent time working in New Zealand, often combining that with English language training in English language schools. I think it is those sorts of links that build those deep contacts: young people doing high-school exchanges, working holiday exchanges and JET program exchanges. You can see it in our foreign ministry. One member of my team, who came originally through the JET program, is studying Japanese here at the moment. Another member is married to a Japanese citizen but went through university in Japan on a *monbusho* (education ministry) scholarship. These things are important.

Haraoka: Human relations are obviously a very important factor in building relations between the two countries. I myself was very much impressed when I was in New Zealand. Like Australians, many New Zealanders can speak Japanese very well. Is the Japanese language becoming popular in New Zealand?

Ambassador Sinclair: I am not sure if the number of people speaking Japanese is growing, but it is probably stable. There has certainly been a shift. When I was in school, people who studied a second language typically chose French or German. These days I think it is much more likely to be Japanese or Chinese, recognizing the importance of the relationships with the big countries of Asia.

Haraoka: Do you know if the number of New Zealand students or the number of Japanese students in our respective countries is increasing?

Ambassador Sinclair: Numbers are stable. Last year there were 9,322 Japanese who went to New Zealand to study, and approximately 70,000 Japanese travelers.

Opportunities within Tourism

Haraoka: Tourism seems to be one of the most promising fields for the two countries. How do you assess the current situation of tourism?

Ambassador Sinclair: There have been big structural changes in international tourism, including Japan. I think the most recent phenomenon has been the rise of low cost carriers. This rise has boosted Japanese outbound tourism to neighboring Asian destinations and perhaps at the expense of long-haul. Another recent influence on the New Zealand and Japan trade has been the earthquake in Christchurch and the *daishinsai* (Great East Japan Earthquake) which has obviously affected tourism quite sharply over the past year. We have now seen visitor numbers recovering mostly between the two countries, and we have strong expectations that tourist traffic will fully revive. New Zealand is also heavily investing in the Japan market through our national carrier, going back to daily services and increasing capacity. They've developed a new codeshare arrangement with ANA. On top of this arrangement, we signed a modernized bilateral air services agreement during the prime minister's visit. It offers much more flexibility for Japanese and New Zealand carriers. We will also see a change in quality. In the past it has been a JTB-dominated market in outbound tourism to New Zealand; that remains strong, but also new players, such as HIS, are now offering a slightly different product. Generally, I think Japanese travelers are looking for more than just scenery. They are looking for the experience as well. From that point New Zealand has a lot to offer. It is a good place to eat. A lot of Japanese tourists enjoy wine and food from New Zealand. I think the cultural experience, including the exposure to Maori culture and Pacific culture, is something that Japanese tourists find interesting. So I think there is a lot to be optimistic about.

Photo: The Spire Hotel

NZ chefs have created a unique style of cuisine called "Pacific Rim" that draws on the cultures of each Pacific area using fresh local ingredients. Come and try these uncompromising delicious dishes!

Photo: Julian Apse

No need to worry even if this is your first time here. The guided glacier walk tour in Westland Tai Poutini National Park will make you feel at one with the mystery of the Franz Josef Glacier.

Haraoka: Japanese people often connect New Zealand with animals, rare species and beautiful landscapes. So I see a big potential for New Zealand to attract Japanese tourists. Sometimes tourism can also lead to investment. One example is the Niseko ski resort in the northern part of Japan. Australians go skiing there, and some of them started to invest and set up a production or business facility in this area. Do you think investment relations are likely to evolve from tourism?

Ambassador Sinclair: The Millbrook resort near Queenstown is now partly owned by Mr. Eiichi Ishii. This is a similar example.

Haraoka: It is often pointed out these days that young people in Japan have difficulties opening up and interacting with different cultures. Therefore we discuss the need to encourage college or high school students to go overseas. New Zealand is certainly one of the countries to promote, because it is an English-speaking country, and English is important for globalization and international business. You mentioned language programs before as a means to attract young Japanese people. Can you think of anything else?

Ambassador Sinclair: I think this is a really good point. I mentioned earlier the new Japan strategy from the national carrier in New Zealand. I know one specific area of focus is Japanese students. Partly, they expect that if young people visit New Zealand during the school years they like to come back again at a later stage. That is something we came to support.

Contributing to the International Community

Haraoka: One of the most ambitious goals of Japanese officials is to lead international discussions. I used to work for the OECD, and New Zealand government officials, including yourself, are very active in the international community, negotiations, organizations and forums, something Japan is hoping to achieve in the future. What is the secret of New Zealand officials' positive contribution in the international arena?

Ambassador Sinclair: I think to some extent the practical reality is decisive. When it comes to international issues, the world's great powers, whether it is Japan, China or the US, have a clear internal focus. A Japanese official or an American official is inevitably going to be thinking first and foremost about the Tokyo interest, the Washington, or the Beijing interest. In contrast, as a New Zealand official you have actually a lot more freedom. You can think beyond the narrow confines of the New Zealand interest. For example, what is the larger international interest in play here? How can we participate? How can we contribute to a solution on this issue? Whether it is in the WTO, in APEC or specific trade negotiations, I think we often benefit from greater freedom to maneuver than is the case for Japanese, American or Chinese counterparts. So that's one factor. I think language is an asset. English is increasingly the language of international diplomacy. We also benefit from the fact that New Zealand and New Zealanders are not seen by anyone as a threat. Our nationality is normally not a complication. Whereas being Russian, American or Japanese can be a complication when it comes to selection of key roles. I would also like to think that our values are internationalist in the first instance and that they are ones that contribute to the healthy conduct of international relationships. I think that is an asset.

Haraoka: Japanese people don't have a language asset, because English is not our mother tongue. However, in the Asian area we have some common values especially with Chinese and Koreans, and that is Confucianism. Perhaps we can take advantage of such cultural assets and build more intimate relationships in the international community, in particular in Asia.

Ambassador Sinclair: I would be keen to see that. JS

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