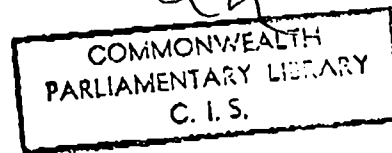


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## PRIME MINISTER

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AUSTRALIA - JAPAN RELATIONS SYMPOSIUM  
24 MARCH 1987 - CANBERRA

Your Excellency,

Sir Geoffrey,

Ladies and Gentlemen

In my four years as Prime Minister, this is the ninth occasion on which I have spoken on Australia-Japan relations. When the contributions of my Ministers are added, the number increases ten-fold.

That is but one indication of the importance my Government attaches to forging closer relations between Australia and Japan.

The Japanese Government, for its part, has also frequently demonstrated its recognition of the importance of its relationship with Australia - not least through its support over the years for this symposium.

Together we have come a long way.

Twenty five years ago Australia's top exports to Japan were wool and wheat. Today they are iron ore and coal. Japan sold mainly textiles and iron and steel products to Australia 25 years ago. Now its main export earners in Australia are motor vehicles and consumer electronics.

Twenty five years ago, Japan was a negligible foreign investor in Australia. Today she is the third largest behind the US and Britain.

And 25 years ago, it is estimated that only 2,200 Japanese tourists visited Australia, while this year an estimated 220,000 tourists from Japan will enjoy the natural beauty of the Australian landscape and the friendliness of the Australian people.

Whenever Australia-Japan relations are discussed at symposia such as this, the two staples of discussion are the dynamism of the Pacific region and the complementarity of our two economies.

These two facts are the reason why the Australia-Japan relationship is on the threshold today of a fundamental restructuring that offers huge benefits for the people of both our countries.

They were certainly uppermost in my mind in May 1986 when I last visited Japan to inspect your remarkable economy and to assess ways in which Australia can work more closely with you.

Let me briefly recite the salient facts.

First, the proof that our region is the most dynamic economic performer in the world today is crisply summarised by this fact: two years ago the value of trans-Pacific trade surpassed that of trans-Atlantic trade for the first time.

The Pacific rim is without doubt where the action is in the world economy today. China's bold modernisation program offers vast opportunities for trade and investment; South Korea and other newly industrialising countries of East Asia are rapidly moving into high-technology assembly; and the ASEAN nations too are beginning to break their commodity dependence and rekindle their enormous growth prospects.

Second, within this dynamic region, the two economies of Australia and Japan are very well equipped not only to take advantage of the new markets and investment opportunities our neighbours offer. We are also moving into closer and more complementary bilateral relationships which present us with increased potential for trade and investment.

Perhaps the clearest pointer to these changes is the massive realignment of our currencies over the last few years.

A strongly appreciating yen has eroded the competitive edge of many of the Japanese industries - such as steelmaking and aluminium smelting - that formed the foundation of the country's post-war growth.

The pressure for the re-location of parts of these industries offshore is enormous, and Japan's massive surpluses of investible capital are creating opportunities for countries of the region - including Australia - as sites for that inevitable relocation.

At the same time, the depreciation in the Australian dollar, along with a very considerable range of internal restructuring measures, make us both a more desirable focus for foreign investment as well as a competitive and capable exporter.

As I have said, the details of our mutual strengths and needs, and the challenges they present to us, have become well understood over the last few years and I do not propose to spend time this evening elaborating them before this audience.

It is nearly a year since Prime Minister Nakasone and I agreed to establish a series of investment missions between our two countries.

An Australian mission visited Japan in November 1986 and we were honored last February to play host to a distinguished and very large mission of Japanese businessmen.

Accordingly I consider I should give you my perspective this evening on how Australia and Japan have actually managed to meet these challenges and on the progress we are making in building the next stage of our relationship.

Probably the most promising achievement has been the continuing acceptance by Japanese policy makers of the thrust of the Maekawa Report.

It is a very great honor, and a very positive omen for the success of the symposium, that the chairman of the group responsible for that report, Mr Haruo Maekawa, is in Canberra and will address you tomorrow.

When it was released in 1986, the Maekawa Report was welcomed by the Australian government. It remains in our view a valuable blueprint for the essential task of economic restructuring which lies ahead of the Japanese nation, and it has been heartening to see that the Maekawa message is being heard and understood in Japan.

A second and related development in our relationship has been the significant upgrading by Australia of our efforts to seek an end to the crazy spread of protectionism which threatens to stall world trade.

At Davos in January I proposed a method of attacking protectionism as it affected agricultural trade. This message was specially directed at the U.S., the European Community and Japan who between them share the greatest responsibility for the corruption of agricultural trade.

I recognise of course that the response to the Maekawa Report has demonstrated a growing awareness within Japan of the need to liberalise Japanese agricultural policies.

I recognise too that Japan is the world's largest agricultural importer, and that it has the lowest self-sufficiency ratio amongst the major industrialised countries.

Nevertheless, Japanese consumers are paying a very high price for domestic protection and this policy continues to have very substantial adverse implications for other agricultural exporters.

I would be less than frank with you if I didn't say that we want Japan to press ahead resolutely in opening its domestic market to imports.

Let me in this context acknowledge that the Japanese Government's recent decisions which should allow greater import penetration for Australian coal are an optimistic sign for the future. While Japan's coal mining industry is undergoing painful adjustment problems, we are seeing an encouraging application of the principle of enlightened self interest in enhancing the overall prosperity of the Japanese people.

As Japan continues to address itself to the new circumstances in which it finds itself, with the strength of its currency and the huge pool of investible surpluses it has accumulated, we will I hope see Japan continue to apply that principle.

A third development in our relationship has been the continued discovery of new investment projects as tangible products of the complementary and friendly relations between our two countries.

The investment missions themselves have produced some promising proposals and I urge those involved to pursue them actively.

Nowhere is our complementarity more evident than in basic metal production. While Japanese basic metal production has been contracting slowly for more than a decade, Australia has developed and retained a strong comparative advantage in these industries. As Japanese exports of steel and non-ferrous metals lose their competitiveness, Australia will be well positioned to step into the breach in supplying the needs of the Asia/Pacific region and countries further afield.

Another emerging export-oriented industry in Australia is the production of auto parts and accessories. Mitsubishi Australia's achievement in exporting 26,000 cylinder heads per month to Japan is an example of the new face of trade and investment co-operation between Australia and Japan.

I am pleased to see that this investment co-operation is not being confined to export-oriented manufacturing industries but is being extended into traded services and hotel/resort development.

One of the exciting ideas to arise in the context of the latest investment mission is a proposal that the Kyoto Institute of Science and Technology establish a private Technical College and Technology Exchange in Sydney. This \$100 million investment has the potential to establish a basis for Japan-Australia co-operation in knowledge intensive industrial sectors.

The detailed proposal is being finalised and will be subject in part to decision by the NSW Government. However I point to it as one kind of project which we should be looking to in building our relationship. As far as the Commonwealth is concerned, we will ensure that every avenue is pursued in exploring this project.

Reviewing our relationship, we therefore find irrefutable evidence that we are on the right path and that real progress is being made.

Our two governments have a responsibility to approach the task of restructuring in a positive fashion and to set about the task of removing the impediments to change.

For Australia's part, I can assure you of our growing awareness of the need for a new industrial structure. With that, there is a new determination within both the business community and the workforce to achieve it.

I can also assure you that we will continue to welcome foreign investment, including Japanese investment, in Australia.

My Government's proudest achievement has been that, from day one in office, we have sought to foster awareness of this need for change and to remove many of the obstacles in the path to change - including some unnecessary obstacles to foreign investment.

We have set in place a program of policy changes designed to make Australian industry more competitive, more outward looking, more vibrant and more resilient.

We established an unprecedented Accord with the trade union movement which, thanks to the magnificent response of Australian workers in moderating wage claims, has allowed real unit labour costs to fall by more than 6 per cent.

This has helped create three quarters of a million jobs, the vast bulk of them in the private sector. While we have had to slow the economy down in the last year, the reduction in labour costs has been sufficient to allow continued job expansion - 131,000 new jobs - and a recent fall in the unemployment rate.

And there is yet another critical dimension to the Accord which has been acknowledged by many Japanese observers of Australia including the Japanese Prime Minister, Mr Nakasone and the head of the recent investment mission, Mr Amaya: the rate of industrial disputation in this country has been more than halved.

That is a very gratifying achievement and one which ranks Australia highly by international standards in reducing industrial disputation. Of 19 OECD countries for which figures are available, only nine experienced a decline in working days lost due to industrial disputes between 1982 and 1984 - and only four experienced a decline greater than Australia's.

As pleasing as those figures are in their own right, they tell a story that augurs well for the future of Australian industry. For with the large depreciation of the Australian dollar, matched by the wage restraint exercised by the

workforce, Australian industry is now more internationally competitive than in at least two decades.

Such is the commitment of the trade union movement to the establishment and expansion of export industries that its leadership has assured the Government of its willingness to facilitate new investment in Australia. Trade unions are willing to have consultations with potential investors to explore a basis for the necessary co-operation between employer and the workforce in prospective projects.

This is an opportunity which potential investors should be quick to accept. Australia's reputation as a reliable supplier was somewhat tarnished through the 1970s and early 1980s. But today, steady progress is being made through our co-operative approach with the trade union movement in assuring our trading partners of our renewed reliability.

My Government's cooperative and innovative approach to wages policy has been coupled with our efforts to improve the productivity of the Australian economy. At my request, trade unions and business are currently engaged in an examination of ways of eliminating outdated work and management practices. Productivity has, we recognise, been hampered in the past by these restrictive practices.

Today there is a growing recognition that we can only earn durable prosperity if we improve productivity through greater efficiency and flexibility in our work places.

My Government has also deregulated the financial system in Australia, allowing the Australian dollar to find its natural level, allowing the entry of foreign banks, and easing exchange controls. This has increased the competitive supply of financial capital to investors.

Similarly, we have gradually reduced protection of Australian industry by laying out sectoral plans for the steel, motor vehicle, shipbuilding, chemicals and plastics, heavy engineering, and textiles, clothing and footwear industries.

Our commitment to these measures demonstrates that we are not asking of others reforms which we are unwilling to implement ourselves.

Lower protection enhances the competitiveness of Australian industry, by lowering its cost structure and through its effect on the exchange rate.

The protectionist ethos fostered by successive conservative Governments over some three decades now is virtually gone. Australian business for the most part now rejects the nostrums of the protectionist school, as do Australian workers. They know, through bitter experience, that there is no future in it; our future lies in efficient, outward looking industries.

These are challenging times for Australian businessmen and workers: never before in the post-war era has there been such a stable policy framework for the encouragement of export-oriented manufacturing and service industries.

No longer are investment opportunities confined to a small, protected domestic market.

No longer do our industries have to endure the severe penalties of rising real unit labour costs and an over-valued exchange rate.

While this fundamental re-orientation of the business psyche must, by its nature, be a long process, it is heartening to see the response already beginning to show through.

Our trade figures over the last few months are telling us that many Australian manufacturers are beginning genuinely to expand into overseas markets. New, export-oriented projects are coming on stream. Manufactured exports have increased by nearly a third so far this financial year over the same period last year.

Having learned the lesson that it is not in our self interest to sustain a protected, insulated and highly regulated industrial structure, we in Australia look forward to working with Japan in reaping the rewards of less restrained trade and investment flows.

And we do this, acutely aware of and highly receptive to the opportunities for new investment to satisfy the changing demands of our dynamic regional market.

It must be clearly understood that my Government welcomes Japanese investment in Australia and sees great benefit to the people of both our countries from it.

To help achieve this, we have liberalised Foreign Investment Review Board procedures.

Each year the Government receives a large number of applications from Japanese investors to establish projects in Australia. Virtually all of those applications are approved. It is only on the rarest of occasions, such as the recent decision on the Shelburne Bay sand mining proposal, that an application has to be rejected on national interest grounds.

In the case of Shelburne Bay the national interest grounds related to the adverse impact the project would have had on the environment. Our decision to oppose the project proceeding would have been the same had it been wholly domestically owned. The decision in no way weakens the Government's commitment to encourage Japanese investment in Australia.

The Government is aware of Japanese concerns over the question of entry by businessmen for temporary residence. Several steps have been taken in the past few years to facilitate this entry. We know, however, that Japanese business is still not satisfied with Australian procedures.

The Government is now looking at means of further streamlining policy and procedures relating to entry for temporary residence to allow companies more effectively to place executives in their Australian operations. We will be taking decisions on this question in the near future.

Japan's role in the celebration of our Bicentenary is a particularly pleasing example of the warmth of Australia/Japan relations. Among a number of Japanese contributions to the Bicentenary, one stands out for special mention: the Japanese Government's considerable involvement in the Science and Technology Centre now being built in the heart of Canberra's Parliamentary Triangle.

Australia and Japan are partners in the development of this imaginative joint project, which will serve to educate, entertain and inform Australians and visitors to Australia about present and future applications of science and technology. This Centre will stand as a significant and lasting reminder of the Bicentenary and of the strength and closeness of relations between Australia and Japan. I would be remiss if I failed to take this opportunity to acknowledge Japan's generosity and vision in making this contribution.

Finally let me make a comment about tourism. The Australian Tourist Commission expects two million tourist arrivals by 1988. Judging from current arrival figures this target is well within reach. The official estimates are for 220,000 Japanese tourists to visit Australia in 1987, an increase of 105 per cent on arrivals in 1985.

These tourists play an important part in the creation of a very healthy Australian tourist industry, and we welcome them for that reason.

However we welcome them too as friends, as honoured guests sharing the delights of the Australian lifestyle and landscape. It is my belief that these visits, reciprocated as they are by Australian pleasure and business travel to Japan, symbolise the closeness and friendliness of the relationship between our two nations.

Conferences such as this play an important role in building a stronger relationship between our two countries. Your success as you tackle the challenging issues on your agenda will have a beneficial impact on both Japanese and Australian decision makers engaged in the all-important task of enhancing our mutual prosperity and building our shared future.

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