

## AUSTRALIA AND JAPAN: RENEWING A CONSTRUCTIVE PARTNERSHIP

Keynote speech by Senator Gareth Evans, Minister for Foreign Affairs and Trade of Australia, to 11th Australia-Japan Ministerial Committee, Canberra, 2 May 1991.

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On behalf of all my Australian Ministerial colleagues, I extend a warm welcome to the Japanese delegation to this, the Eleventh Meeting of the Australia-Japan Ministerial Committee. It is particularly pleasing that we have such a large and diverse group of Japanese Ministers present at this meeting - six Ministers and two vice-Ministers. I believe that this is a record for an AJMC Meeting held in Australia, and it is a reflection of the extent and depth of our relationship. The strength of your representation will enable a thorough and forward-looking exchange of views on where our two countries are heading on a range of bilateral, regional and international issues.

At the last meeting of the AJMC in Tokyo in January 1989, we agreed to characterise the Australia-Japan relationship as a "constructive partnership" built around four key components:

- security: in particular cooperation in securing peace and prosperity in our own Asia-Pacific region;
- international trade: cooperation in maintaining and strengthening a free and open world economic system;
- the resolution of international problems requiring cooperation for their solution: in particular protection of the environment; and
- bilateral relations: cooperation in the further development and diversification of the Japan-Australia relationship.

Since that last meeting there have been a series of extraordinary changes affecting every one of these four dimensions in our relationship:

- East-West relations have been transformed by revolutionary changes in the Soviet Union and East Europe, and the collapse of the Cold War: with the result that can we now look forward to a global and regional security environment of less confrontation and more cooperation among the major powers - although some tensions do continue, not least in the North Pacific.

- Also on security, the Gulf War has given new life to the concept of collective security, and at the same time has generated an important debate about Japan's wider international political and military role.
  
- The Uruguay Round of multilateral trade negotiations, upon which so many hopes for a more open international order were based, has stalled, giving rise to new fears that, unless a breakthrough can be achieved, there will be a rapid retreat away from global trade liberalisation to a situation of warring trade blocs.
  
- Within the region, by contrast, we have seen established the process of Asia Pacific Economic Cooperation (APEC) in which Australia and Japan have played leading roles: APEC is now becoming consolidated as a key mechanism for promoting regional dialogue and economic interdependence, with a steady emphasis being maintained on the need for non-discriminatory trade liberalisation.
  
- Within our respective economies, important changes have been occurring - with some important moves toward market-opening by Japan (but still, you will forgive me saying, not enough); and some very important policy changes being made by Australia to make ourselves more dynamic and internationally competitive.

Both of our countries are in a sense at a watershed period in our national development. In the case of Australia, we have realised that, in terms of our domestic economy, we are embarked on a make or break course of economic reform and industrial restructuring to make our society and economy more open and internationally competitive. And in terms of our international relations, we have come to appreciate that our future lies squarely in the Asia Pacific and have been devoting a major diplomatic effort to establishing our credentials as a participant, and partner, in this region. Either we succeed in these aspirations, and consolidate our role as a very significant player in this part of the world, or we fail and become ever more marginalised.

It seems that Japan too is now at a watershed, in the sense that your country must decide how to respond to expectations from abroad that you accept wider responsibilities of international political and economic leadership more commensurate with your status as the world's second largest economy.

I believe that in confronting these respective challenges, and in responding to the demands of an increasingly fluid international political and economic environment, there is much to be gained from Australia and Japan continuing to work very closely together, and building upon each other's strengths across the wide range of areas where we find our interests now

coinciding.

The assets we bring together are indeed formidable. In security and strategic terms, our two countries have properly been described as the northern and southern anchors of the Western alliance in the western Pacific region. In economic terms we are the two major advanced market economies of the region: Japan's ranking at the head of the GNP field is clear, but Australia is third in the region (after China), with a GNP equal to India's or all six ASEAN countries combined. And with the longstanding political relationship that has existed between us, we have an excellent basis on which to work together on cooperative strategies for solving a whole range of global and regional problems, from the environment to delivering development assistance.

Against this background, I believe that the framework of "constructive partnership" upon which we agreed in 1989 still provides a very suitable basis for both understanding our relationship and realising its potential - and for highlighting the main themes we should pursue during our discussions today and tomorrow.

## Security

Neither Japan nor Australia are military superpowers, but we each have an important role to play in global security - not least through our efforts to curb nuclear proliferation, to outlaw chemical weapons and to put in place an effective missile technology control regime. Japan's contribution to these objectives has been highlighted by its being invited to host a United Nations Disarmament Conference in Kyoto later this month, and I am looking forward very much to attending that Conference as a keynote speaker.

The United Nations role - not only in disarmament, but in peace-making, peace-keeping and peace-enforcement - has come into new prominence since the Gulf War. It is important that all of us in the international community join in these collective security processes. The Australian Government recognises the major financial and material contribution that Japan has made to the international response to the Gulf crisis. We welcome too your Government's recent decision to despatch mine-sweepers to the Gulf as part of the rehabilitation effort. We are of course aware that that historic decision involved considerable sensitivity and controversy inside Japan, and that the question of any larger role in UN peace operations in the future will require careful consideration both within Japan and in the region. For Australia's part, I make clear that we welcome Japan's playing any such international role.

Within our own region, the security situation is becoming ever more fluid. The overall improvement of East-West relations and the understandable desire by the United States to

reduce defence spending have led to a program for greater reductions in American military deployments in the region. Meanwhile, the Soviet Union's military presence in the western Pacific has largely contracted to the north-west quadrant, and it is signalling - most recently through President Gorbachev's visit to Japan - a strong interest in becoming actively engaged in political and economic relations with other countries in the region. Within Indo-China, a gradual transformation toward a more permanently peaceful and prosperous environment is occurring - although not without continuing frustrations, as we are both well aware, in bringing the Cambodian peace settlement process to finality. On the Korean Peninsula, while changed international circumstances have been helpful in producing new openings in key relationships and some relaxation of tension, fundamental elements of confrontation do still remain.

The separate alliances which Australia and Japan each have with the United States are valuable forces for continuity which contribute in important ways to wider regional stability. The continuing vitality of our respective security relationships with the United States provides a basis for the increasingly important dialogue and cooperation between Australia and Japan on regional issues of shared concern.

In responding to the more fluid strategic outlook in our region, Australia has been active recently in supporting processes of regional security dialogue aimed at developing a sense of shared security interests in the region. From that dialogue we hope that it will be possible over time to put in place a series of confidence-building measures that will give us all greater confidence in the future peace and stability of the region. We particularly value Japan's role in that dialogue as it develops through bilateral channels and other existing mechanisms such as the ASEAN Post Ministerial Conference process.

## International Trade

Both Australia and Japan rely heavily on global trade for continued growth and development. Both of us have a vital interest in strengthening the multilateral trading system, and in the outcome of the Uruguay Round which is seeking not only the further liberalisation of trade in goods, but also the extension of the system of multilateral trade rules into important new areas such as trade in services. Japan, as the world's second largest economy, is clearly in a position to - and we believe should - take a leadership role in bringing the Round to a successful conclusion across the full spectrum of the issues under negotiation.

As you know, the Round was supposed to end last December, but stalled primarily because no effective negotiations were possible on reforming agricultural trade. From Australia's point of view - and from the viewpoint of a large proportion of the other hundred participants - the Round cannot end without the substantial liberalisation of agricultural trade, on which so many depend for their own growth and prosperity, and

which will open the way to solutions in other areas.

The major trading nations, including Japan, have the solution to this problem within their grasp. While the European Community needs to move away from its policy of subsidising agricultural exports, which has so radically distorted agricultural trade, Japan needs to make its contribution through reducing domestic support and further liberalising access to its markets by moving away from quantitative restrictions on imports on agricultural products, just as the GATT has already moved away from quantitative restrictions on manufactures.

Successful completion of the Round as soon as practicable is Australia's top trade policy priority, and we believe pressure needs to be kept up on the negotiating process. A timeframe for concluding the Round must be determined in a way which is related to achieving an outcome of substance.

If we are looking to a leading Japanese role on liberalisation at the global level, so are we also relying on a continuing and constructive role by Japan in regional economic growth. This should include the encouragement of interdependence and integration within the broader framework of a liberal world economic order. The APEC process - while still at a relatively early stage - is in our view establishing itself as a key instrument in encouraging regional dialogue and integration.

Australia sees particular merit in exploring within APEC the idea of regional trade liberalisation, consistent with the agreement reached by APEC Ministers in Singapore in July 1990. As we have made clear, the approach we have in mind is not that of a trading bloc, which APEC Ministers have, in any event, decisively rejected. Rather, we have in mind regional trade liberalisation on a non-discriminatory basis, with the potential to benefit countries outside the region as well as those within it.

The notion of a regional approach to trade liberalisation is naturally a sensitive one, particularly at this critical stage of the Uruguay Round. The non-discriminatory approach we propose is, however, fully consistent with the broader process of multilateral trade liberalisation. A regional approach is likely to gather momentum after the conclusion of the Round, but we consider discussion should proceed while the Round is being finalised.

Quite apart from any immediate gains which might flow from non-discriminatory regional trade liberalisation, we believe the process has the potential to allow our own region to provide a lead towards stronger trade liberalisation at a multilateral level. This is an area where Australia and Japan have a strong common interest, and it belongs squarely within the framework of the constructive partnership.

## International Problem Solving

Since our last meeting, there has been a dramatic quickening of international interest in problems associated with protection of the earth's environment. Australia and Japan are both committed to working for a successful outcome to next year's United Nations Conference on Environment and Development (UNCED). We were encouraged by Japan's recent decision to support a prohibition on mining activity in Antarctica which has contributed greatly to the agreement reached this week at the Antarctic Treaty Special Consultative Meeting in Madrid for a 50-year moratorium on mining exploration and development there.

The Australian side also welcomes the recent Japanese proposal to establish a bilateral mechanism for the exchange of views on environmental issues of mutual interest. We want to work with Japan on such matters as institutional reform to cover gaps in the international legal framework on environmental protection, the proposed international climate change and biodiversity conventions, protection of forests and the development of clean coal technologies. Such cooperation can be pursued through international and regional forums, as well as through bilateral discussions and collaborative scientific research and development activity. We see a good deal of scope for collaborative research work between Australia and Japan in the environmental field, drawing on Japan's experience in utilising strict environmental standards as a stimulus to industrial development and Australia's success in developing world competitive technologies.

Along with the environment, there are a range of other global issues where Australia and Japan have scope for cooperation and co-ordinated action. We acknowledge the great contribution which Japan has already made to regional and wider international stability, inter alia, through its substantial aid and humanitarian programs. We can also do more together in the areas of so-called "non-military threats to security", such as refugee policy, the international narcotics trade, international health problems like AIDS, and counter-terrorism.

## Bilateral Relations

The fourth component of our constructive partnership - further developing and diversifying our bilateral relationship, particularly in the economics sphere - is one to which I want to give particular emphasis today.

Since the present Australian Government came to power in 1983, we have pursued vigorously a sustained program of economic reform and industrial restructuring which is aimed at developing an open, internationally competitive economy, capable of adapting to the changes and opportunities of our dynamic region. These reforms extend across wide areas including taxation; the labour market; land, sea and air transport; financial

deregulation and Government Business Enterprises.

The Government's commitment to carry this process a further quantum leap forward was most recently and decisively demonstrated by our 12 March statements on "Building a Competitive Australia". The key element of the March 12 package was the effective removal of most of the remaining tariff protection for our industries: Australia's average nominal rate of assistance, including both tariff and non-tariff measures, will fall to just 3 per cent by the year 2000, making our economy one of the most open in the world. These decisions were taken in the knowledge that exposure to international competition represents the most powerful spur to greater competitiveness.

We see Japan as crucially important to our economic reform process, both because of our strong bilateral economic relationship, and because of Japan's key role as an engine for growth in the wider regional economy.

One of the most important messages I should like to impress upon our Japanese visitors today, and which I know will be taken up by Treasurer Keating and Industry Minister Button in our later exchanges, is the extent of the structural changes which are now taking place in the Australian economy, and the opportunities this creates for Japan in Australia. While we expect that mineral resources, energy products and agricultural commodities will continue to underpin the bilateral trading relationship, we are looking to encourage a much broader, more diversified economic interchange. This is a process which is of course well under way, with Japan already the largest market for Australian manufactures and Japanese investment in Australia accounting for about one-third of the total annual investment inflow.

The Australian market may be a small one in population terms, but in purchasing power we are very large - as I have said, as large in fact as the six ASEANs (Indonesia, Malaysia, Singapore, Thailand, the Philippines and Brunei) all put together.

And we offer a host of other attractions to overseas investors, including we hope from Japan:

- a stable political and economic environment;
- rich endowment of resources and agricultural capacity;
- excellent educational facilities and a science and technology base second only to Japan's in the region;
- a well-educated and skilled workforce; and

- and a remarkably open and hospitable investment policy climate.

Enhanced science and technology exchanges have been the subject of high-level consideration by our two Governments, including between our two Prime Ministers last year. The success of these efforts will be an important barometer of the diversification of our relationship. In this context, and more generally, the Multifunction Polis Project (MFP), initiated by Japan at the AJMC in 1987, is an example of how we can give form and shape to some of the views Australia and Japan share about broadening the economic and social linkages in our relationship. Over the past four years our two countries have co-operated to define and test the MFP concept. The first meeting of the International Advisory Board in March this year was encouraging in terms of the level of interest and enthusiasm our cooperative efforts have been able to generate. It is now important, of course, that as the two architects of this project we continue to encourage international participation and the development of business opportunities.

As we work through our agenda today and tomorrow, the thrust of our discussions in the bilateral area should, I suggest, be concerned with the ways in which we can build on traditional strengths in our economic relationship; and the many new possibilities which are opening up for our bilateral exchanges to grow apace.

Japanese and Australians are gradually getting to know each other better - through massive increases in tourism, and through cultural and educational exchanges and the like. There is a great desire in this country to engage more closely with your country: why else would there be, proportionately, more youngsters studying the Japanese language here than in any other country in the world?

Across the whole range of international, regional and bilateral issues, I believe we can help each other. You can certainly help us economically by investing in and trading with us, and by working constructively with us in APEC and the Uruguay Round. And we believe we can be a useful and congenial partner for Japan, politically as well as economically, and not only within the region but on the wider global stage, as you become more and more active a player across the whole expanding range of international diplomacy.

We should be increasingly identifying common interests and, drawing upon each other's strengths, becoming in a better position to influence our interlocking futures. We may not always agree on every detail of specific issues, but we should face up to our differences, keep them in perspective alongside the wide range of important political and economic interests we undoubtedly share, and seek to move forward in ways which will benefit both our nations and the region in which we live.

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