

# Australia – Japan: An Economic Partnership

By Sir Neil Currie

*Australian Ambassador to Japan*

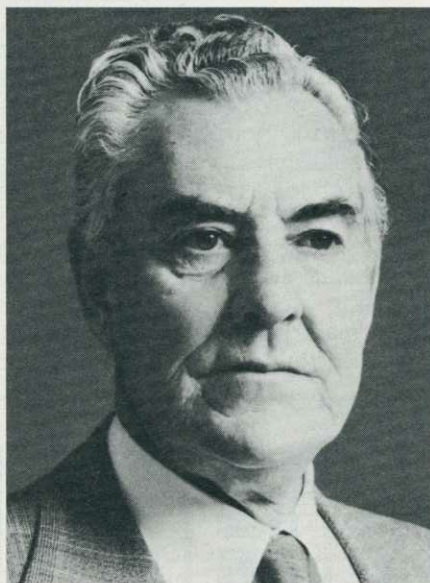
Trade has been a significant part of the Japan-Australia relationship for more than one hundred years. This relationship now extends to almost all aspects of our two societies, but as I begin my present posting in Tokyo, I am especially conscious of the increase in the importance of the trade connection since I last served here almost thirty years ago.

Significant changes have taken place in those thirty years. The Agreement on Commerce between Australia and Japan, signed in 1957, provided the formal basis for the enormous development and diversification of trade which has occurred. In the fifties Japan's imports from Australia consisted mainly of two products, wool and wheat. Japan's exports were mainly textile products. Today Australia is the major source of supply of many of Japan's requirements of foodstuffs, industrial raw materials and energy resources. For example, Japan imports from Australia over 90% of its alumina, 80% of its wool, 70% of its beef, 60% of its bauxite, 60% of its mutton and lamb, 50% of its steaming coal, over 45% of its iron ore, 45% of its coking coal, 45% of its salt and 40% of its barley and sugar. In the future Australia is expected to be an important source of uranium and natural gas.

For Japan, Australia is a significant market for a wide range of manufactured exports. Japan is the major source of supply for many of Australia's import requirements, including transport equipment, tyres, yarns and fabrics, industrial machinery, office machinery, electrical equipment, ships, watches and photographic equipment.

Our dependence upon each other has increased dramatically. For many years Japan has been Australia's major trade partner. In 1950 Australia's exports to Japan represented only 7% of total exports and imports from Japan only 4% of total imports. Today the figures are respectively 28% and 20%.

There is a high degree of complementarity in our bilateral trade and a mutual interdependence. Major industries in



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Japan rely to a significant extent on raw materials from Australia; many mining projects in Australia would not have been undertaken without the assurance of a long-term market in Japan. The rapid expansion of the Japanese steel and non-ferrous industries in the sixties and seventies depended largely on the availability of raw materials supplied from Australia. A natural partnership was there to be developed. Large investments were made in Australian mines, ports and associated infrastructure, sometimes with equity participation by Japanese companies. Today, the demand by Japan for alternative sources of energy—steaming coal, natural gas, uranium—is providing a similar impetus to further developments in Australia and forging additional mutually rewarding links between our two countries.

Naturally our trading relationship has not been without its problems, both problems of a bilateral nature, and wider problems which arise from causes outside the control of our two countries. These problems have not been such as to damage the overall relationship. It has become increasingly clear, however, that the degree

of interdependence between us calls for particularly careful handling of problems when they do arise.

At present Australia is being affected by the downturn in economic activity in Japan which in turn stems from the general slump in world economic activity. Until recent months Japan and Australia were relatively less affected than many other countries but strains placed on our economies in the last twelve months or so have proved that we cannot insulate ourselves from the general world situation. Japan's demand for raw materials is declining or slowing down appreciably and this is bringing problems for the Australian mining industry. Expansion has been halted. This year for the first time in eleven years Japan's steel production is expected to fall below one hundred million tons. The aluminium industry is in difficulties and there are others.

International trade is more than trade between two countries or even two blocs, and, in the wider context, Japan and Australia, as major trading nations, share a common interest in maintaining and expanding an open international trade and payments system. This system is now under grave threat. In the current economic recession more and more countries are resorting to protectionist measures in an attempt to reverse adverse trade trends, stem further falls in employment and restore flagging business confidence. International trade is declining, international indebtedness is increasing, overall employment opportunities are falling and necessary structural adjustments are being postponed. These protectionist measures make it more difficult to fight inflation, contain budgetary deficits and to resume economic growth.

At the same time the principles and codes of behaviour for international trade, as embodied in GATT, are being eroded as governments increasingly resort to unilateral restrictive action, bilateral restraint arrangements or predatory export subsidy practices. We in Australia often hear that agricultural trade is different and requires special consideration.



But now manufactured goods such as textiles, clothing, ships, steel, motor vehicles, electronics and petrochemicals are becoming subject to special arrangements of one form or another which by-pass the procedures of GATT and ignore the legitimate interests of third countries.

The Australian government believes that concerted multilateral effort is needed if current trends are to be reversed. There is need for decisive action by the governments of the major industrial and trading countries to begin winding back the various forms of government intervention which have trade restricting or trade distorting effects. Such action, together with appropriate domestic economic policies, will help to promote sound long-term economic recovery. We look forward to positive results emerging from the GATT ministerial meeting later this month. Japan and Australia stand to lose much if the present trends continue. As a major economic power Japan can play an important role in promoting the expansion and liberalisation of trade and we look for constructive efforts on Japan's part as well as on the part of other major trading countries.

Australia has welcomed the commitment of Japan to contribute to such a revitalisation of world trade by expanding access to its market—as exemplified by the two recent economic packages. However, from Australia's viewpoint the practical effects of these measures have been

limited. We are disappointed that the opportunity has not been seized to start reducing significantly the import restrictions which Japan continues to maintain on a range of agricultural products of interest to Australia such as beef, wheat, dairy products, fruits and leather.

In seeking more liberal access for these and other agricultural products, Australia has no intention of undermining Japan's agricultural support system. We fully understand Japan's desire to secure its food supplies and to ensure farmers a standard of living comparable to city workers. However, we believe that Japan's major agricultural policy objectives can be more effectively and efficiently achieved through alternative support arrangements which do not have such an inhibiting effect on consumption. More liberal access will help not only to reduce consumer prices but will also contribute to the competitiveness of domestic agriculture which itself will benefit from increased consumption. The coming months will provide opportunities for Japan to move further in the direction of opening its market by taking steps to relax the remaining import restrictions which it maintains.

The immediate future presents many difficulties. The general malaise in the international economy and the particular pressures on Japan will inevitably place strains on the Australia-Japan trade relationship. But at this time it is important in the interests of enhancing the longer-term

relationship that both our countries work closely together as friends and partners to find mutually satisfactory solutions to problems as they arise. Our long-term relationship has survived earlier problems and is soundly based. We should not allow it to be undermined by short-term solutions to current difficulties arising from the world economic situation or by bilateral pressures from other trading partners for selective restraint arrangements or special access arrangements.

I am confident that Japan as a leading trading nation will play its part in promoting the expansion of world trade and will contribute to this objective by opening its market further on a non-discriminatory basis. A full revival in economic prosperity requires that other leading trading countries play their part also. Australia will continue to work actively towards our common objectives.

*Before assuming the appointment of Australian Ambassador to Japan in October, Sir Neil Currie was head of the Australian Department of Industry and Commerce. He was a member of the Department of External Affairs (now Foreign Affairs) from 1948 to 1959, serving from 1950 to 1953 at the Australian Mission (later the Australian Embassy) in Tokyo.*

