



PRIME MINISTER

CHECK AGAINST DELIVERY

EMBARGOED UNTIL DELIVERY

**SPEECH BY THE PRIME MINISTER OF AUSTRALIA
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ALL JAPAN CHAMBERS OF COMMERCE
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With every return visit to Tokyo and Japan - and this is now my fourth visit as Prime Minister of Australia - this city and this country impress me anew with their sense of heightened energy and self-confidence.

Japan is truly at the leading edge of technology and industry, and to visit Japan is to recognise how those human skills created what has become one of the most dynamic, productive and powerful economies of the world.

So let me at the outset thank the All Japan Chambers of Commerce for its generous invitation to address this gathering and to talk with you about the future of the Australia-Japan economic relationship.

It is now some decades since Australia and Japan recognised the close complementarity of our economies and embarked on the development of what has become for both of us an extraordinarily important and lucrative trading relationship.

The statistics of this trade speak for themselves: the two-way exchange of goods between us last year was worth 2.5 trillion yen - more than A\$23 billion.

Through good years and bad, Australia has been a stable and reliable supplier of essential commodities that fuel Japan's industry - to name the most important, coal, iron ore, aluminium and, recently, LNG. And we are increasingly a provider of quality foodstuffs to help feed Japan's people.

In exchange, Japanese manufacturers have supplied an extraordinary diversity of sophisticated goods to Australian consumers and industries: motor vehicles, manufacturing and telecommunications equipment, electrical goods, computers.

What started out as a straightforward exchange of commodities for manufactures has progressively diversified to embrace a broader range of goods, services, technologies, investments and people.

Every day, for example, an increasing number of Japanese tourists enjoy Australia's unique landscape and way of life. I take this opportunity to emphasise how welcome these visitors are to Australia; tourism is not just an increasingly important export industry for us but a valued means of building personal contacts and international understanding.

Further diversification is essential if we are to build a broader, richer, deeper relationship between our two countries.

We must look for new activities, new opportunities to work together, new forms of participation in each other's economies. We must look beyond the simple 19th Century economics of comparative advantage. And we are.

Only yesterday I visited the premises in Yokohama of MEMTEC, an Australian high technology firm that is turning the traditional Japan-Australia relationship on its head by breaking into the competitive Japanese market - and doing very well.

So for Australia's part, there is no doubt that we can play our part.

Indeed I want to tell you direct that we can engage - we are already engaging - Japan, the region, and the world, on new and more competitive terms.

Over the last seven years we have undertaken a fundamental and in many ways a radical reshaping both of the institutions of our economy and of the attitudes we bring to our involvement in our dynamic region and in our interdependent world.

We still have some way to go down the path of domestic reform to ensure that we enter the next century as a truly competitive and capable player.

But the pace of change so far has been such as to render completely out of date the stereotypes that portrayed the Australian economy - in previous decades, with considerable accuracy - as frequently unreliable, usually complacent and essentially inward looking.

So part of my message to this audience today is an urgent call for you to re-examine your attitudes towards us and recognise the contemporary realities of your re-equipped and vigorous Australian trading partners.

Let me give you a sketch portrait of this restructured Australia by outlining the principal economic reforms we have achieved since 1983 - reforms which fit together into a consistent, comprehensive and continuing strategy to internationalise the Australian economy.

We have abolished exchange controls; and we have floated the Australian dollar. We have deregulated the financial markets, removed most restrictions on foreign investment, and reduced by a third the level of tariff protection afforded to Australian manufacturers. We have opened up the Australian economy to competition from overseas to an extent that is without precedent in modern Australian history.

We are building the basis of a 'clever country', to open up new possibilities for what traditionally has been just the 'lucky country'. We are improving our education systems and we are dramatically expanding our research and development skills. You may be interested to know that Australia has a higher per capita number of students learning Japanese, at primary, secondary and tertiary levels, than any other country outside Japan itself.

We are restructuring Australia's telecommunications, our civil aviation, our land transport and our waterfront to make them more competitive and responsive to contemporary market and social needs.

For our trading partners, these changes are very good news.

To give an example, shipping reforms will progressively put the operating costs and manning levels of Australian-flagged shipping on a par with those of our major trading partners.

Let me make special mention of industrial relations.

Not so long ago, some of our trading partners, including Japan, used to express concern over Australia's industrial relations record and questioned our reliability as a trading partner.

Today such concerns are out of date; the attitudes of our trading partners need to catch up with contemporary reality.

Since coming to office in 1983, my Government has fostered a new, cooperative approach to industrial relations, the cornerstone of which has been the Prices and Incomes Accord between the Government and the trade union movement.

The results of this approach have been nothing short of dramatic.

Under the Accord, non-farm real unit labour costs have fallen by more than 10 per cent since 1983, helping to reduce our inflation rate, increase investment and restore profitability to Australian companies.

Again, the Accord period has seen Australia enjoy sustained economic growth, averaging around 4 per cent over the past seven years, and outstanding employment growth, with the creation of over 1.6 million jobs since 1983 - a rate of employment growth nearly double the OECD average.

At the same time, we have cut by nearly 60 per cent the average number of days lost due to industrial disputes; Australia's strike record now compares very favourably with that of other OECD nations.

The Accord mechanism is also facilitating the most fundamental reforms of labour markets Australia has ever witnessed: comprehensive restructuring of industrial awards and extensive rationalisation of trade unions and trade union coverage are truly seeing the development and maintenance of internationally competitive Australian industries.

So after more than seven years of radical improvement in Australia's industrial relations, the truth now is that Australia's trade union movement is a positive factor, not a negative, encouraging economic growth and competitiveness in Australia, not holding it back.

When that truth is better realised by our trading partners we shall see further real improvement in the state of our economic relationship.

I can assure you, from my own informed knowledge of the trade union movement, that potential investors who discuss their plans in advance with trade unions will find them prepared to enter into specific understandings and commitments to ensure the success of their projects.

My friends

As proud as we are of this record of change over the last seven years, we are not resting on our laurels. Continuing international developments - Europe 1992, the return of Eastern Europe to market systems, the ending of the Cold War - mean the management of economic change must be a primary objective for us all.

Immediately on my return to Australia I will be engaging in a series of policy initiatives that demonstrate our continuing commitment to change and reform.

Within a few weeks my Government will be making a major statement on reform of telecommunications and aviation.

Next month I will be chairing the first in a series of special conferences of State Premiers to examine ways of improving the processes of government itself. Over nine decades our Federal Constitution has given rise to a range of inefficiencies; existing institutions have not proven able to handle effectively the issues currently coming before Government. So the State Premiers and I have commenced a major work program that will be given direction and impetus by this first conference.

And next year I will receive the first reports from nine working groups developing a strategy for ecologically sustainable development - working groups we established because we believe that we must have further resource development but that without environmentally responsible policies we will be failing in our responsibilities to future generations of Australians.

These reforms - proof of our commitment to, and our capacity for, far-reaching economic and social change in Australia - carry clear implications for this audience, and for Japanese business leaders generally.

Australia is progressively becoming a more capable, vigorous and competitive economy. It follows that Australia's relationship with Japan needs to reflect that progress.

We certainly have a broader and more diverse relationship now than we did even a few years ago. But the process has still not gone far enough; we still have much to do to make sure the opportunities that await us are fully taken up.

It may have been appropriate, in the days when Australians hid behind high tariff barriers and indulged ourselves with poor industrial relations, for Japanese investors to steer clear of major commitments in the Australian manufacturing sector. It is no longer so.

It may have been appropriate in the days of Australia's weak research and development commitment for Japanese businesses to neglect Australia as a potential partner in science and technology based ventures.

Tourism, including from Japan, is a major growth industry for us. But we do not see ourselves solely as a purveyor of leisure services. In the same way, the vast preponderance of Japanese investment in Australia is in real estate. But we do not see particular economic advantage in selling real estate as an end in itself.

Of the \$9 billion currently invested by Japan in Australia, some 92 per cent is invested in tourism and real estate.

It is time for you to be more creative in your approach to investment in Australia and to joint ventures with us. Together we could become productive partners in increasing the value-added component of Australian exports and expanding our export-oriented manufactures and services. We want to see more successes like MEMTEC - here in Japan and elsewhere - because that's what we can do well now.

I don't say that you should do us a favour; I say it is in your interests too, to diversify your relationship with us.

Of course I know I am speaking in a nation that has shown an extraordinary ability to adjust to changed circumstances. You truly know what it takes to build and to maintain a dynamic economy.

But you must be in no doubt of your continued need for further adaptation, further internationalising of your economy and further flexibility in more areas of your economy and society.

The policies of greater internationalism that you have pursued - and which we urge you to continue - will of themselves lead to further pressures for openness and transparency within Japanese markets and distribution systems, and for greater political and social interaction with the rest of the world.

As a global economic superpower, your newly acquired leadership role entails a vital responsibility: the responsibility for continued flexibility and further openness in your domestic economic arrangements.

Nowhere is this more true than in the area of agricultural protection.

We appreciate the extent to which Japan recently part-liberalised its market in beef.

But it is high time Japan started taking reasonable steps to liberalise your rice market. I say that out of no direct self-interest; Australia is not a major rice grower. I say it because as we approach the critical final negotiating stages of the Uruguay Round, a commitment to agricultural reform will be essential to a successful outcome. That includes, of course, a commitment by the European community as well as Japan.

Let me say bluntly that the self-sufficiency argument made by Japan in defence of its agricultural protection stands very awkwardly indeed with its tremendous successes as an international trader in non-food goods.

I realise of course the considerable domestic difficulties that stand in the way of early reform.

May I suggest that in overcoming these problems the lesson of the Australian experience may be valuable.

For I do not pretend for a moment that the changes achieved by my Government - radical changes in the life of any society - have been achieved simply or without pain.

Our reforms cut deep into habits and institutions that had become entrenched elements of an increasingly uncompetitive society.

Industries that had become lazy because they were protected by tariff walls, trade unions that indulged in petty industrial disputes, ideologues and traditionalists who were committed to old-fashioned ways of doing things - such groups have at times been critics of change - at times, strident critics.

But we are succeeding in our reforms - ordinary working Australians have made sacrifices including real wage cuts - because we have demonstrated that they are essential elements of a broad, logical and essential strategy of building national competitiveness in a global economic environment of interdependence.

In the same way, reform within Japan of domestic agricultural protection - to name but one very important area - will prompt vocal criticism. But as I said yesterday in a speech to members of the Japanese Diet, your capacity to achieve reform in this area will be a true, and appropriate, test of Japanese leadership credentials generally.

My friends

I know I have spoken directly about Australian achievements and Japanese requirements; I always believe that the opportunity presented to address an audience such as this should not be wasted on platitudes.

And I do not ignore the burden that lies on Australian shoulders to continue the process of adapting our economy and ourselves to the challenges of the world.

The truth is, if Australia wants the benefits promised by closer economic integration with Japan and other dynamic economies in the Asia-Pacific region, we have to accept that those benefits can be achieved only by making our economy more competitive, our society more open, and our minds more free of prejudice and stereotype.

Yet there is in some quarters of our society, as in many societies, a streak of xenophobia. Some Australians, contemplating Japanese investment in our country, have failed to overcome the trauma of wartime memories. Others misinterpret any foreign investment as an abrogation of Australian sovereignty or dispute the economic gains of such investment.

But I emphasise that these attitudes are minority ones in a society that is at ease with a multicultural future and, overall, quite comfortable about the Australia-Japan relationship. We welcome productive foreign investment on its merits and regardless of its source.

That is why we welcome the Japanese proposal for the Multifunction Polis to encourage the transfer of new technology from Japan into Australia. An excellent site has been chosen in Adelaide and the MFP has the backing of my Government, the State Government of South Australia and of private enterprise.

Unfortunately, the proposal was at one point needlessly put at risk by the kinds of prejudices I have described. Let me say without qualification: such prejudices have no legitimate place in Australian society; I will never resile from that view.

Australians will continue to adapt and will continue to create a tolerant, cosmopolitan and multicultural society whose door is open to international contacts free of any discrimination on the grounds of race. To do otherwise would be both morally repugnant and economically insane.

My friends

Japan and Australia stand on the threshold of a new phase in our relationship that can be even closer, more complex, more mature and more diverse than it already is.

The challenge that now faces both of us in developing a more diverse and intimate relationship is really a test-case for each of us in developing our wider international roles.

If we get it right - if we can develop a mature and broad-minded approach which works effectively and is sustainable simply because it takes account of both sides' interests - we can look forward to a greatly expanded and even more harmonious process of building prosperity

- prosperity that embraces our two countries, and that extends through our region and to the wider world.

I am confident we will succeed in that task.

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