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## PRIME MINISTER

SPEECH GIVEN BY THE PRIME MINISTER  
ECONOMIC ORGANISATIONS (KEIDANREN)

17 JUNE 1976.

Thank you for your kind comments and words of welcome. It gives me great pleasure to be in Japan. I am especially pleased to have the opportunity to address this distinguished group of industrial and business leaders.

Yours is the principal responsibility for the continuing development of the Japanese economy, which has such great significance for Australia and for much of the world.

Both of our countries have had to cope over the last couple of years with the disturbing combination of recession and inflation.

The Governments of both Australia and Japan have had to find new solutions to these problems.

Fortunately, there are signs of economic recovery in your country and ours. There are still many problems to overcome but with patience and care we can look forward to better times.

Our main objective in Australia has been to restrain public spending in order to transfer resources to individuals and to companies. Through these means the private sector is acquiring the resources and the room to expand so that economic growth can once more take place.

I am pleased to say that the Australian economy is now recovering.

The economic recovery in Japan is also of great importance to us, as our recovery is to Japan.

It is too often forgotten that the chance of improvement on the economic wellbeing of the people of the developing nations depends on the health and strength of the economies of the developed nations. We have seen the effects in the developing countries over the last couple of years of a decline in world economic activity and a slackening in demand for their products. Until we see an improvement in world trade there is little hope for those countries of any significant improvement.

The new Treaty of Friendship and Co-operation emphasises, in Article IV, that "the continuous expansion of international trade on an open, multi-lateral and non discriminatory basis is of fundamental importance for the sound development of the world economy."

The development of trade between Japan and Australia as you would know best has been remarkable.

Nineteen years ago our two countries signed the Commerce Agreement. Since then trade between us has increased fifteenfold. It is now the seventh largest trade flow in the world.

Japan has now become Australia's major trading partner. In 1974/75 you took 30% of our exports and provided 20% of our imports.

The reason for this is plain. Our trade is complementary. Australia has become a major source of raw materials and foodstuffs for Japan. In return Japan is a significant source of manufactured goods for Australia.

Growing interdependence between our two countries has been an inevitable effect of the complementary nature of our trade. Some people suggest that such interdependence breeds risk and vulnerability. I cannot share that concern.

Our interdependence reflects the national advantages which Japan and Australia possess. The nature and degree of our interdependence may change, but it will continue to provide a basis for a secure and stable relationship.

We must continue to seek out and explore opportunities for economic cooperation to ensure that our trade is placed on the soundest possible footing.

It is important that we each strive to develop the greatest possible degree of predictability and stability. This is the way to an enduring confidence between us.

I strongly believe that both countries will benefit from the fullest possible consultation on supply and market prospects and on the development of domestic policies affecting trade and investment between the two countries.

Present arrangements for discussions between Australian and Japanese Ministers and officials offer a useful and effective means of raising many of these issues in a cooperative atmosphere. These arrangements should be developed as the need arises.

Perhaps the most important link which has emerged between our two countries over the last decade has been our increasing interdependence in respect of raw materials. Recognition of this factor prompted my Government to ask Mr. Anthony, Deputy Prime Minister and Minister for National Resources and Overseas Trade, to come to Japan early this year. He came on the first overseas visit by a Minister of my Government.

Australian exports of minerals to Japan are of fundamental importance to both countries. Australia has no other markets of such size and with such potential for growth. Japan has no other supplier with such a wealth of resources and the potential for security of supply.

All the factors are present for the further development of an economic relationship which should confer enormous benefits on both countries.

Since we came into office we have taken action to give confidence in Australia as a long term source of supply.

Japan has emphasised the need for a secure and increasing supply of steel-making raw materials. The last couple of years have been difficult around the world. Predictably this has had its effect on the Japanese steel industry. It is now clear, however, that recovery is underway.

The information supplied by Japan suggests that many new projects must come on stream within a fairly short time.

Given the lead-time and the huge amounts of money involved for projects of the magnitude envisaged decisions must be made now to ensure that these raw materials will be available when required. We recognise that fact.

In the case of coal, representatives from the Japanese steel industry and the Japanese Government indicated their concern that new projects should be developed in Australia. Between them these projects will make available in excess of an additional 13 million tonnes of high quality coking coal per annum.

My Government had urgent discussions with the companies concerned to remove impediments in the way of the development.

In the case of iron ore, various Australian companies are promoting with Japanese mills a new generation of iron ore projects based on the vast, rich reserves of the Pilbara in Western Australia. These potential projects include completely new mining operations, and incremental expansions of existing mines.

For some time now the Australian companies have met Japanese mills' request for bulk samples and detailed feasibility studies. They are now awaiting the mills' decisions on export contracts.

I would explain that my Government is not setting any priorities as between individual projects, recognising that this is properly a matter for commercial negotiation.

Japan will never find a more stable, convenient and efficient iron ore supplier than Australia.

Australia first commenced exporting iron ore a little over a decade ago. In this time, Australian iron ore producers have supplied Japanese steel mills with 400 million tonnes of iron ore - a virtual mountain of iron ore - a mountain worth more than \$3000 million Australian dollars.

Further development of this mutually beneficial trade, depends on the new iron ore developments being brought into production.

I look forward to Japanese mills reaching decisions soon on new export contracts for these projects. The urgent attention the Australian Government gave to these projects demonstrates, in a way that words never can, Australia's attitude to Japan. It should reassure your country of the reliability of Australia as a stable, continuing long term source of supply of raw materials.

I have emphasized our trade in minerals because it is so important. But Australia is also a major exporter of agricultural products to Japan and other countries. Access to international markets for our beef, wheat, dairy products, wool and sugar and stable marketing arrangements for these products are of great importance to Australia.

The development of our minerals industry has been based on the security of long term contracts.

We would like to see the development with Japan of similar arrangements or at least minimum access assurances for our agricultural products.

I am pleased in this respect that the market for Australian beef in Japan has started to grow and that your Government has decided to announce six monthly quotas. This will introduce a degree of predictability into the market.

It is important that industries that have been developed or expanded to meet your requirements are assured of a stable market at fair and reasonable prices. The stronger the assurances that can be given the more confidently can businessmen undertake the necessary investments.

One matter which I know has been a source of concern for Japan is the question of the Australian Government's export control powers.

I wish to put any of your concerns on this matter to rest by defining first the role of business and then the role of Government in this matter. Let me make it clear that my Government looks to the private sector to negotiate and carry out export contracts in respect of minerals.

We are fully committed to the private enterprise system. This confidence is based on our belief that the private sector is fully aware of the need to maintain and develop our trade.

We believe that the private companies carrying our commercial negotiations are the best qualified to make judgements about what things are reasonable or not reasonable in mineral negotiations. Commercially acceptable agreements and reasonable market prices satisfactory to both buyer and seller are more likely to result from free and open negotiations by companies than general intervention by a Government that thinks it knows best. This is particularly so where differences between buyers and sellers are on fine points which only exports can properly resolve.

If commercial negotiations produce a commercial result, related to world market prices, there is no role for Government. Only if the prices do not reflect world market prices - if Australia's national interest is being adversely affected - has the Government a proper case for intervention.

I believe that in the short time my Government has been in office, we have provided evidence of our intention.

Recent negotiations on iron ore and soft coking coal prices between Australian producers and the Japanese mills were settled on a commercial basis without the need for Government intervention. Given goodwill on both sides, there is no reason why this cannot be the pattern for the future.

As well as the large and growing trade relationship between our countries, Japan is increasingly important as a potential source of investment capital.

Traditional sources of overseas investment in Australia have been the United States and the United Kingdom. Japanese investment has represented only about 10% of total overseas investment over the last ten years.

With the progressive relaxation of the Japanese Government's control over capital outflow, I expect that Japanese investors will play an increasingly important role in Australia's development.

We welcome Japanese investment. Japanese investment is as welcome as the investment of any other country.

My Government regards foreign investment as being of major importance to Australia's development. It brings with it job opportunities, new technological, managerial and workforce skills, increased export incomes, a broader and stronger industrial base.

My Government's positive policy towards foreign investment has been thoroughly spelled out. Its major objectives are to encourage foreign investment and to ensure that the benefits of this investment are fairly shared between the foreign investor and the Australian community. To this end we screen certain categories of new investment to determine whether such investment would be contrary to the national interest.

We would like to have Japanese capital in partnership with Australian capital. One way to ensure that projects will be developed to meet Japanese needs is through joint ventures with Australian enterprise. Developments in Australia are also a way of securing access to Australian Markets, as Toyota and Nissan have discovered.

In the case of mineral development and other natural resource projects, we have laid down guidelines on acceptable levels of Australian equity participation. 50% Australian equity is generally required. 75% in the particular instance of uranium.

These guidelines have been laid down because projects in these key areas involve the development and exploitation of the natural resources wealth of the Australian continent and off-shore areas.

The Government believes that Australians should have the maximum opportunity to participate in the ownership and control of these projects. The Government recognises that Australian equity capital may not always be available on reasonable terms and conditions for some projects.

Where adequate Australian equity participation is not available a project may still be permitted to proceed where it would not be against the national interest for it to do so. In such circumstances we will, as appropriate, seek satisfactory arrangements for increasing Australian equity within an agreed period.

Australia's approach to foreign investment is not inflexible or rigid.

If any potential investor is uncertain about whether a project satisfied the guidelines my advice is that the proposal be submitted to the Foreign Investment Review Board. The Board will be very happy to advise him and the Government will give a decision on any subsequent formal application as soon as possible.

Concern has been expressed in Japan about Australia's participation in the bauxite, copper and iron ore producer organisations.

I would like to dispel any grounds upon which these feelings might be based. As a participant in these organisations Australia has made it clear that its commitment is to producer/consumer cooperation.

Australia will not be a party to any action aimed at holding consumer countries to ransom. Producers of raw materials are entitled to receive fair prices for their exports. Consuming countries are equally entitled to reasonable supplies of raw materials at fair prices.

The cooperation made possible through these producer bodies should assist to fulfill both our countries' interests through the orderly development of production and trade.

Both of our economies have undergone rapid change in recent years. I would not expect the dynamism of development to slacken though its form may differ.

Herein lies an opportunity for both our countries; Japan's interest for example, in deploying a greater share of its investment towards high technology industries can be complemented closely with Australia's aim to upgrade the processing of our raw material production.

Yesterday, I had the great pleasure of signing with your Prime Minister the Basic Treaty of Friendship and Co-operation.

That Treaty is a symbol of the relationship which has developed between our two countries.

But it is much more than that. It is also the symbol of what lies before us, of the wider relationship which will develop in the political and cultural areas as well as in the economic field which has so far been paramount.

Our relationship will not be without its difficulties. These are only natural. But our relationship is a mature one. We can talk and resolve differences. The important thing will be not to lose sight of our long term objectives.

All of us here today will have an important role to play in this new and exciting development.