

Japanese-Australian Relations In the Pacific Era

By Mikio Osawa

In January of this year, Prime Minister Nakasone and Minister of International Trade and Industry Murata visited Australia. Stressing how important Japan considers Australia as a partner, they discussed ways of promoting cooperative relations between the two countries with Prime Minister Bob Hawke and other Australian leaders.

Prior to this, in November of last year, a joint government/private Japanese Market Access Promotion Mission, led by Isao Yonekura, president of C. Itoh & Co., and the Pacific Basin Study Team, Osaka, sponsored by the Kansai Committee for Economic Development, both visited Australia. They discussed with their Australian counterparts what steps Japan and Australia should take for the development of the Pacific Basin and Japanese-Australian ties.

In this way, exchange between Japan and Australia, which had been subdued for several years, again became lively from the latter half of last year.

New understanding and exchange

Until recently, the ordinary Japanese thought of Australia as being a very distant country with little relationship to his or her daily life. Development of Japanese-Australian relations in the past has been somewhat distorted, the main emphasis being on trade; Japan imported raw material goods from Australia and exported manufactured industrial goods. In other words, there was an abnormal increase in the exchange of goods and money, with a lag in the exchange of people and culture.

About 70% of the suits and sweaters worn by the Japanese are made of Australian wool. Half of the country's steel products are produced from Australian iron ore and other raw materials. Ordinary Japanese are surprised when told that nearly 70% of the relatively inexpensive beef they eat is imported from Australia. Since the name of the

country which produces the raw material is not indicated on the finished product, the Japanese do not realize the vital role which Australia plays in their daily life.

Recently, however, Australia has become well known to both young and old in Japan thanks to the introduction of two strange Australian animals—the frilled lizard shown on a TV commercial sponsored by a motor vehicle manufacturer, and the koala, who arrived in Japan last October. Australia is also drawing attention as an attractive tourist location for young people with leisure time and disposable income. In this respect also, Australia is becoming a familiar part of Japanese life.

As a result of this new flow of people and culture, apart from the flow of money and goods, the importance of Australia has been recognized anew, this time on the level of the general public. There is now a stronger tie between the two countries.

Japan-Australia trade soars

The thin thread which had linked Japan and Australia since the end of the 19th century through the import of wool and the presence of Japanese pearl divers on the coasts of the Australian continent, was severed by the outbreak of World War II. It was not restored for some time even after the war had ended. The thin thread, however, was replaced with one of more substance during the 1960s when Australia's resources development got under way on a major scale. It was the period when Japan had just embarked on its high economic growth path.

In the 1970s, Britain joined the European Economic Community and severed its "preferential ties" with Australia. As a result, Australia was forced to survive as a member of the Asian community, and thus its relations with Japan grew stronger. Japan imported



Australia's playful koala entered Japan and the hearts of the Japanese just last year.

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large volumes of relatively cheap but good quality mineral ores from Australia, which made it possible for Japan to establish the world's most efficient industrial production system. As for Australia, it acquired a large market in Japan and greatly expanded its economy, thus assuring its people of a high standard of living.

As a result, Japanese-Australian two-way trade totaled US\$7.6 billion in 1977, rose to US\$10.4 billion in 1980 and soared to US\$12.2 billion in 1981. Thereafter, however, the volume of raw material imports from Australia fell because of reduced steel output due to the economic recession in Japan and sluggish growth in electric power demand. The total value of trade between the two countries during 1982 and 1983 was stagnant. However, two-way trade on the level of US\$11 billion is being maintained. For Australia, Japan is its largest trading partner, while for Japan, Australia ranks fourth. Thus, the degree of importance of the two countries' trade relations has not changed.

Foreseeable changes

In looking toward the future, there are prospects for far-reaching structural changes in Japanese-Australian trade. This is because Japanese industrial circles are 1) reducing the import ratio of raw materials and increasing that of semi-finished products; 2) seeking to diversify import sources; and 3) shifting from heavy industry to electronics incorporating advanced technology. These changes will not materialize overnight, but the practice of purchasing large volumes of natural Australian raw materials will gradually change to one of processing the material to some extent on the spot and importing it in semifinished form. Already, for instance, bauxite imports are being replaced by primary aluminum imports. Whether Australia will be able to establish a production structure in line with such change will be an important factor in its future trade with Japan.

Other important issues are Japanese investments in Australia and technology transfers. At present, Japanese investments in Australia amount to over US\$3 billion, but they are expected to rise sharply hereafter. Until now, most of the investments have been portfolio investments in federal and state government issued bonds. Direct investments were chiefly in the resources development sector. From here on, emphasis will most likely be shifted



Japan-Australia business relations become stronger every year.

to the manufacturing and tertiary industry sectors. For Australia to strengthen these industries, vigorous imports of Japanese capital, technology and management know-how will be required. In this case, the problems could arise as to how to soften the Australian government's nationalistic Australization policy, the Australians' preference for Britain and Europe and their allergy to foreign capital domination.

For Japan, the importance of its trade with Australia is not expected to change, at least not during this century. Even if Japan's industrial structure undergoes a transformation, with greater emphasis on high technology, basic industries such as the heavy and chemical industries will most likely continue to be important pillars of the Japanese economy. In other words, Australia will remain indispensable to Japan as a supplier of raw and intermediate materials.

Pacific region perspective

Viewing the issue in the context of the entire Pacific region, in what way will the relationship between Japan and Australia develop? President Reagan is extremely interested in the idea of Pan Pacific regional cooperation, to the extent that he has even appointed a special ambassador in charge of Pan Pacific affairs. The Australian government under Hawke has also adopted a Pacific Economic Community Plan. Since the late Prime Minister Ohira proposed a Pan Pacific Solidarity Plan, debate over the issue has been brewing off and on in Japan.

If, with the United States and Japan as the nucleus, a "community" could be created, participated in by Australia, Canada, New Zealand, the ASEAN nations, South Korea and a China group that includes Taiwan and Hong Kong, the economic and cultural prosperity of

this region would be tremendous.

Since the Pacific Basin, however, is occupied by countries with different cultures and customs, political systems and economic conditions, the establishment of such a community would be a gigantic task. It is only recently that the ASEAN countries are not outwardly opposing the concept of Pacific cooperation, but they are still wary about forming a community under the domination of major powers. China has also not yet expressed its favor of the idea. It is also reported that the newly independent island nations in the South Pacific harbor suspicions that the major powers will connive to reach decisions favorable to themselves alone, to the exclusion of the interests of the smaller nations.

Hence, for the time being, it would be best for the advanced nations in the area to start with the easiest tasks—providing assistance to the developing countries, helping to train personnel, extending financial and technical assistance, improving sea and air transportation and the communications network in the area, and cooperating in the development of energy and in the adjustment of supply and demand of food. The buildup of economic strength by the developing countries in the area has secondary benefits in the form of expansion of markets which would be desirable for both Japan and Australia.

Since government-to-government negotiations for the promotion of the foregoing projects is not immediately feasible, it is desirable for the Pacific Basin Economic Council (PBEC), a private organization which has built up an excellent record so far, and the Pacific Economic Cooperation Conference, consisting of business, academic and government representatives, to continue with their activities. If Japan and Australia continue to strengthen their ties, they can play a leading role in the realization of Pacific Basin cooperation. ●