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AUSTRALIA - JAPAN BUSINESS CO-OPERATION COMMITTEE

ACADEMY OF SCIENCE, CANBERRA, A. C. T.

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Speech by the Prime Minister, Mr. William McMahon

Mr. Chairman, Ladies and Gentlemen,

Now may I make some comments to you formally. And the first I would like to make, and I will put it in three different classifications, is the importance in a trading sense of Japan to us, the importance of Japan in a world context and also the importance that Japan can play as a political influence for the rights of the peoples of South East Asia.

It is probably well known, but it bears repetition, that within the course of the next ten years, Japan will be, undoubtedly, the second greatest production nation in the world. And in order to be able to sustain its continued growth, it must have access to raw materials, semi-processed materials and, I believe, a large range of manufactured items as well.

Thus it necessarily follows that Japan, in order to be able to sustain its production and its trade, must be able to obtain raw materials from various parts of the world. There can be no doubt that Japanese businessmen will be looking increasingly at Australia as the source of raw materials and processed materials.

The second point is that as Japan's economic growth continues, and as it increases its trade in Asia, including South-East Asia and further South, it must be able increasingly to play an important part in the development of the countries with which it trades. And so too should it be able to play a part in parallel with other countries in ensuring that the less developed countries of South-East Asia have the opportunity for development.

And the last assumptions on which I want to base my subsequent remarks are: That as Japan develops its industrial strength and its trading strength as well, it will increasingly be able to play an important political role in the development of Asia, and particularly those parts of Asia closest to our shores.

Consequently, we want to be able to join with the Japanese in order to ensure that Japanese political activity is directed towards ensuring the political freedom and the physical freedom of the countries of South East Asia. And that increasingly together we can make our contribution to helping the poorer people of this part of the world.

Now while we as a Government can create an effective and real atmosphere or milieu in which development can take place, nonetheless, it is you as businessmen who can go out, seek the contacts with the political, and industrial and commercial people, and be able to achieve the kind of ideal I have just mentioned. That is increasing trade and with that increasing trade, increasing understanding and with that increasing understanding a higher responsibility for helping others in order to help themselves.

Fortunately for us, trade between the two countries is complementary. They will be, as I have said before, large importers of raw materials and processed materials, and we will in our turn be able to import from them large quantities of highly sophisticated industrial equipment.

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If we look at the trade between our two countries, we can, on a preliminary estimate, get a false impression. Because we have undoubtedly a big surplus in our balance of payments - our balance of trade with Japan. In the latest figures that have been made available to me, we have, in recent years, increased our trade by about 75 per cent to Japan, and they have increased their trade from us by about 60 per cent. So there is very nearly reciprocity at this present moment.

The point I'd like to make, however, is that the Japanese authorities from the Prime Minister down, recognise that it is in their best interests and our best interests to have multilateral trade. And they realise that in a multilateral trade and finance world it is not essential that there should be a balance with every country.

Japan accepts the fact that its balance of payments with us will be adverse, and probably this adverse balance will increase as the years go by. That does not mean that both of us don't want increased trade. Of course we do. As I said a few moments ago you can be absolutely certain that that trade will increase and increase at a rapid rate.

As to the future, I think the first submission that I put up to the Cabinet - or I should state in a preliminary way that I asked the Department of Foreign Affairs to prepare - was the way in which we should look at the problems, the inter-relationships between Japan and Australia. As a consequence of that submission we have appointed a high-ranking group of civil servants at First Secretary level or at Deputy Secretary level in order to be able to co-ordinate the relationships between the two countries.

Equally, too, if I can interpolate this, although it is not exactly relevant but it has a bearing on what I am saying, we also in recent weeks prepared three papers for the Government on our relationships with China, particularly improved trading relationships with them.

I have been able to announce in the House that we will considerably liberalise our trade with the People's Republic and that the Minister for Trade will shortly be releasing two lists - one of goods that can be exported to the People's Republic, and one, the Strategic List in which there will be prohibitions imposed on trade.

The substance of this is that businessmen will shortly know exactly the type of goods they can and the type of goods they cannot export.

May I now refer shortly to three different subjects - first capital movements, secondly, our problems relative to tariffs, and third, if I can mention it, guidelines for borrowing in this country by overseas interests.

First, then, as to capital movements. I must again interject to say that in recent months the Japanese Government has indicated quite clearly that it will liberalise the quota restrictions that are now imposed. And secondly I go on to say that as Japan has a very favourable balance of payments surplus, and one that is likely to grow, and is now in world terms in the financial market in a very strong position, we will welcome the fact that Japanese markets of this kind will be opened up to Australia. And we can hope for capital movements to increase between the two countries.

In the last three years there has in fact been a movement of direct investment in Australia by Japanese interests of something like \$43 million.

The second point I want to mention is borrowing capacity by Japanese interests or Japanese firms that have been established here. This depends on the amount of Australian equity as well as on the duration or the time during which the Japanese interests have carried on business here.

We have two political objectives. We do want Australian equity participation when Japanese firms establish here - and I know this is well known to the Japanese authorities, and I believe to Japanese business and commercial interests. And secondly we do like Australian talent, whether it happens to be on an administrative or a technical basis, to be able to participate with the Japanese in the development of Australian projects.

I applaud the statement made by Mr. Miyazawa when he was here a few weeks ago that the Japanese look forward to co-operation between Japanese and Australian interests for the development of industry here. I hope we can extend that and extend our joint influence to the development of Australian/Japanese interests in other parts of Asia.

The third element is with our tariff policy, and whilst I would never like to feel I had become involved in controversy with the Minister in control of MITI, I think I should say here that we have in fact only one kind of restriction on goods from Japan entering this country.

Virtually we have an open-door policy to import and we do not, except on a very limited scale, impose quotas or non-tariff policies. But whatever we do, we do it after a thorough-going review by the officers of the Australian Tariff Board and after recommendations and reports by them to the Government. We do not act unilaterally.

But all of this that I have just mentioned relating to the Tariff Board and capital movements will be submerged by the fact, and I repeat this again because it is so critically important - there can be no doubt at all that trade from Australia to Japan and in the reverse direction will increase substantially in the years to come.

We in Australia do want the most friendly international relations with the Japanese Government and people and the Australian Government and people. And from all I can gather - and I have recently been to Japan as a guest of the Japanese Government for a period of something like ten to fourteen days, I think I can express the feeling that there is an increasing desire to be friendly. And not only friendly, but that we should get to know one another, that tourism should increase and that we should be able more and more to establish direct contact between the two peoples.

And I finish on this note that while we as a government can do much in order to provide the infrastructure, the circumstances in which trade can increase, I do want to emphasise that the businessmen themselves can, and I believe will do the job. I know of the tremendous industry and the application of sound business principles particularly in finance and industry of the Japanese. Equally, too, do I know of the abilities of Australian businessmen as well. I am sure, and I express this view on behalf of the Government, that you will make our task easier. But if you ever feel that we can do something to improve the relationships and to improve the trade between the two countries, I assure you that everyone in the Government will be only too happy to participate with you.
