



PRIME MINISTER

**SPEECH BY THE PRIME MINISTER, THE HON P J KEATING MP
TO THE JAPANESE CHAMBER OF COMMERCE AND INDUSTRY**

**AUSTRALIA AND JAPAN'S PACIFIC PARTNERSHIP AND OUR
TRADE POLICY OPTIONS**

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I am very grateful for the opportunity to address you today on this my first visit to Japan as Prime Minister of Australia.

We - Japan and Australia - are friends and partners of longstanding.

Our economic destinies have been strategically linked for a generation.

Your industrial growth in the fifties, sixties and seventies and our development of minerals and energy went hand in hand.

But today I want to talk about the new generation: in Australia, in Japan, in Asia and the Pacific.

Most of you, I imagine, are familiar with the Australia of iron ore and bauxite mines, of sheep and cattle stations and of the vast outback.

The Australia of empty spaces, of nature largely unspoiled. Of sunny beaches, of clean water, of spacious homes with their own gardens.

The Australia of equal opportunity, of social equality.

The Australia which is a reliable and stable supplier of resources for Japanese industry.

The Australia also of high tariffs on manufacturing, of powerful and combative unions, of administered wages, crippling strikes, sleepy corporations and steadily high inflation.

The Australia with inefficient wharves, highly regulated transport and telecommunications industries, and high taxes.

The Australia content to sell commodities to Japan, while it looked for its political and intellectual leadership to the United Kingdom and the United States.

Today I want to tell you about a different Australia. The new Australia. The real Australia.

Still the Australia of sunny beaches, clean water and spacious homes and gardens.

Still the Australia where social equality is as important to us as it is to you.

Still a reliable and stable supplier of resources for Japanese industry

But also the country which last year recorded its lowest number of strikes for thirty years.

A country which has a low inflation rate, matching your own.

A country which has more than doubled exports over the last nine years, and now exports nearly one quarter of its total product.

A country which has tripled services exports and manufactured exports in the last nine years, and whose exports of manufactured products now exceed the value of exports from the rural sector.

We now sell more manufactured products abroad than metal ores and minerals, or tourism and coal.

We now sell more to the ASEAN countries than to either the United States or the EC.

We now send nearly two thirds of our exports to East Asia, and last year sold more elaborately transformed manufactures in North East Asia than wool.

We still sell beef and wool, iron ore and bauxite to Japan.

And we have expanded our resource exports with liquefied natural gas and steaming coal.

But we now also sell wine and cheese and meat pies to Japan. Nearly one tenth of the processed food consumed in Japan comes from Australia.

We sell motor vehicles and motor vehicle engines to Japan.

And computer software.

An Australian company is selling environmental software for your mining industry.

Another sells computer aided software engineering tools.

Australian companies are selling to Japan prefabricated homes, bionic ears for the profoundly deaf, sound systems, high quality aluminium wheels, and boats.

Australian manufactured exports to Japan have grown ten fold over the last decade - and we plan to continue to increase them.

And last year service exports to Japan were worth as much as our wool and iron ore exports put together.

We welcome Japanese tourists - half a million last year, and many more expected this year.

But we also train Japanese pilots in Australia. We educate Japanese students at our colleges and universities - nearly three thousand this year. We supply medical services to Japanese in Australia.

This is the new Australia. The Australia that spent the 1980s restructuring its industries, and which continues to restructure today.

In the last decade we have opened our markets to the world.

We cut taxes and cut government spending to give us one of the leanest public sectors in the OECD. Indeed our rate of tax to GDP is virtually the same as yours.

We reached an Accord with the trade unions which saw wage restraint so effective that our competitiveness improved ten per cent over the decade.

In the last year or so we have begun another phase of economic reform.

We have moved away from the centralised fixing of wages.

We have decided to make most wage settlements by negotiation, and at the enterprise level. We are now completing enterprise bargains at such a rapid rate that we expect more than half the workforce to be covered by the middle of next year.

We have decided to encourage the pace of recovery by public investment in our roads and rail system, to give us for the first time a national rail freight highway and national road highways equal to some of the best in the world.

We have greatly expanded training and retraining programs for the young, for the unemployed, and for all Australians who want to enhance their skills through their working lives.

We are selling off government businesses, and introducing competition into previously controlled industries.

We have deregulated aviation, as well as banking and foreign investment.

We have brought competition into telecommunications.

We have reformed our ports and wharves. Crew levels on coastal shipping are now down to the OECD average. We have halved the stevedoring workforce and doubled productivity.

And in perhaps the greatest of their structural changes, we have engendered in our workforce a commitment to productivity, competitiveness and quality.

There have been setbacks and hardship. Recession and restructuring have caused unacceptably high levels of unemployment. This year we have invested a great deal in measures to alleviate the human consequences of unemployment. We have also radically overhauled our national vocational training system to meet the demand for skills in a modern economy.

But we recognise that ultimately the solution is growth. More productivity, more competitiveness, more growth.

Australians understand these things. The experience of the last decade has made us remarkably literate in economics.

At the same time we have experienced what might be called a spiritual revolution. There is a heightened sense of independence among Australians which reflects, I think, the aspirations which come from the change I have been talking about.

I think Australians are increasingly saying – if we are to have this change, let there be no doubt about who we are changing for. And, equally, if we are to be part of the region, let there be no ambivalence about who we are.

Change breeds change.

The change in our perception of what has to be done, has changed our perception of what can be done. The changes we have made suggest – and very often demand – more changes.

The horizon has broadened for Australians. The future is taking on a new and more exciting shape. And increasingly the shape is Asia.

I know you will understand me when I talk about change, because Japan is a country where the people have accepted change almost as a constant of their lives.

You will know that there are stresses and that people require continuities as well. They need a degree of cultural certainty. The Australian Government recognises the need to maintain our culture as we change our economic system – the more boldly we advance into the future, the more we need to keep the ties that bind us to our past and to each other.

Our culture derives in part from the many countries of the old world in which Australians have their origins. We are a multicultural society. We see that as both a necessity and a strength.

But Australia's culture also springs from its 150-year old democratic traditions, from its unique history, with its paradoxical mix of frontier myth and urban reality, and from the equally unique landscape and climate. The land, the great spaces of Australia, and the sense of freedom they encourage, occupy a central place in Australian minds.

We believe that we will change more effectively and more rapidly if we do not leave the people behind, our best traditions behind. And I think in this we have been vindicated.

The informal, egalitarian style of Australian life is unlikely to change much. Australians will most certainly continue to demand decent social services, decent comfortable housing, and all their traditional freedoms.

And the government most certainly will provide them.

But we have discovered it is equally in our natures to consult and cooperate, and that these practices have great rewards in business and industry.

We're also learning that our old frontier instincts for compromise and innovation can help us to work much more cleverly, and to innovate and invent, on the new economic frontier.

We've learned that those social services we have developed have a potential market overseas, that our skills in managing multiculturalism have a market – and that cultural diversity has the potential to link us to international business networks.

We've also learnt that our experience with the land and climate has produced knowledge – as well as products – that we can sell overseas.

And the cleanness of our air and water and the beauty of our landscape has taught us that conservation is not only good for our environment but also for our tourism industry and our agriculture. And for our economy.

So Australia will go on being Australian – multicultural, international but Australian.

We will also go on changing as we have in the past decade, and I should hope at an accelerated rate.

Our goal in the next three years is to raise our bench marks. In resources and primary industry, but also in shipping and transport, in food processing and value adding in manufacturing, in energy production and transmission, in banking and financial services.

So Australia is changing and will continue to change, even though I think the image of the old Australia, the protected and unadventurous Australia, is still widely held by our friends overseas, including in Japan.

Perhaps even some of you here today – some of you who are now very senior in your own careers, and who had some direct experience of Australia earlier on in middle management – still think of Australia as it was earlier in your own careers.

In the same way Japan has changed, but is often misinterpreted abroad as the Japan of the fifties, sixties and seventies.

The new Japan is a nation that encourages imports as well as exports.

A country which still protects farming industries more than we believe it should, but which has made great strides in liberalising its markets for beef, coal, government contracting, and telecommunications.

A country where MITI is still important, but by no means the all powerful institution of the sixties and seventies.

A country which is still tops in motor vehicles and some consumer electronics but which is contracting the share of its steel, shipbuilding, chemical and heavy industries, in favour of lighter, clever products.

A country which is relocating much of its heavy industry offshore.

A country where the services sector continues to expand its share of output, and the manufacturing sector continues to reduce its share.

A country with a vibrant and exciting fashion industry, exporting to markets in the United States and Europe.

A country where leisure is becoming more important, where young people – especially young women – are less inclined to accept the old ways.

A country now concerned as much about the environment as about growth.

And a country which after five decades of economic success is beginning to ask itself what its role in the world should be, and whom it can count on.

In a way, Australia and Japan have changed together. We began selling you iron ore in the sixties when Malaysia and India began to falter as your suppliers.

We supplied some of the sinews of Japanese growth in heavy industry in the sixties and seventies.

Later we supplied bauxite for your smelters as the aluminium industry expanded, and coal to make steel and fuel your furnaces.

When we were the quarry, you were the factory.

As your economy has grown more diverse and sophisticated, so too has ours.

We have both changed a great deal in the last decade, in ways not always understood outside.

Today the prosperity of both us is highly dependent on world trade, and on the strength of economic growth in the Asia-Pacific region.

Both of us are allies of the United States, friends of Europe.

Neither of us is a member of closely integrated economic blocs.

Both of us have in recent years expanded the share of trade we have with our Asian neighbours, but both of us continue to have important and irreplaceable trade with Europe and United States - as do most Asian trading economies.

Both of us are wondering quite how the two blocs of the European Community and NAFTA will develop - whether they will enhance the growth of the world's prosperity, or diminish it.

Both of us need to think about where we are going in the years ahead, and how we are going to get there.

That is principally the purpose of my visit. I think as old friends and successful partners of long standing we should have dialogues. I think there is much to be gained from working together.

Today I want to offer a few thoughts on how Australia sees things evolving over the next few years.

We think there are many possibilities to pursue in addition to the Uruguay Round of GATT, but that the success of the Uruguay Round helps all of them.

If the Uruguay Round succeeds, we can build on it.

If it fails, the need for new thinking will be all the more urgent.

Our reading is that the differences now separating the European Community and the United States on the key questions of agricultural trade are minor compared to the extent of agreement. Yet it is these differences which are holding up agreement not only in agriculture, but in the entire round itself.

We urge Europe and the United States to recognise the gravity of their global responsibilities, their responsibilities to generations to come, and to get on with the job of sorting out their remaining differences.

If they do resolve their differences then I think Japan will have to ponder very seriously whether it would wish to stand in the way of a comprehensive agreement covering agriculture. Japan has gained as much as any nation from an open world trading system, and has more to lose than most from its collapse.

But even with a resolution of the Uruguay Round, we have no doubt that the politics of world trade are driving us in the direction of regional, sub-regional and bilateral arrangements.

Whether it succeeds in having a common currency or a common central bank, Europe is irrevocably on a path to closer economic integration of the existing EC members, and the inclusion of more and more European countries.

And from being an idea, a hope, a threat – NAFTA has overnight become a reality.

There are great uncertainties here, and in uncertain times we need our friends.

In your thinking about the future you should at least bear this mind:

Australia is a friend you can count on.

There are over a hundred thousand Australians students learning Japanese right now. There are more students learning Japanese in Australia than in any country in the world outside of Japan. We have more Japanese language students than do Canada, the UK or the United States put together. So you can count on that friendship continuing, and growing stronger in the next generation.

We support a more active Japanese role in international and regional affairs.

We support Japan's permanent membership of the United Nations Security Council as a way of better reflecting changed international circumstances.

We have valued your partnership in the creation of APEC and in bringing peace to Cambodia. We have worked hard together to stop the spread of nuclear weapons in the region.

And on this key issue of the future direction of the world trading economy, let me say that Australia shares with Japan a fundamental interest in the maintenance of an open non-discriminatory, multilateral, trading system.

If, because of the actions of others, the multilateral system starts to weaken, Australia's core interests lie in maintaining the most favourable possible environment for our bilateral trade relationships with Japan and the other economies of East Asia.

In particular, Australia would see no overall gain from entering into any trading pact which discriminates against Japan, or which in one way or another is directed against Japan.

You are our most important export market by far.

Nearly one third of our exports go to Japan. Your prosperity is essential to our prosperity.

Arrangements which disadvantage your trade disadvantage ours.

I don't mean that we won't continue bilaterally and with other nations to press for greater trade openings to Japan. We will continue to complain about restrictions on agricultural imports. But I do mean that we are firmly opposed to multilateral or bilateral trade arrangements designed to hinder Japan's trade with the world.