



Realising the grand bargain potential of the Australia-Japan Special Strategic Partnership

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Policy recommendations

- Australia and Japan should conceive of the bilateral relationship in terms of its 'grand bargain' potential, based on shared national interests. Australian and Japanese politicians and senior officials who interact regularly should socialise this concept to their respective bureaucracies and publics.
- Canberra should give Tokyo preferential access to critical minerals, if Japan agrees to invest at scale in extraction and processing in Australia. Australia should also be prepared to protect high-value shipments to Japan.
- Australia should give itself flexibility to increase the number of upgraded Mogami frigates it directly purchases from Japan, if this can deliver capability more quickly than constructing them in Australia.
- Canberra and Tokyo should start preliminary discussions on a broadly defined security cooperation treaty.
- The placement of Australian Defence Force and Japan Self-Defense Forces liaison officers in joint headquarters should be extended to reciprocal naval representatives embedded at the service level. Both countries should also establish a standing naval task group.
- The Australian Government and industry should direct funding to Australian academic institutions to build up a cadre of linguists and subject matter experts who can carry forward the security partnership with Japan.

Key points

Australia's already substantive security partnership with Japan contains the seeds of a grand bargain based on economic complementarity and shared geopolitical imperatives. The two countries are frequently described as 'natural' partners. Yet there is nothing organic about the mutual commitment of political will, treasure and acceptance of risk required to realise the partnership's potential. And Australia faces competition in the grand bargain stakes from the United States.

Strategic alignment

The bilateral security partnership between Canberra and Tokyo has come a long way over the past decade, establishing firm foundations. Both countries have a strategic interest in keeping the US, their mutual ally, engaged across the Indo-Pacific, while deterring China's expansionism and hegemonism via coordinated efforts along the first and second island chains. Bilateral partnership does not offer an alternative to their respective alliances with the US; it complements and triangulates them.

Australia and Japan do not have identical defence interests given the physical distance that separates them, while in military capacity terms they are poles apart. Yet there is a substantial strategic intersection, including maintaining the territorial integrity of Taiwan and the Philippines, and the openness of the surrounding

seas. Their armed forces also operate equipment that is increasingly compatible. They train with each other to an advanced degree and frequently deploy together. More broadly, Australia and Japan have a congruent outlook on such matters as sovereign equality among states, free trade and resisting coercion. When Australia and Japan cooperate, they do so as equals.

Japan's longstanding status as a major importer of food, energy and raw materials from Australia has always had a latent strategic dimension, based on Australia's location at the foot of the first island chain, its political reliability and a common ally in the US. Such potent compatibility has the potential to be taken significantly further, especially in critical minerals and defence cooperation. But this will only be possible if both sides accept that their economic and security interests are not simply compatible, but mutually reinforcing.

Canberra and Tokyo already cooperate extensively on security in the trilateral configuration with Washington, as well as in various minilateral formats, such as the Quad, 'Squad' (Australia, Japan, Philippines, US) and multilaterally. However, this report focuses on the untapped core of the Australia-Japan bilateral partnership, on the principle that strategic cooperation should go deep to go broad.

Grand bargain potential

If Japanese capital and know-how can unlock Australia's potential as a processor and exporter of rare earths and critical minerals, it will mitigate China's stranglehold over global supply, giving concrete meaning to claims that Australia can provide Japan with 'strategic depth'. In return for greater Japanese investment in critical minerals production in Australia, Canberra could provide preferential access and some form of guaranteed supply for Japan. To generate favourable economies of scale, Taiwan is well-situated to co-partner with Japan on certain critical minerals projects in Australia.

For Australia, the biggest enhancement to the relationship lies in deeper defence industrial cooperation, and the operational synergies this brings. The immediate engine of this cooperation will be Australia's general purpose frigate program, which has selected the upgraded Mogami design of Mitsubishi Heavy Industries (MHI), at least three of which will be built in Japan and up to eight in Western Australia.¹ Japan's defence industrial capacity has the potential to hasten and discipline the Australian Defence Force's (ADF) 'speed to capability' requirements in this and other areas. Australia should aim to incorporate Japanese best practices in its own naval shipbuilding efforts and across defence industry where these are practically transferable. Japan, for its part, is interested in Australia's Guided Weapons and Explosive Ordnance Enterprise initiative as a supplement to sourcing missiles directly from the US.² And while Australia's defence industrial base is much smaller, Japan's interest in hypersonics testing in Australia and the recently announced Boobook military laser initiative demonstrate that cooperation across the two countries' defence industrial and research enterprises is a two-way street with significant room for growth.³ Further down the track, Australia's interest in a long-range crewed strike aircraft to succeed the F/A-18F Super Hornet could lead to its future involvement in the tripartite (Italy-Japan-UK) Global Combat Air Programme consortium, which Canada recently joined as an observer.

'Depth' is strategically meaningful in the Australia-Japan context only insofar as the sea and air connections between them can be securely maintained. This is a manageable task for trade in peacetime but a much taller order for strategic supply in the event of a major crisis or armed conflict. If Japan buys into Australia as a long-term source of energy and raw materials that can be kept free of interruption by China, then it will have a corresponding stake in a strengthened defence relationship to defend its lines of supply. Australia could assume a greater role in protecting overlapping sea lines of communication, as a quid pro quo for Japan delivering more upgraded Mogami frigates from its shipyards.

Australia's upgraded Mogami selection has already started to push the navy-to-navy relationship much closer, based on congruent geography, overlapping patrol areas and a common logistical pipeline for maintenance, repair and re-supply. This was always destined to be

more than an off-the-shelf capability acquisition, one that propels deeper operational cooperation as well as providing an industrial anchor to the defence partnership.

Australia and Japan are frequently dubbed 'natural' partners. Yet this description could be more harmful than helpful to its prospects. The implication that strategic complementarity leads organically to deeper partnership is illusory.

In reality, taking the Special Strategic Partnership to its next level will require both governments to invest large sums of public money, to shoulder uncomfortable risk and to chart a coherent course for the relationship that establishes a unity of purpose across disparate policy areas and responsibilities. Industry will not buy into the logic of a grand bargain at the scale required without the surety of long-term government backing. In critical minerals, Japan must accept that investing in Australia as a long-term supplier means paying a premium above the market price. Patience will also be required. High input costs aside, Australia's stringent laws and regulations to protect the environment and the equities of Indigenous people mean that it takes 15 years to move from mine to market. Australia is a safe place to do business but it is not always an easy one, notwithstanding Japan's long-standing record as an investor here.

For Australia, now that it has committed itself to buying a Japanese warship design with Japanese weapons systems, the government should allow itself the flexibility to increase the number of upgraded Mogami frigates it buys directly from Japan. If MHI has the capacity to build more ships for Australia in Japanese yards, this represents the speediest pathway to acquiring capability given Japan's enviable record of completing warships on time and on budget. Building new classes of warship in Australia too often results in serious delays and budget blowouts, as demonstrated by the Hunter frigate precedent. Expediting delivery of the capability outweighs the economic benefits of constructing them in Australia.

Given the particular salience of the navy-to-navy relationship, why not build on the current stationing of liaison officers in each other's joint command structures by fielding reciprocal representatives in naval headquarters? Embedding an Australian officer in Japan's Maritime Self-Defense Force staff office would be an effective way to shape the parameters of operational cooperation as the general purpose frigate program unfolds. In fact, the two navies should go further and establish a joint Australia-Japan naval task group, with a small standing staff. To begin with, the task group could subsume some existing bilateral naval exercises and common deployments without unduly straining availability – especially for the overstretched and undersized Australian navy. Over time, as the operational, training and industrial overlap grows, the coordination benefits of such a move will repay the initial investment. The creation of a joint naval force would meanwhile send a clear signal, to ally and adversary alike, that Australia and Japan are strategically cross-braced. Washington would strongly welcome such an initiative between its two closest Pacific allies, and the positive precedent it would set for others to follow.

Treaty question

One policy question overhangs all others in Australia-Japan relations: namely, is there a need for a new,

dedicated treaty to codify their closer strategic relations? The logic for an upgrade to treaty status is simple and compelling. Minister for Defence Richard Marles has said that there is “no country with whom we have greater strategic alignment than Japan”, and that relations are characterised by “complete trust”.⁴ That claim logically begs the question why Australia has no underlying defence and security treaty with Japan, when Canberra has recently concluded a raft of new security treaties with Papua New Guinea, Fiji and Indonesia.

Diplomatic relations between Australia and Japan are governed by the Nara Treaty, which recently notched up its 50th anniversary, while bilateral defence relations are supported by a number of more recent agreements including the 2023 Reciprocal Access Agreement and the 2017 Acquisition and Cross-Servicing Agreement.⁵ The wording of the 2022 Joint Declaration on Security Cooperation notably resembles that of a mutual security treaty, including a commitment to “consult each other on contingencies that may affect our sovereignty and regional security interests, and consider measures in response”.⁶ But it lacks legally binding force.

Some might venture that these tethers are sufficiently robust for the strategic challenges that lie ahead for Australia and Japan. And it is highly likely that there is more activity going on behind the scenes. For instance, it has emerged that Australia is among a select group of countries that are informally providing advice to the Japanese government on its current intelligence reforms – a further indicator of trust.⁷

However, between democracies it is a reasonable expectation that such a consequential security partnership should be underpinned by a dedicated treaty, giving it the legitimacy, continuity and accountability that only a treaty ratified by Parliament can confer. Australia has felt the need to formalise ties even with the United Kingdom, despite the historical informality of their relations, by signing the 2025 Geelong Treaty on top of a 2013 foundational treaty for defence and security cooperation.⁸

So why not Japan?

Residual caution

Japan is habitually cautious about pursuing defence agreements without the direct participation of the US, its sole ally. However, Prime Minister Takaichi Sanae’s energetic Minister of Defence, Koizumi Shinjiro, has been conspicuously activist in his pursuit of new bilateral accords and invigorated partnerships on the international scene, as Tokyo looks to create a supplementary network. Indeed, under current policy settings, Tokyo is likely to be amenable to negotiating a bilateral defence and security treaty with Canberra based around a mutual consultation clause, though its appetite would probably fall short of collective defence obligations. This pragmatic formulation should hardly be an insurmountable ask for Canberra, given the similar structure of the February 2026 Australia-Indonesia Treaty on Common Security, and Canberra and Tokyo’s existing commitment to mutual consultation, from 2022.⁹

It is striking that the treaty question did not obviously rear its head during prominent visits to Australia by Koizumi, this August, and that of Takaichi in May. These were clear opportunities to announce the beginning of negotiations that apparently went begging. Could it sim-

ply be a case of treaty fatigue in the Australian system, or is there another explanation for Canberra’s apparent ambivalence about formalising the ‘quasi-alliance’ with its most strategically aligned partner, bar none?

More likely, persistent inertia and reticence around the treaty question reflects the perception of strategic risk, in Canberra, about Australia’s potential to be entangled in Japan’s often fraught relationship with China. Sino-Japanese relations have been in a state of diplomatic deep freeze for most of Takaichi’s tenure as Japan’s leader, following Beijing’s sharp reaction to her November 2025 comments in the Diet about the strategic implications for Japan that would arise from a military contingency across the Taiwan Strait. Since those matter-of-fact comments, China has engaged in a full-throated campaign to stigmatise Takaichi’s government as ‘re-militarising’ Japan.¹⁰ Australian strategic commentators have previously warned about the dangers of military entrapment in a potential Japan-China conflict.¹¹ Canberra’s fear of entrapment is often overlooked as a restraining influence upon Australia’s foreign policy, compared with the much better-known fear of abandonment.¹²

Role reversal

Whatever the explanation, Japan’s new activism in defence diplomacy under Koizumi suggests that a role reversal may be under way, whereby Japan, long regarded as the more cautious partner, now arguably leads Australia in terms of its assertive approach to defence and deterrence in the region, while Canberra clings to a more diplomatically hedged position, in pursuit of a stable economic relationship with its irascible leading trade partner, China. It remains to be seen whether this role reversal is temporary or longer lasting, but the current trend has introduced a new and unfamiliar dynamic to Australia-Japan security relations.

Koizumi may still be an outlier in Japan’s politics, but he is also representative of a new Japanese generation who are confident on the international stage and acutely attuned to Japan’s vulnerable security situation. Australia needs to understand and keep pace with Japan’s fast-evolving identity as a regional security actor, or it risks being left behind. Yet, outside of government, expertise remains extremely thin. This needs to be corrected, as the grand bargain needs a cohort of Australians with the requisite language skills and expertise to navigate the bilateral relationship across its complex facets.

Because of its more coordinated approach to external statecraft, Australia’s bureaucracy is better placed than Japan’s to realise the grand bargain potential of the bilateral partnership. Japan’s officialdom remains hobbled by bureaucratic stove-piping, with defence policy still on a largely separate track from the economic security and trade agenda led by the Ministry of Economy, Trade and Industry (METI) and the Cabinet Office. While Tokyo is gradually improving its internal coordination – something that the creation of a new centralised intelligence agency should help to catalyse – only a top-down political vision from both countries can properly articulate and drive a grand-bargain partnership for the long term.

Friendly competition

Meanwhile, Australia faces competition from its primary ally. Japan could choose to double down on an alterna-

tive grand bargain proposition with the US, based on the latter's re-emergence as a leading energy exporter (in August 2026, the US became Japan's leading supplier of oil) and its own push to onshore supply chains. An obvious palliative for Tokyo to ease US gripes about Japan 'free-riding' in security is to import more from, and invest in, its ally's economy. Washington may feel confident that the US is better placed than Canberra to offer strategic depth to Tokyo, based on a resident military security guarantee that is economically sustained by the export of energy and critical minerals from North America. The quid pro quo appeal of this logic is likely

to endure beyond the wheeler-dealing Trump administration. Australian policymakers and energy exporters need to be mindful that Tokyo's grand bargain decision point may be closer than imagined, framed by the approaching expiry of a number of long-term energy supply contracts with Australia.¹³

It is no exaggeration to see the grand bargain potential of the Australia-Japan security partnership. But for the partnership to reach its full potential will take unnatural efforts from both sides.

Notes

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