

EMBARGO  
UNTIL DELIVERY  
1 PM LOCAL TIME

SPEECH BY THE PRIME MINISTER  
ECONOMIC ASSOCIATIONS LUNCH  
TOKYO - 16 MAY 1986

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CHECK  
AGAINST  
DELIVERY

MR CHAIRMAN, DISTINGUISHED GUESTS, LADIES AND GENTLEMEN,

I AM DELIGHTED ONCE AGAIN TO BE YOUR GUEST AND TO HAVE THIS OPPORTUNITY TO REVIEW THE VERY SIGNIFICANT PROGRESS MADE BY BOTH OUR COUNTRIES SINCE MY LAST MEETING WITH YOU.

SUCCESSIVE GOVERNMENTS HAVE BEEN DEEPLY COMMITTED TO PROVIDING AND SUSTAINING THE CLOSEST POSSIBLE CO-OPERATION BETWEEN JAPAN AND AUSTRALIA. INDEED THOSE EFFORTS HAVE BEEN SO SUCCESSFUL I BELIEVE WE HAVE NOW REACHED A POINT WHERE WE CAN TALK NOT ONLY IN TERMS OF CONSOLIDATING THE TRADITIONAL TRADE AND INVESTMENT LINKS BETWEEN US. WE CAN ALSO TALK IN TERMS OF DELIBERATELY MOVING TO DIVERSIFY THE RELATIONSHIP INTO THE NEW GROWTH AREAS BEING THROWN UP BY THE RAPIDLY CHANGING CHARACTER OF OUR RESPECTIVE ECONOMIC STRUCTURES.

WHEN I SPOKE TO YOU TWO YEARS AGO I REPORTED ON THE OPTIMISTIC OUTLOOK FOR THE AUSTRALIAN ECONOMY. I SUGGESTED THAT THIS OUTLOOK, COMBINED WITH THE PROSPECT OF BETTER ECONOMIC TIES WITH JAPAN, PROVIDED AN ENVIRONMENT WITHIN WHICH EACH OF US COULD ADDRESS THE OPPORTUNITIES PRESENTED BY STRUCTURAL CHANGE IN OUR TWO ECONOMIES FOR DEVELOPING A MORE BROADLY-BASED AND COMPLEMENTARY TRADING RELATIONSHIP. I BELIEVE MY CONFIDENCE AT THAT TIME WAS NOT MISPLACED. PERHAPS MORE IMPORTANTLY, I BELIEVE BOTH OUR COUNTRIES HAVE SUCCESSFULLY EMBARKED ON THE PROGRAMS OF STRUCTURAL TRANSFORMATION WHICH ARE SO NECESSARY IF WE ARE TO SUSTAIN AND FURTHER ENHANCE THE LIVING STANDARDS OF OUR PEOPLES.

THE AUSTRALIAN GOVERNMENT HAS VIGOROUSLY PURSUED POLICIES TO IMPROVE OUR COMPETITIVENESS IN THE WORLD ECONOMY. WE RECOGNISE THE FUNDAMENTAL IMPORTANCE OF PROVIDING A STABLE DOMESTIC MACRO-ECONOMIC ENVIRONMENT TO ENABLE THE DYNAMISM AND CREATIVENESS OF OUR INDUSTRIAL SECTOR CAPABLE TO RESPOND TO CHANGING TRADE PRESSURES AND TO THE OPPORTUNITIES ASSOCIATED WITH CHANGING WORLD DEMAND PATTERNS AND TECHNOLOGICAL DEVELOPMENT.

WHEN I SPOKE TO YOU TWO YEARS AGO I SET OUT AN ECONOMIC STRATEGY BASED ON ACHIEVING A GREATER DEGREE OF CONSENSUS BETWEEN AUSTRALIANS ABOUT BOTH THE NEED TO ACHIEVE FASTER SUSTAINED ECONOMIC GROWTH AND OF THE BEST MEANS TO ACHIEVE IT. THE APPROACH WAS NOVEL IN AUSTRALIA, THOUGH, WITH DUE ALLOWANCE FOR OUR DIFFERENT INSTITUTIONAL STRUCTURES, WAS LESS SO IN JAPAN.

I AM PLEASED TO REPORT THAT AUSTRALIA IS NOW A VERY DIFFERENT ECONOMY BECAUSE OF THAT STRATEGY. THE MOST OBVIOUS MANIFESTATION IS THAT AUSTRALIA IS ABOUT TO COMPLETE ITS THIRD YEAR IN WHICH ECONOMIC GROWTH HAS AVERAGED 5 PER CENT. MOREOVER EMPLOYMENT HAS GROWN BY MORE IN THE PAST THREE YEARS THAN IT HAD IN ALL OF THE SEVEN YEARS WHICH PRECEDED IT.

NATURALLY I, AND MY GOVERNMENT, ARE PROUD OF THAT ACHIEVEMENT. BUT WE ARE EVEN MORE PROUD OF THE QUITE REMARKABLE CHANGE IN ECONOMIC FUNDAMENTALS WHICH HAS ALSO BEEN PUT IN PLACE.

THESE INCLUDE REAL UNIT LABOUR COSTS, THE SHARE OF PROFITS IN GDP AND THE LEVEL OF AUSTRALIA'S INTERNATIONAL COMPETITIVENESS EACH BEING AT THE MOST FAVOURABLE LEVEL FOR INVESTMENT IN 15 YEARS. THEY INCLUDE A FIRM APPROACH TO FISCAL RESTRAINT WHICH HAS ENABLED THE FEDERAL GOVERNMENT TO HALVE ITS INHERITED DEFICIT AS A PROPORTION OF GDP IN JUST THREE BUDGETS, AN ACHIEVEMENT WE INTEND TO PRESERVE.

THEY ALSO INCLUDE A NUMBER OF INITIATIVES TO ENCOURAGE MORE OPEN ECONOMIC STRUCTURES IN AUSTRALIA, ABOUT WHICH I WILL SAY MORE LATER, AND MEASURES TO BEGIN TO ELIMINATE UNNECESSARY REGULATION OF THE AUSTRALIAN ECONOMY. THESE MEASURES HAVE BEEN MOST NOTABLE IN A RADICALLY TRANSFORMED FINANCIAL SECTOR. BUT THEY ALSO APPLY MORE GENERALLY, AND INCLUDE THE LIBERALISATION OF SOME EXPORT CONTROLS AND THE INITIATION OF A PROGRAM TO SCRUTINISE NEW REGULATIONS AND TO REVIEW EXISTING BUSINESS REGULATION SO AS TO ELIMINATE THOSE WHICH CAN NO LONGER BE JUSTIFIED.

AUSTRALIA'S APPARENT INFLATION RATE HAS STEPPED UP RECENTLY, PARTICULARLY UNDER THE LAGGED IMPACT OF THE 1985 FALL IN THE \$A ON THE PRICE OF IMPORTED GOODS AND THEIR CLOSE SUBSTITUTES. HOWEVER MECHANISMS ARE IN PLACE, IN THE CONTEXT OF OUR PRICES AND INCOMES POLICY, TO MINIMIZE THE EXTENT TO WHICH THESE INCREASES PASS THROUGH INTO WAGES AND THUS OUR DOMESTIC COST STRUCTURE. AGAINST THE BACKGROUND ALSO OF LOWER CRUDE OIL PRICES THIS IS EXPECTED TO PRODUCE A SHARP DECLINE IN OUR INFLATION RATE IN COMING QUARTERS, BEGINNING WITH THE CURRENT JUNE QUARTER.

ONE UNWANTED BY-PRODUCT OF AN UNSUSTAINABLY FAST PACE OF DOMESTIC DEMAND IN AUSTRALIA IN THE SECOND HALF OF 1985 WAS A SOLID RISE IN OUR CURRENT ACCOUNT DEFICIT. THE UPWARD PRESSURE FROM THAT SOURCE WAS COMPOUNDED BY A VERY SHARP DETERIORATION IN OUR TERMS OF TRADE - A DETERIORATION WHICH IT HAS BEEN ESTIMATED IS ADDING, IN ANNUAL TERMS, ABOUT 1 3/4 PER CENT OF GDP TO OUR CURRENT ACCOUNT DEFICIT.

PARTLY REFLECTING THE NEED TO SECURE AN ADJUSTMENT OF OUR EXTERNAL ACCOUNT, ECONOMIC POLICY HAS BEEN DIRECTED FOR SOME TIME TO SLOWING THE PACE OF DOMESTIC DEMAND AND ACTIVITY. AS A CONSEQUENCE ECONOMIC GROWTH IS EXPECTED TO MODERATE TO AROUND 3.5 PERCENT IN THE YEAR BEGINNING JULY 1986. GROWTH OF THIS MAGNITUDE WILL ENABLE FURTHER EMPLOYMENT GAINS WHILE UNDERPINNING AN IMPROVEMENT IN BOTH OUR CURRENT ACCOUNT AND INFLATION RATE.

WE DO NOT UNDERESTIMATE THE MAGNITUDE OF THE CHALLENGE FACING US AS A COMMUNITY TO ACHIEVE THE RIGHT BALANCE BETWEEN OTHER REQUIREMENTS FOR GROWTH AND THE DISCIPLINE OF THE EXTERNAL ACCOUNT. BUT AS, TOGETHER, AFTER 1983 WE BROUGHT OURSELVES OUT OF THE WORST RECESSION IN FIFTY YEARS I BELIEVE THE GOVERNMENT AND PEOPLE OF AUSTRALIA HAVE THE CAPACITY TO MEET AND OVERCOME THIS CHALLENGE.

THE STABLE MACRO-ECONOMIC POLICY WE HAVE PROVIDED AND ITS RESULTANT ECONOMIC GROWTH ARE ALLOWING US TO PURSUE POLICIES DESIGNED TO DEVELOP A MORE DYNAMIC AND INTERNATIONALLY COMPETITIVE INDUSTRIAL BASE. THIS IS REFLECTED IN OUR APPROACH TO ENCOURAGING MORE EFFICIENT USE OF NEW TECHNOLOGIES IN INDUSTRY, AND IN SECTORAL PLANS WHICH FACILITATE RESTRUCTURING AND A GRADUAL REDUCTION IN INDUSTRY PROTECTION.

ONE EXAMPLE IS THE GOVERNMENT'S RESTRUCTURING PLAN FOR OUR MOTOR VEHICLE INDUSTRY. AN OFTEN OVERLOOKED FACT IS THAT AUSTRALIA IS JAPAN'S THIRD LARGEST MARKET FOR MOTOR VEHICLES AND A LARGE PROPORTION OF DOMESTICALLY PRODUCED VEHICLES ARE PRODUCED BY JAPANESE COMPANIES. THIS IS AN AREA IN WHICH THERE IS SUBSTANTIAL JAPANESE INVESTMENT IN OUR COUNTRY. UNDER THE PRESENT ARRANGEMENTS QUOTA RESTRICTIONS ON IMPORTED VEHICLES ARE BEING RELAXED GRADUALLY. IT IS EXPECTED THAT THERE WILL BE A REDUCTION IN THE NUMBER OF MANUFACTURING GROUPS AND LOCALLY PRODUCED MODELS. THIS SHOULD PROVIDE FOR IMPROVED EFFICIENCY AND COMPETITIVENESS OF THE LOCAL INDUSTRY, AND AT THE SAME TIME PROVIDE OVERSEAS SUPPLIERS WITH IMPROVED MARKET ACCESS.

THE RATIONALISATION NOW UNDERWAY WITHIN THE INDUSTRY, COMBINED WITH EXCHANGE RATE MOVEMENTS, HAS ALREADY HAD BENEFICIAL EFFECTS. AUSTRALIA IS EXPORTING INCREASING QUANTITIES OF AUTOMOTIVE PARTS AND CARS, INCLUDING TO THE UNITED STATES AND JAPAN. FOR EXAMPLE, MITSUBISHI MOTORS AUSTRALIA LTD RECENTLY ANNOUNCED EXPANSION PLANS IN ORDER TO MEET A VERY SUBSTANTIAL EXPORT ORDER FOR AUTOMOTIVE PARTS TO ITS PARENT COMPANY HERE IN JAPAN. MITSUBISHI AUSTRALIA EXPECTS TO INCREASE EXPORTS OF CYLINDER HEADS FROM 6,000 UNITS TO 26,000 UNITS PER MONTH. IN THE HIGHLY COMPETITIVE AUTOMOTIVE FIELD THESE SUCCESSES REFLECT BOTH THE PRICE COMPETITIVENESS AND THE QUALITY OF OUR PRODUCTS.

THE STEEL PLAN IS ANOTHER EXAMPLE OF OUR APPROACH TO INDUSTRY POLICY. THE AIM OF THE PLAN IS TO RESTORE THE VIABILITY AND COMPETITIVENESS OF THE AUSTRALIAN STEEL INDUSTRY. THE PLAN COMMITS THE INDUSTRY AND ITS WORKFORCE TO WORK TOGETHER TO REDUCE PRODUCTION COSTS AND TO IMPROVE EFFICIENCY AND PRODUCT QUALITY. OUR STEEL INDUSTRY HAS NOW RETURNED TO SOUND PROFITABILITY.

THE SUCCESS OF THIS PLAN IS NOW THERE FOR ALL TO SEE. 1985 WAS A YEAR OF CONTINUED IMPROVEMENT IN PRODUCTION, EXPORTS, PRODUCTIVITY AND MARKET SHARE OF THE AUSTRALIAN STEEL INDUSTRY. THE WEIGHTED AVERAGE PRICE INCREASE ACROSS THE INDUSTRY'S PRODUCT RANGE WAS HELD TO 3.36 PERCENT IN 1985 WHILE EXPORT SALES OVER 1984 INCREASED BY 71 PERCENT. A PARTICULARLY PLEASING FEATURE OF THE INDUSTRY'S RECENT PERFORMANCE HAS BEEN THE LOW LEVEL OF MAN HOURS LOST DUE TO INDUSTRIAL DISPUTATION. LOSSES IN THE DECEMBER QUARTER WERE THE LOWEST SINCE OUR STEEL INDUSTRY PLAN COMMENCED. AT THE SAME TIME PRODUCTIVITY IS BEING MAINTAINED AT VERY HIGH LEVELS.

THIS IMPROVEMENT IN INDUSTRIAL RELATIONS IN THE AUSTRALIAN STEEL INDUSTRY IS NOT UNIQUE TO THAT INDUSTRY. FIGURES RELEASED IN AUSTRALIA EARLIER THIS WEEK SHOWED THAT THE LEVEL OF WORKING DAYS LOST THROUGH INDUSTRIAL DISPUTES DURING JANUARY THIS YEAR WAS THE LOWEST FOR ANY MONTH FOR ALMOST 19 YEARS - SINCE DECEMBER 1967.

THIS CONTINUES A PATTERN NOW WELL ESTABLISHED UNDER MY GOVERNMENT. SINCE 1983 WE HAVE SECURED A DRAMATIC LESSENING OF INDUSTRIAL CONFLICT IN AUSTRALIA. INDEED THE AVERAGE ANNUAL NUMBER OF MAN DAYS LOST IN INDUSTRIAL DISPUTES IN AUSTRALIA IN THE 3 YEARS SINCE MY GOVERNMENT'S ELECTION IS WELL UNDER HALF THE AVERAGE OF THE PRECEDING 7 YEARS.

THIS IMPRESSIVE RECORD STARKLY ILLUSTRATES THE SUCCESS OF OUR GOVERNMENT'S PRICES AND INCOMES ACCORD AND OUR INDUSTRIAL RELATIONS POLICIES.

WHEN THE SITUATION WAS LESS SATISFACTORY WE WERE, UNDERSTANDABLY, OFTEN MADE AWARE OF THE PROBLEM BY PEOPLE INVOLVED IN TRADE BETWEEN OUR TWO COUNTRIES. INDEED IT WAS OFTEN ADVANCED AS A REASON FOR DIVERSIFICATION OF SUPPLY AWAY FROM AUSTRALIA. IF SUCH A PROPOSITION EVER HAD ANY SUBSTANCE, THEN WE BELIEVE FULL AND EFFECTIVE RECOGNITION SHOULD IN TURN BE GIVEN TO THE QUITE DRAMATIC IMPROVEMENT IN OUR INDUSTRIAL RELATIONS RECORD.

I KNOW THAT JAPAN TOO, HAS BEEN ACTIVE IN PURSUING POLICIES TO BETTER INTEGRATE ITS ECONOMY INTO THE INTERNATIONAL TRADING SYSTEM. WE RECOGNISE YOUR MOVES TO IMPROVE ACCESS FOR FOREIGN MANUFACTURED GOODS INTO YOUR MARKET THROUGH JAPAN'S MARKET OPENING MEASURES, AND YOUR COMMITMENT TO STRENGTHEN THE OPEN INTERNATIONAL TRADING FRAMEWORK. OUR JAPAN MARKET STRATEGY IS DESIGNED TO EXPLOIT THE OPPORTUNITIES OPENED TO US BY THESE MEASURES. I AM SURE YOU WILL UNDERSTAND THAT FROM AUSTRALIA'S POINT OF VIEW, HOWEVER, WE REMAIN CONCERNED THAT THE AGRICULTURAL SECTOR HAS BEEN LARGELY EXCLUDED FROM YOUR MEASURES TO DATE.

AUSTRALIA HAS A PARTICULAR CONCERN ABOUT THE GROWING TENSIONS IN THE INTERNATIONAL TRADING ENVIRONMENT WHICH HAVE ARISEN LARGELY AS A RESULT OF INCREASING PROTECTIONISM AND DISTORTIONS CAUSED BY UNFAIR TRADING PRACTICES. WE ARE PARTICULARLY CONCERNED WHEN SUCH TENSIONS LEAD TO BILATERAL SOLUTIONS THAT HAVE LITTLE REGARD TO THE INTERESTS OF THIRD COUNTRIES.

PERHAPS NOWHERE ARE THE DISTORTIONS IN INTERNATIONAL TRADE MORE EVIDENT THAN IN THE AGRICULTURAL SECTOR. TRADE IN THAT SECTOR IS CHARACTERISED BY INCREASING RESORT TO QUANTITATIVE IMPORT RESTRICTIONS AND EXTENSIVE SUBSIDY PRACTICES. YOU WILL UNDERSTAND, I AM SURE, THAT FOR A COUNTRY SUCH AS AUSTRALIA, WHICH EXPORTS AROUND 80 PERCENT OF ITS PRINCIPAL AGRICULTURAL PRODUCTS, THE CORRUPTION OF INTERNATIONAL AGRICULTURAL MARKETS IS CAUSING SERIOUS INJURY TO OUR NATIONAL INTERESTS.

AGAINST THIS BACKGROUND, AUSTRALIA WELCOMED THE TOKYO SUMMIT'S RECOGNITION OF THE CONTEMPORARY CRISIS IN AGRICULTURE. AUSTRALIA PARTICULARLY APPRECIATED THE SUMMIT'S AGREEMENT THAT WHERE GLOBAL STRUCTURAL AGRICULTURAL SURPLUSES EXIST, ACTION SHOULD BE TAKEN TO RE-DIRECT POLICIES AND TO ADJUST THE STRUCTURE OF AGRICULTURE IN THE LIGHT OF WORLD DEMAND.

AUSTRALIA ALSO SUPPORTS THE TOKYO SUMMIT'S CALL FOR THE EARLY LAUNCHING OF THE NEW ROUND OF MULTILATERAL TRADE NEGOTIATIONS. INDEED WE WOULD WANT AND WILL CONTINUE WORKING HARD TO SEE THAT THE ROUND IS LAUNCHED IN SEPTEMBER - AN OBJECTIVE I BELIEVE JAPAN STRONGLY SHARES WITH AUSTRALIA.

IT IS IN THE INTERESTS OF ALL COUNTRIES TO SEE THAT EFFECTIVE NEGOTIATIONS COMMENCE AS SOON AS POSSIBLE TO HALT THE INCREASING SPREAD OF PROTECTIONISM. IT IS EQUALLY IMPORTANT THAT WE AVOID PROTRACTED NEGOTIATIONS ON THE MECHANICS OF HOW THE ROUND SHOULD PROCEED. WE MUST ALL GET DOWN TO THE TASK OF WINDING BACK THE CONSTRAINTS NOW CRIPPLING WORLD TRADE.

FOR THE NEW ROUND TO SUCCEED IT WILL BE IMPORTANT THAT THERE BE BROAD BASED SUPPORT FROM AS MANY COUNTRIES AS POSSIBLE. IN TURN THIS WILL REQUIRE THAT THE NEW ROUND ADDRESS PROPERLY THE WIDE RANGE OF INTERESTS THAT CAN BE EXPECTED TO BE HELD BY COUNTRIES AT DIFFERENT STAGES OF ECONOMIC DEVELOPMENT.

IN THIS REGARD, THE MANNER IN WHICH AUSTRALIA AND JAPAN HAVE WORKED TOGETHER WITH OTHER COUNTRIES IN THE REGION IN PREPARATION FOR THE NEW ROUND HAS BEEN TO THE SIGNIFICANT ADVANTAGE OF ALL THE COUNTRIES CONCERNED. THIS EXERCISE OF DEVELOPING SHARED PERSPECTIVES AND IDEAS HAS BEEN AN IMPORTANT PART OF SECURING EFFECTIVE ATTENTION TO THE ISSUES OF IMPORTANCE TO THE COUNTRIES OF THIS REGION. THE FORTHCOMING MEETING IN MANILA, TO BE HELD AT EITHER SENIOR OFFICIAL OR MINISTERIAL LEVEL, ASSUMES A PARTICULAR IMPORTANCE BECAUSE IT WILL COME ON THE EVE OF THE GATT MINISTERIAL MEETING IN GENEVA IN SEPTEMBER.

LET ME SAY THAT AUSTRALIA WELCOMES THE THRUST OF THE RECENTLY RELEASED MAEKAWA REPORT AS A POSITIVE STEP WITHIN THE BROADER DEVELOPMENT OF POLICY DIRECTIONS IN JAPAN. THE REPORT HIGHLIGHTS THE IMPORTANCE OF STRUCTURAL ADJUSTMENT OVER THE LONG-TERM AND FOR POLICIES WITH A GREATER EMPHASIS ON MARKET PRINCIPLES AND LOWER PROTECTION LEVELS. I LOOK FORWARD TO HEARING OF THE PROGRESS BEING MADE IN DEVELOPING SPECIFIC POLICIES FOR IMPLEMENTING THE REPORT'S RECOMMENDATIONS.

THE PROCESS OF STRUCTURAL ADJUSTMENT ALREADY TAKING PLACE IN OUR TWO COUNTRIES, AND THE POLICY DIRECTION ARTICULATED BY MY GOVERNMENT AND SUGGESTED IN THE MAEKAWA REPORT, OFFER THE PROSPECT OF BROADENING THE AUSTRALIA/JAPAN RELATIONSHIP, BASED ON THE CHANGING COMPLEMENTARITY OF OUR TWO ECONOMIES.

AS INDUSTRIES IN BOTH OUR COUNTRIES RATIONALISE THEIR ACTIVITIES NEW TRADING OPPORTUNITIES WILL BE OPENED UP. FOR EXAMPLE, WE IN AUSTRALIA ARE SEEKING TO TRANSFORM OUR INDUSTRIAL STRUCTURE TO GIVE GREATEST EMPHASIS TO AREAS IN WHICH WE ARE MOST COMPETITIVE. UNDER YOUR BROAD APPROACH TO INDUSTRY POLICY, I EXPECT A SIMILAR PROCESS WILL OCCUR IN JAPAN.

WITH THE DIFFERENCES IN RESOURCE ENDOWMENTS, THE TECHNOLOGICAL BASE AND TECHNICAL SKILLS IN OUR TWO COUNTRIES, IT IS EXPECTED THAT THIS PROCESS WILL PROVIDE OPPORTUNITIES FOR INCREASED TRADE IN A DIVERSE RANGE OF PRODUCTS. THIS CHANGING COMPLEMENTARITY, ASSOCIATED WITH THE STRUCTURAL ADJUSTMENT PROCESS, WILL PROVIDE SCOPE FOR A BROADENING OF OUR TRADE PATTERNS, WITH THE PEOPLE OF BOTH COUNTRIES BENEFITING THROUGH ACCESS TO MORE COMPETITIVELY PRICED PRODUCTS.

THERE WILL ALSO BE SCOPE FOR INCREASED INDUSTRIAL CO-OPERATION IN THE FORM OF THE EXCHANGE OF TECHNOLOGY AND INVESTMENT FLOWS. ONE EXAMPLE OF HOW THIS COULD BE ACHIEVED IS THE WORK OF YOUR ORGANISATION, THE JAPAN EXTERNAL TRADE ORGANISATION (JETRO) IN PROMOTING CO-OPERATION THROUGH JOINT VENTURES, TECHNOLOGY AGREEMENTS AND JOINT MARKETING OPERATIONS. OTHER INITIATIVES ARE ALSO BEING DEVELOPED IN THIS AREA.

AS THE PROCESS OF STRUCTURAL ADJUSTMENT PROCEEDS, I EXPECT THERE WILL BE INCREASING PROSPECTS FOR BENEFICIAL INVESTMENT BY JAPANESE COMPANIES IN AUSTRALIA OVER A BROAD RANGE OF AUSTRALIAN MANUFACTURING AND SERVICE INDUSTRIES.



JAPAN FOR A LONG TIME HAS UNDERTAKEN CONSIDERABLE INVESTMENT IN AUSTRALIA. WE WELCOME FOREIGN INVESTMENT THAT PROVIDES WORTHWHILE BENEFITS TO OUR ECONOMY. AND RECENT CHANGES TO OUR FOREIGN INVESTMENT POLICY GUIDELINES HAVE SIMPLIFIED AND RATIONALISED THE PROCEDURES FOR MOST FOREIGN INVESTORS WISHING TO PARTICIPATE IN OUR DEVELOPMENT.

WE HOPE THAT THESE CHANGES, COMBINED WITH OUR VERY SOUND ECONOMIC PERFORMANCE OVER RECENT YEARS AND OUR APPROACH TO INDUSTRY POLICY, WILL PROVIDE A BASIS FOR AN INCREASE IN THE HIGH LEVEL OF COMMERCIAL JAPANESE INVESTMENT ALREADY BEING ATTRACTED TO AUSTRALIA. I AM ALSO SURE THAT THERE MUST BE SIMILAR POSSIBILITIES FOR AUSTRALIAN COMMERCIAL INVESTMENT IN JAPAN.

IN ORDER THAT BOTH OUR COUNTRIES MIGHT EXPLORE THE POSSIBILITIES OF FURTHER INDUSTRIAL CO-OPERATION AND, IN PARTICULAR, THE OPPORTUNITIES THAT EXIST FOR INVESTMENT IN EACH COUNTRY, MR NAKASONE AND I HAVE AGREED IN PRINCIPLE THAT IT WOULD BE DESIRABLE TO HAVE AN EXCHANGE OF INVESTMENT MISSIONS: DETAILS AND TIMING WILL BE DISCUSSED BETWEEN GOVERNMENT OFFICIALS AND REPRESENTATIVES OF THE PRIVATE SECTOR. THE OBJECTIVE OF THIS INITIATIVE IS TO LINK MORE CLOSELY THE STRUCTURAL ADJUSTMENT PROCESSES WHICH ARE TAKING PLACE IN BOTH OUR COUNTRIES. THE MISSIONS WOULD SEEK TO IDENTIFY SPECIFIC INVESTMENT PROPOSALS WHICH WOULD FURTHER ENHANCE THE PROSPECTS FOR INDUSTRIAL CO-OPERATION BETWEEN AUSTRALIA AND JAPAN.

AT THE TIME OF MY LAST ADDRESS TO YOU, IN 1984, WE HAD JUST BEGUN THE PROCESS OF FINANCIAL DEREGULATION IN AUSTRALIA WITH THE REMOVAL OF MOST EXCHANGE CONTROLS AND THE FLOATING OF THE AUSTRALIAN DOLLAR. I AM PLEASED TO REPORT THAT WE HAVE TAKEN SUBSTANTIAL ADDITIONAL MEASURES SINCE WHICH HAVE RADICALLY TRANSFORMED THE AUSTRALIAN FINANCIAL SYSTEM. IN DOING SO WE HAVE ALLOWED SUBSTANTIALLY GREATER PARTICIPATION BY FOREIGN COMPANIES IN OUR FINANCE SECTOR. JAPAN HAS FIGURED PROMINENTLY IN THIS DEVELOPMENT.

APPROVAL WAS GIVEN IN 1985 FOR 23 JAPANESE BANKS, TRUST BANKS AND SECURITIES COMPANIES TO EITHER MOVE TO 100 PERCENT OWNERSHIP OF EXISTING MERCHANT BANKS IN AUSTRALIA OR TO ESTABLISH IN AUSTRALIA NEW WHOLLY-OWNED MERCHANT BANKING OPERATIONS. IN ADDITION 3 OF THE 16 NEW BANKS WHICH HAVE BEEN ADMITTED OVER THESE 2 YEARS INVOLVE JAPANESE INTERESTS AND ENJOY FULL BANKING STATUS IN THE AUSTRALIAN FINANCIAL COMMUNITY. THIS IS A CLEAR EARNEST NOT ONLY OF OUR COMMITMENT TO DEREGULATE WHERE IT IS BENEFICIAL TO DO SO BUT ALSO OF THE IMPORTANCE WHICH WE ATTACH TO OUR RELATIONSHIP WITH JAPAN.

I HOPE THAT THE ACCOMMODATING POLICY ON THE AUSTRALIAN SIDE WILL BE REFLECTED IN CONTINUED LIBERALISATION OF THE JAPANESE BANKING SYSTEM AND ENHANCED OPPORTUNITIES FOR AUSTRALIAN BANKS IN JAPAN. THE PRESENCE OF THESE INSTITUTIONS PROVIDE A VALUABLE LINK IN FACILITATING THE FLOW OF TWO-WAY TRADE AND INVESTMENT BETWEEN OUR ECONOMIES.

TOURISM IS ANOTHER AREA OF CONSIDERABLE POTENTIAL IN THE DEVELOPMENT IN OUR RELATIONSHIP. THERE ARE NOW MORE THAN 100,000 JAPANESE VISITING AUSTRALIA EACH YEAR. THIS PROVIDES AN IMPORTANT LINK THROUGH WHICH THE PEOPLES OF OUR COUNTRIES CAN DEVELOP A BETTER UNDERSTANDING OF EACH OTHERS' SOCIETIES AND CULTURES. THE GROWTH OF TOURISM IN AUSTRALIA WILL PROVIDE A FURTHER OPPORTUNITY FOR JAPANESE INTERESTS TO SEEK OUT INVESTMENTS IN REAL ESTATE, HOTELS AND OTHER ASPECTS OF OUR HOSPITALITY INDUSTRY.

THESE ARE BUT A FEW EXAMPLES OF THE MORE GENERAL OPPORTUNITIES NOW AVAILABLE TO JAPAN IN THE AUSTRALIAN MARKET.

OF COURSE, EVEN WHILE WE EACH PURSUE THE OPPORTUNITIES FOR DEVELOPING NEW LINKS BETWEEN OUR TWO COUNTRIES, THE TRADITIONAL BASE OF OUR RELATIONSHIP WILL CONTINUE TO PROVIDE THE SOLID FOUNDATION OF OUR ECONOMIC ASSOCIATION IN THE FORESEEABLE FUTURE. TRUE, THE GROWTH IN MINERALS TRADE IS NOT LIKELY TO CONTINUE TO BE AS RAPID AS IT HAS BEEN IN THE PAST. THIS IN PART REFLECTS THE FACT THAT YOUR INDUSTRY IS GRADUALLY MOVING OUT OF SOME OF THE MORE ENERGY INTENSIVE PRODUCTION PROCESSES. HOWEVER TRADE IN MINERALS WILL CONTINUE TO BE IMPORTANT FOR BOTH OUR COUNTRIES.

JAPAN WILL CONTINUE TO BE A MAJOR MARKET FOR AUSTRALIAN PRODUCTS, INCLUDING IRON ORE AND COAL. AT THE SAME TIME GIVEN THE PRESSURES ON JAPANESE INDUSTRY TO MAINTAIN THEIR COMPETITIVENESS IN THE LIGHT OF THE APPRECIATION OF THE YEN, IT WILL BE INCREASINGLY IMPORTANT THAT YOU HAVE CONTINUED ACCESS TO THE WORLD'S MOST COMPETITIVELY PRICED MINERAL INPUTS. I WOULD LIKE TO SUGGEST THAT AUSTRALIA IS THE MOST RELIABLE AND COMPETITIVE SUPPLIER OF MANY OF THESE PRODUCTS.

AUSTRALIA WELCOMES REPORTS THAT JAPAN IS DETERMINED TO PROMOTE POLICIES AIMED AT REDUCING ITS DEPENDENCE ON HIGH COST LOCAL SUPPLIES OF COAL, AND WE WILL BE LOOKING FOR THIS TO BE REFLECTED IN THE EIGHTH COAL PLAN. I DO NOT THINK WE CAN OVER-EMPHASISE THE IMPORTANCE TO BOTH OUR COUNTRIES OF AUSTRALIA BEING GIVEN THE OPPORTUNITY OF COMPETING ON A COMMERCIAL BASIS FOR ADDITIONAL IMPORT TONNAGE ASSOCIATED WITH THESE POLICIES.

JAPAN WILL ALSO CONTINUE TO BE AN IMPORTANT MARKET FOR OUR AGRICULTURAL PRODUCTS - ESPECIALLY FOR WOOL AND BEEF. THE MAEKAWA REPORT NOTES THE DESIRABILITY OF JAPAN DEVELOPING AGRICULTURAL POLICIES "MORE BEFITTING TO AN AGE OF INTERNATIONALISM".

ON OCCASIONS IN THE PAST SPOKESMEN FOR JAPAN HAVE, RIGHTLY, EXERCISED THE PREROGATIVE OF FRIENDS TO POINT OUT A DIVERGENCE BETWEEN RHETORIC AND FACT IN RELEVANT ASPECTS OF THE AUSTRALIAN SCENE - INDUSTRIAL RELATIONS COMES READILY TO MIND. MY GOVERNMENT HAS, AS I HAVE INDICATED, DELIVERED HANDSOMELY IN THIS AREA.

EXERCISING THE SAME PREROGATIVE OF A FRIEND MAY I EXPRESS THE FIRM HOPE THAT THESE IMPECCABLE PRINCIPLES OF THE MAEKAWA REPORT WILL BE TRANSLATED INTO DECISIVE ACTION.

IN MY VIEW, THE REPORT CORRECTLY RECOGNISES THE BENEFITS THAT WILL FLOW TO BOTH THE JAPANESE CONSUMER AND TO YOUR TRADING PARTNERS FROM THE DEVELOPMENT OF MORE OPEN AGRICULTURAL MARKETS. AS YOU PURSUE SUCH POLICIES, FURTHER OPPORTUNITIES WILL BE PROVIDED FOR AUSTRALIA TO INCREASE OUR COMMERCIAL SUPPLIES OF AGRICULTURAL PRODUCTS TO YOUR MARKET.

LADIES AND GENTLEMEN, I THANK YOU FOR THE OPPORTUNITY TO ADDRESS YOU TODAY. CHANGES OCCURRING IN THE INTERNATIONAL ECONOMIC SYSTEM PROVIDE INCREASING CHALLENGES AND OPPORTUNITIES FOR BOTH OUR COUNTRIES. I LOOK FORWARD TO US WORKING TOGETHER WITH OTHER COUNTRIES IN THE REGION, TO ENSURE A REVERSAL OF THE CORRUPTION WE HAVE SEEN IN THE INTERNATIONAL TRADING SYSTEM. AT THE SAME TIME, THE APPROACHES OF BOTH OUR GOVERNMENTS TO THE FURTHER OPENING UP OF OUR MARKETS PRESENTS INCREASING OPPORTUNITIES TO CONSOLIDATE AND TO BROADEN THE AUSTRALIA/JAPAN RELATIONSHIP. TRADE IN TRADITIONAL PRODUCTS WILL CONTINUE TO BE IMPORTANT, BUT THERE WILL BE NEW OPPORTUNITIES ARISING FROM OUR ECONOMIC COMPLEMENTARITY, FROM INDUSTRIAL CO-OPERATION THROUGH MORE BROADLY BASED TRADE AND INVESTMENT IN MANUFACTURES AND IN AREAS SUCH AS BANKING AND TOURISM. WHILE OUR GOVERNMENTS WILL WORK TO ENSURE AN APPROPRIATE FRAMEWORK IS PROVIDED, IT IS ULTIMATELY UP TO THE PRIVATE SECTOR TO TAKE UP THOSE OPPORTUNITIES TO THE BENEFIT OF BOTH OUR COUNTRIES. I WISH YOU EVERY SUCCESS.

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